

FRANCHISE DISCLOSURE DOCUMENT



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a Florida limited liability company
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The franchise is for a FYZICAL® physical rehabilitation center (the "Center" or "Business") that provides patients with physical therapy programs for rehabilitation, balance, medical-based fitness and pain management and other products and services that we authorize from time to time.

The total investment necessary to convert an existing business to a FYZICAL® Center ranges from \$82,250 to \$~~209~~210,500; or \$138,750 to \$~~380~~390,000 if you are beginning operation of a totally new FYZICAL® Center. This includes \$70,000 to \$~~130~~140,000 that will be paid to the franchisor or affiliate for each Territory that you purchase (\$1.75 per person based on the population in the Territory with a minimum of one Territory consisting of approximately 40,000 people).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Matthew DiMauro, Vice President of Sales & Marketing, 505 South Orange Avenue, Suite 101, Sarasota, Florida 34236 and telephone number (941) 227-4122.

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 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 (the "FTC"). 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 for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: February ~~12, 2016, as amended November 14, 2016~~9, 2017

State Cover Page

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

Call the state franchise administrator listed in Exhibit "E" for information about the franchisor, or about franchising in your state.

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

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE SETTLED BY MEDIATION OR LITIGATION IN FLORIDA. OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR LITIGATE WITH US IN FLORIDA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT FLORIDA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. MINIMUM PERFORMANCE LEVELS MUST BE MET IN ORDER TO MAINTAIN EXCLUSIVE RIGHTS TO THE PROTECTED AREA. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY. REFER TO ITEM 12 FOR COMPLETE DETAILS.
4. SPOUSES OF FRANCHISE OWNERS MAY BE REQUIRED TO SIGN A PERSONAL GUARANTY PLACING THEIR PERSONAL AND MARITAL ASSETS AT RISK.
5. THE FRANCHISEE WILL PROVIDE SERVICES AND PRODUCTS AT RATES ESTABLISHED BY THE FRANCHISOR.
- ~~6. THE FRANCHISOR HAS LIMITED FINANCIAL RESOURCES WHICH MIGHT NOT BE ADEQUATE TO FUND THE FRANCHISOR'S PRE-OPENING OBLIGATIONS TO EACH FRANCHISEE AND PAY OPERATING EXPENSES.~~
76. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

(See Exhibit "F" for state specific addenda and riders)
(See Exhibit "E" for state agencies & agents for service of process)
(See next page for state effective dates)

EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	March 1, 2016, amended December 9, 2016 , <u>2017</u>
Hawaii	
Illinois	February 18, 2016, amended December 6, 2016 , <u>2017</u>
Indiana	January 15, 2016 <u>2017</u>
Maryland	December 12, 2016, <u>amended as of</u> , <u>2017</u>
Michigan	January 17, 2016 <u>2017</u>
Minnesota	February 24, 2016, amended , <u>2016</u> , <u>2017</u>
New York	March 4, 2016, amended , <u>2016</u> , <u>2017</u>
North Dakota	March 7, 2016, amended , <u>2017</u> 2016
Rhode Island	March 13, , <u>2017</u> 2016 , amended December 8, 2016
South Dakota	December 6, 2016
Virginia	February 22, 2016, amended December 12, , <u>2017</u> 2016
Washington	, , <u>December 18, 2016, as amended</u> , <u>2017</u> 2016
Wisconsin	January 7, 2016, 6, 2017, as amended February 12, , <u>2017</u> 2016 , amended , <u>2016</u>

**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.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor 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 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.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Antitrust & Franchise
G. Mennen Williams Building, ~~6th~~^{1st} Floor
525 West Ottawa
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

TABLE OF CONTENTS

ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	4
ITEM 3 LITIGATION	8
ITEM 4 BANKRUPTCY	8
ITEM 5 INITIAL FEES	8
ITEM 6 OTHER FEES	9
ITEM 7 ESTIMATED INITIAL INVESTMENT	13
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	17
ITEM 9 FRANCHISEE'S OBLIGATIONS	20
ITEM 10 FINANCING	22
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	23
ITEM 12 TERRITORY	30
ITEM 13 TRADEMARKS	33
ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	34
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	35
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	36
ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	36
ITEM 18 PUBLIC FIGURES	40
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	40
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	41
ITEM 21 FINANCIAL STATEMENTS	47
ITEM 22 CONTRACTS	47
ITEM 23 RECEIPT	48
<u>ITEM 1</u> FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	<u>1</u>
<u>ITEM 2</u> BUSINESS EXPERIENCE	<u>4</u>

<u>ITEM 3</u>	<u>LITIGATION</u>	<u>10</u>
<u>ITEM 4</u>	<u>BANKRUPTCY</u>	<u>10</u>
<u>ITEM 5</u>	<u>INITIAL FEES</u>	<u>10</u>
<u>ITEM 6</u>	<u>OTHER FEES</u>	<u>11</u>
<u>ITEM 7</u>	<u>ESTIMATED INITIAL INVESTMENT</u>	<u>15</u>
<u>ITEM 8</u>	<u>RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES</u>	<u>19</u>
<u>ITEM 9</u>	<u>FRANCHISEE’S OBLIGATIONS</u>	<u>22</u>
<u>ITEM 10</u>	<u>FINANCING</u>	<u>23</u>
<u>ITEM 11</u>	<u>FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING</u>	<u>25</u>
<u>ITEM 12</u>	<u>TERRITORY</u>	<u>32</u>
<u>ITEM 13</u>	<u>TRADEMARKS</u>	<u>35</u>
<u>ITEM 14</u>	<u>PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION</u>	<u>37</u>
<u>ITEM 15</u>	<u>OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS</u>	<u>37</u>
<u>ITEM 16</u>	<u>RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL</u>	<u>38</u>
<u>ITEM 17</u>	<u>RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION</u>	<u>39</u>
<u>ITEM 18</u>	<u>PUBLIC FIGURES</u>	<u>42</u>
<u>ITEM 19</u>	<u>FINANCIAL PERFORMANCE REPRESENTATIONS</u>	<u>42</u>
<u>ITEM 20</u>	<u>OUTLETS AND FRANCHISEE INFORMATION</u>	<u>45</u>
<u>ITEM 21</u>	<u>FINANCIAL STATEMENTS</u>	<u>53</u>
<u>ITEM 22</u>	<u>CONTRACTS</u>	<u>53</u>
<u>ITEM 23</u>	<u>RECEIPT</u>	<u>53</u>

EXHIBITS:

Exhibit "A"	FRANCHISE AGREEMENT
Exhibit "B"	FINANCIAL STATEMENTS
Exhibit "C"	CONVERSION ADDENDUM TO FRANCHISE AGREEMENT
Exhibit "D"	TABLE OF CONTENTS OF MANUALS
Exhibit "E"	LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS
Exhibit "F"	STATE SPECIFIC ADDENDA AND RIDERS
Exhibit "G"	GENERAL RELEASE
Exhibit "H"	FORM OF PROMISSORY NOTE, SECURITY AGREEMENT AND UCC-1
	FINANCING STATEMENT FRANCHISE COMPLIANCE CERTIFICATE
Exhibit "I"	FRANCHISE COMPLIANCE CERTIFICATE LIST OF FRANCHISEES
Exhibit "J"	LIST OF FRANCHISEES
Exhibit "K"	LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
Exhibit " L K "	RECEIPTS

Applicable state law may require additional disclosures related to the information contained in this disclosure document. These additional disclosures, if any, appear as an addendum or rider in Exhibit "F."

ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, “we,” “us,” “our” and the “Company” mean FYZICAL, LLC – the franchisor. “You” and “your” means the person who buys a FYZICAL® Center franchise – the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company.

The Franchisor

FYZICAL, LLC is a Florida limited liability company that was formed on August 28, 2012. Our principal business address is 505 South Orange Avenue, Suite 101, Sarasota, Florida 34236 and our telephone number is (941) 227-4122. Our registered agent for service of process in Florida is Cross Street Corporate Services, Inc., 200 South Orange Avenue, Sarasota, Florida 34236. Our agents for service of process in the states that require franchise registration are listed in Exhibit "E" to this disclosure document. We do not do business under any names other than our corporate name and the trade name "FYZICAL®".

We offer franchises for centers that provide physical therapy, medically-based physical fitness for rehabilitation, pain management, and balance to patients by licensed and qualified therapists, balance retraining and fall prevention, sports rehabilitation and programs for fitness and health in a state-of-the-art facility using proprietary methods and formulas, and fitness services (the "FYZICAL® Center" or "FYZICAL® Businesses"). We are not engaged in any business other than the offering of FYZICAL® Center franchises. We began offering franchises on July 15, 2013. We do not offer franchises in any other line of business.

We do not operate any of the FYZICAL® Centers, but our affiliate, BizZoom, Inc. ("BizZoom") previously had an ownership interest in the FYZICAL® Center in Sarasota, Florida. From 2000 to 2012, the Center was operated as "European Physical Therapy." Since November 2012, the Center has operated under the "FYZICAL®" name and related marks. Also, certain of our owners through affiliates, own franchises to operate FYZICAL® Centers in Nevada and Florida. Our subsidiary, Fyzical Retail, LLC ("Fyzical Retail"), owns and operates 5 FYZICAL® Centers in Southwest Florida. Fyzical Retail is a Florida limited liability company formed on February 8, 2017. Its principal business address is the same as ours. Fyzical Retail does not offer franchises in this or any other type of business.

Parents, Predecessors and Affiliates

We do not have any parents or predecessors. Our affiliate, BizZoom owns the Marks listed in Item 13 of this disclosure document and licenses them to us under an agreement which grants us the right to use and to sublicense the use of the Marks to our franchisees. BizZoom also provides management and accounting services to us and our affiliates, ~~and is a managing member of our affiliate, Fyzwest, LLC ("Fyzwest").~~ In doing so, we and our affiliates share certain employees with BizZoom, including the individuals listed in Item 2 of this disclosure document. BizZoom is a Florida corporation formed on July 9, 2012. Its principal business address is the same as ours: ~~505 South Orange Avenue, Suite 101, Sarasota, Florida 34236.~~ BizZoom engages in other business activities, but does not offer franchises in this or any other type of business, although it may do so in the future.

~~Fyzwest is a Florida limited liability company formed on July 26, 2013, and is affiliated through common ownership. Fyzwest is our area representative to help us offer franchises and provide local support to franchisees located exclusively in the states of: Arizona, Colorado, Idaho, Nevada and New Mexico. Its principal business address is also the same as ours and its business is limited to acting as our~~

~~area representative in those 5 states. Fyzwest is being consolidated into us and will no longer separately do business, in the first quarter of 2016.~~

We are also affiliated through common ownership with Praxis S-10, LLC ("**Praxis**"). a Florida limited liability company that was formed on May 4, 2016. Its principal business address is the same as ours: 505 South Orange Avenue, Suite 101, Sarasota, Florida 34236. Praxis offers franchises for PriceFixer.com™ Businesses that offer residential air conditioning and heating services, including indoor air quality services, maintenance, repair and equipment replacement, and the sale of heating and air conditioning equipment and systems and other related services that Praxis authorizes. Praxis began offering franchises on October 17, 2016 and had no franchisees open as of December 31, 2016.

Other than ~~Fyzwest and~~ Praxis, we do not have any affiliates that offer franchises in any line of business or that provide products or services to our franchisees.

The Business

FYZICAL® is a healthcare company utilizing physical therapy as the foundation for helping people achieve optimum health. Leading the charge to transform healthcare from one of "Sick Care" to "Well Care" by providing services focused on quality outcomes, total well-being, and prevention.

FYZICAL® Centers provide patients with individualized medical and scientific-based physical therapy programs to elicit significant improvement in physical function, functional independence and quality of life without surgery or prescription drugs. FYZICAL® Businesses offer a range of services for both physician-referred patients and self-referred patients. The FYZICAL® program focuses on a hands-on, holistic approach to health and wellness through diagnostics, specialized education, and treatment in a state-of-the-art facility. Patients receive specialized, personal attention from licensed therapists to help them discover how to achieve the pinnacle of healthy living, expand their boundaries, and feel better.

The Franchise Offered

The FYZICAL® Center that you will establish and operate will be referred to in this disclosure document as your "**Center**" or "**Business**." You will acquire a license to use certain logos, service marks and trademarks, including the trademark and service mark "FYZICAL®" (collectively, the "**Marks**") and proprietary systems, procedures and technology in the operation of your Center. The "**Marks**" also include our distinctive trade dress used to identify FYZICAL® Centers, whether now in existence or created in the future. You will sign a franchise agreement (the "**Franchise Agreement**"). You will operate your Center in accordance with the Franchise Agreement in the form attached to this disclosure document as Exhibit "A".

FYZICAL® Centers are characterized by a system (the "**System**") which includes our methods and procedures for the establishment, management and operation of FYZICAL® Businesses, including our logos, concept, style, trade secrets, proprietary formulas, programs and products, confidential operations manuals and operating system. The operational aspects of a FYZICAL® Business are contained within our confidential operating manuals (collectively, the "**Manuals**"). You will operate your Center as an independent business using the Marks, the System, the "FYZICAL®" name, as well as the support, guidance and other methods and materials provided or developed by us. You will provide the authorized services and products to clients at rates we establish and revise from time to time, provided we are able to do so under applicable law. For uniformity and brand integrity, you may not offer other services or products without our prior written approval.

Your Center will have one or more licensed and qualified physical therapists (referred to as "**Licensed Professionals**"). You (if you are a Licensed Professional) or other Licensed Professionals engaged by you will be involved in the operations of your Center in accordance with your state's laws and regulations, your Franchise Agreement, and the Manuals. The Franchise Agreement will not interfere, affect, or limit the independent exercise of medical judgment by the medical staff.

Franchisees that convert an existing physical therapy or fitness center to a FYZICAL® Center under our conversion program (a "**Conversion Center**") are required to sign the form of Conversion Addendum to Franchise Agreement attached as Exhibit "C" to this disclosure document, which will modify certain provisions of the Franchise Agreement.

Market and Competition

The target market for FYZICAL® Centers includes primarily adult men and women ages 18 and up. A FYZICAL® Center competes primarily with other centers and facilities that provide physical therapy, rehabilitation therapy, pain management, and/or balance programs to patients. The market for physical therapy, rehabilitation therapy, pain management therapy, and balance programs is well-established and highly competitive. However, we believe we have distinguished FYZICAL® Centers due to our individualized physical therapy programs, state-of-the-art facilities and proprietary systems, procedures and technology. The sales of FYZICAL® Centers may be affected by seasonality in some locations, depending on location, proximity to "snowbird" communities, and population density of year-round residents.

Laws and Regulations

You will comply with all federal and state licensing and other regulatory requirements relating to the operation of your Center. In addition to laws and regulations that apply to businesses generally, you will comply with all health care regulations under federal, state and local laws that apply to the management and operation of a FYZICAL® Center. You will be required to secure and maintain in force all required health care licenses, permits and certificates relating to the operation of your Center and the other licenses that apply to any Licensed Professionals or other employees.

Various federal and state laws regulate the privacy and security of patient health care information. For example, under the federal Health Insurance Portability and Accountability Act (HIPAA), as amended by the federal Health Information Technology for Economic and Clinical Health (HITECH) Act, healthcare providers will keep patient health care information confidential and only disclose such information to third parties when requests are properly submitted. In addition, you will ensure the privacy and security of patient health care information you share with any "**business associate**" as defined under the HITECH Act, such as service providers, attorneys, or third-party insurance billing companies. Many states also have laws regulating the privacy and security of patient healthcare information. These state laws may impose further restrictions on obligations related to the privacy and security of such information.

We do not intend for our licensing or franchising of, or providing services to, FYZICAL® Businesses to constitute our engagement in the practice of medicine, physical therapy, massage or any other profession requiring specialized training, certification or licensure, including the ordering of any test, diagnosis or treatment of any individual whatsoever (collectively, the "**Practice of a Profession**"). The Practice of a Profession in any manner provided through your FYZICAL® Business will only be performed by qualified and licensed physical therapists or other properly trained, certified and Licensed Professionals, which we designate or approve. In some states, operation of, or operation of certain aspects of a FYZICAL® Business, may be considered the practice of medicine or other forms of a

Practice of a Profession and may or may not require a medical or some other form of professional license or certification which you may be required to obtain, or some other form of license or certification your personnel will obtain before your or their operation of your Center.

You should check the various state and federal laws and regulations governing: the practice of medicine and other professions; patient privacy and other areas related to medical, diagnostic, or health and wellness procedures therapies, treatments, tests or screenings; physician and patient referrals, and certain entities involved in the field of medicine and other fields of the Practice of a Profession.

If you operate in a jurisdiction that regulates the Corporate Practice of Medicine, you may be prohibited from employing a licensed physical therapist directly or from providing physical therapy services directly to the public unless you are a physical therapist. Instead, you may need to enter into a lease, management services or comparable agreement with the physical therapist (or the professional's business entity) to arrange for the provision of physical therapy services. If you are located in such a state, you are responsible for preparing an agreement that complies with your state's laws, and you will submit it to us for our consent.

In addition, you should be aware that in jurisdictions that regulate the Corporate Practice of Medicine, accounting rules will determine how you may recognize physical therapy revenues as part of your gross collected revenues. For example, since some jurisdictions prohibit a business corporation that is owned by a non-professional from employing a physical therapist, in those jurisdictions, you would need to structure an arrangement with the physical therapist (or the professional's business entity) pursuant to which you would be entitled to reasonable fees in exchange for providing professional support and management services to the physical therapist. These services might include providing facility or office space to perform physical therapy services or administrative support services in the form of patient scheduling, accounting and billing, or ordering of supplies. We include in gross collected revenues all of the fees paid to you by the physical therapist (or the professional's business entity).

A physical therapist's operation of a physical therapy practice is subject to comprehensive professional licensing and registration requirements. In addition, many states have physical therapy boards that determine rules and regulations regarding their respective members and the scope of services that may legally be offered by their members. These requirements often apply to both the individual professional service provider and the professional's business entity. As a condition to a physical therapist's licensing requirements, the physical therapist (or the professional's business entity) may need to obtain and maintain a minimum amount of professional liability insurance. The Franchise Agreement and Manuals prohibit you from employing any person in a position that requires a license or permit unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files.

There may be other local, state and/or federal laws or regulations pertaining to your Center with which you will comply. We strongly suggest that you investigate these laws before investing in this franchise.

See Exhibit "F" for any state-specific information.

ITEM 2 BUSINESS EXPERIENCE

~~Chief Executive Officer &~~ Co-Founder and Managing Member: James D. Abrams

James (Jim) Abrams has been ~~a~~our Co-Founder and ~~our~~Managing Member since our inception in August 2012. Prior to that, he also served as Chief Executive Officer since our inception in August 2012.

He has also served as the CEO of BizZoom since its inception in July 2012. He has served as ~~a Manager of Fyzwest since its inception; and~~ Managing Member of Fyzical Fitness, LLC since its inception. In April 7, 2014, he became a member and manager of Las Fyzical, LLC, and January 1, 2015, he became a member and manager of Fyzical Sports, LLC that own and operate collectively 4 FYZICAL® Centers in the Las Vegas Metropolitan area in Nevada. From October 2014 to present, he has been a member and manager of FYZBIZ, LLC, that ~~owns~~owned and ~~operates collectively~~operated 5 FYZICAL® Centers in the Fort Myers, Florida area. ~~From July 2011 to July 2012, he was the~~ before they were acquired by Fyzical Retail. He has been a Managing Member of AngelShot, LLC in Sarasota, Florida since its inception in January 2011. From November 1999 to July 2011, Jim was the Chief Executive Officer of Clockwork Home Services, Inc., located in Sarasota, Florida.

Vice President of Sales & Marketing: Matthew Jon DiMauro

Mr. DiMauro was promoted to serve as our Vice President of Sales & Marketing effective May 1, 2016. Prior to that he was our Sales Associate from June 16, 2014 to May 1, 2016. He has been a member of AngelShot, LLC in Sarasota, Florida since January 1, 2017. From November 2014 to present, he has served as General Manager of FYZICAL Fort Myers (Metro) and FYZICAL Fitness. ~~He also serves as a franchise sales consultant for Fyzwest since January 2015, LLC.~~ From May 2013 to June 2014, he was an Account Executive for Gartner, Fort Myers, Florida. From February 2013 to May 2013, he was an Intern with SRS Real Estate Partners, Orlando, Florida. Mr. DiMauro was a student at Rollins College, Orlando, Florida from August 2009 to May 2013.

Chief Financial Officer: Constance Marie Mattis

Constance Mattis has been our Chief Financial Officer since October 2012 and the Chief Financial Officer for Praxis since May 4, 2016. ~~She also serves as a franchise sales consultant for Fyzwest since January 2015.~~ She has also served as the Chief Financial Officer of BizZoom since October 2012. From February 2012 to October 2012, she served as a staff accountant at Famiglio & Associates in Sarasota, Florida. From June 2005 to December 2011, she served as Chief Financial Officer of Service 1st Federal Credit Union in Danville, Pennsylvania.

Co-Founder & Chief Medical Officer: Dr. Dan Deems, M.D.

Dr. Daniel Deems has been a Co-Founder and our Chief Medical Officer since our inception in August 2012. ~~He also serves as a franchise sales consultant for Fyzwest since January 2015.~~ In August 2013, he became a member and manager of Las Fyzical, LLC and January 1, 2015, he became a member and manager of Fyzical Sports, LLC that own and operate collectively 4 FYZICAL® Centers in the Las Vegas Metropolitan area in Nevada. From 2000 to present, he has been Founder and Chief Executive Officer of both University ENT Associates and University Hearing Systems, which are located in Sarasota, Florida. He has been on faculty in the School of Medicine at Florida State University since 2004. Dr. Dan Deems received his MD from the University of Pennsylvania. He also holds a PhD in Physiological Psychology from UCLA and a BA in Psychology from Occidental College.

Co-Founder & Medical Advisory Team Member: Dr. Rhonda Deems

Dr. Rhonda Deems has been a Co-Founder and member of our Medical Advisory Team since our inception in August 2012. ~~She also serves as a franchise sales consultant for Fyzwest since January 2015.~~ In August 2013, she became a member and manager of Las Fyzical, LLC and January 1, 2015, she became a member and manager of Fyzical Sports, LLC that own and operate collectively 4 FYZICAL® Centers in the Las Vegas Metropolitan area in Nevada. From 2000 to present, she has been the Chief Financial Officer at University Ear, Nose & Throat Associates in Sarasota, Florida. Dr. Rhonda Deems

holds a PhD in Nutrition from Tufts University, an MA in psychology from Occidental College and a BS in Physiological Psychology from UCLA.

Managing Partner: Michael Graves

Member and President of Fyzical Retail: Dr. Christopher Hugh Mulvey

Dr. Mulvey has been one of our members since January 2017, and President of Fyzical Retail that owns and operates company-owned FYZICAL® Centers, since its inception in January 2017. From September 2003 to present, he has been a member and President of FYZBIZ, LLC that owned and operated 5 FYZICAL® Centers in the Fort Myers, Florida area before they were acquired by Fyzical Retail.

~~Mr. Graves has been one of our Managing Partners since January 29, 2014. He also serves as a franchise sales consultant for Fyzwest since January 2015. He has also been CEO of GoldCoast Physical Therapy, Lake Worth, Florida, since June 1998. Gold Coast owns 6 FYZICAL® Centers in South Florida.~~

Managing Partner: Bruce White

~~Mr. White has been one of our Managing Partners since January 29, 2014. He also serves as a franchise sales consultant for Fyzwest since January 2015. He has also been Vice President of Business Development of GoldCoast Physical Therapy, Lake Worth, Florida, since November 2005. Gold Coast owns 6 FYZICAL® Centers in South Florida.~~

Member: Bert W. O'Malley, Jr., M.D.

Dr. O'Malley has been one of our Members since February 1, 2016. He has been a Professor and Chair, Department of Otorhinolaryngology, University of Pennsylvania Hospital, Philadelphia, Pennsylvania, since August 2003.

Project Manager: Sean Abrams

Sean Abrams has been our Project Manager since our inception in August, 2012. ~~He also serves as a franchise sales consultant for Fyzwest since January 2015.~~ In August 2013, he became a member of Las Fyzical, LLC which owns 4 FYZICAL® Centers in Las Vegas, Nevada. He has also served as Project Manager for BizZoom since its inception in July 2012. ~~From December 2011 to July 2012, he was~~ He has been a Manager at Managing Member of AngelShot, LLC in Sarasota, Florida since its inception in January 2011. From October 2005 to November 2011, he was President of The Mutual Fund Store-Tampa, Inc., located in Tampa, Florida.

Vice President of Operations: Tim Richardson

Tim Richardson became our Vice President of Operations in December 2014, and oversees the support team that assists franchisees in implementing the franchise system, education, project development, etc. ~~He also serves as a franchise sales consultant for Fyzwest.~~ From March 3, 2014 until December 2014, he was our Compliance Champion, where he acted as director of regulatory compliance for Medicare/Medicaid and insurance billing matters. From 1998 to 2012, he was the owner of Medical Arts Rehab in Palmetto, Florida. From 2012 to March 3, 2014, he was a Physical Therapist for Request PT, Bradenton, Florida, and Fusion Home Health in Palmetto, Florida.

Member, National Director of Education and President of Support: Dr. Eric Eldon Douglass

Dr. Douglass became one of our members and was appointed as President of Support on February 1, 2017. He also serves as our National Director of Education starting in September 2016. He operates out of Bonita Springs, Florida. From August 2015 to August 2016, Dr. Douglass was Vice President/Clinical Services for the FYZICAL® Centers owned by FYZBIZ, LLC in Bonita Springs, Florida. From September 2001 to July 2015, he was Owner and President of Douglass Orthopedic & Spine Rehabilitation, Inc. in Bonita Springs, Florida.

Marketing Director: Kevin Steven Mercier

Mr. Mercier was promoted to serve as our Marketing Director effective April 1, 2016. Prior to that, Mr. Mercier was our Digital Media & Technology Specialist since January 1, 2013. ~~He also serves as a franchise sales consultant for Fyzwest since January 2015.~~ Prior to that, while he was a student at Stetson University ("Stetson"), Deland, Florida, from May 15, 2009 to May 15, 2010 he was a Periodicals Assistant, and from May 15, 2010 to May 15, 2011 a Website Operation Intern for Stetson. Mr. Mercier was the General Manager of Duval's New World Center, Sarasota, Florida from July 4, 2011 to January 1, 2013. Prior to July 4, 2011, Mr. Mercier was a student at Stetson.

Sales Associate: Digital Marketing Manager: Molly Gallagher Dennehy

Ms. Dennehy joined us as Digital Marketing Manager on February 1, 2016. From March 9, 2015 to January 31, 2016, she was (a) a Marketing Assistant for Sarasota Day.com; (b) a Marketing Assistant for Hub Media; and (c) an Assistant Producer for Hub Studios, all in Sarasota, Florida. From June 2009 to March 9, 2015, she was a marketing receptionist for Cutting Loose Salon in Sarasota, Florida.

Sales Associate: Christopher G. Hincker

Mr. Hincker joined us as a Sales Associate on February 1, 2016. From December 2015 to January 2016, he was an Account Executive with Harbortouch FMS in Tampa, Florida. From August 2015 to December 2015, he was the Head Coach of Men's Tennis for the University of Delaware in Newark, Delaware. From June 2010 to August 2015, he was a salesman for RAW Tennis and Fitness in Wilmington, Delaware.

Member: Michael Graves

Mr. Graves has been a member since January 29, 2014. He has also been CEO of GoldCoast Physical Therapy, Lake Worth, Florida, since June 1998. Gold Coast owns 6 FYZICAL® Centers in South Florida.

Sales Associate: ~~Corey J. Jones~~ Bruce White

Mr. ~~White~~Mr. ~~White~~ joined us as a Sales Associate on January 29, 2014. He has also been Vice President of Business Development of GoldCoast Physical Therapy, Lake Worth, Florida, since November 2005. Gold Coast owns 6 FYZICAL® Centers in South Florida.

~~Jones joined us as a Sales Associate on October 10, 2016. Prior to joining us and after graduation in December 2014, Mr. Jones served as: Branch Banker at BB&T Bank in Naples, Florida from February 2015 to January 2016; and Licensed Banker at Chase Bank in Akron, Ohio, from February 2016 to September 2016.~~

Sales Associate: Michael B. Siegel, M.D.

Dr. Siegel joined us as a Sales Associate on October 10, 2016. He is also one of our franchise owners joining in December 7, 2015 to open a FYZICAL® Center in Rockville, Maryland. Dr. Siegel is also a practicing physician specializing in Otolaryngology (ear, nose and throat) with Siegel and Bosworth Ear, Nose and Throat Center, P.A. in Rockville, Maryland since October 1993.

Sales Associate: ~~Digital Marketing Manager: Molly Gallagher Dennehy~~

~~Ms. Dennehy joined us as Digital Marketing Manager on February 1, 2016. From March 9, 2015 to January 31, 2016, she was (a) a Marketing Assistant for Sarasota Day.com; (b) a Marketing Assistant for Hub Media; and (c) an Assistant Producer for Hub Studios, all in Sarasota, Florida. From June 2009 to March 9, 2015, she was a marketing receptionist for Cutting Loose Salon in Sarasota, Florida.~~

Sales Associate: Brian James Sganga

Mr. Sganga joined us as a Sales Associate on February 1, 2016. Mr. Sganga has been one of our franchisees in Lake City, Florida, since August 1, 2014. From April 1, 1996, through July 31, 2014, he was the Managing Member and Attorney for Brian J. Sganga, Attorney at Law, L.L.C., in Lake City, Florida.

Sales Associate: Aaron Lee Santas

~~Mr. Santas became our Franchise Sales Broker on February 1, 2016. He has been the owner of Guardian Roofing in Tacoma, Washington since September 2005.~~

Project Manager for Las Fyzical: Cameron R. Deems

~~Mr. Deems has been the Project Manager for Las Fyzical, our franchisee in Henderson and Summerlin, Nevada since July 7, 2014. He also serves as a franchise sales consultant for Fyzwest since January 2015. Prior to that from 2013 to 2014, he was a student store cashier for the University of Richmond, Richmond, Virginia. From 2008 to 2013, he was one of the front office Staff for University ENT Associates in Sarasota, Florida.~~

Area Representative: FyzWest

~~FyzWest is our affiliate and Area Representative in 5 states: Arizona, Colorado, Idaho, Nevada and New Mexico. FyzWest's sole manager is Jim Abrams. As noted above, many of our management personnel also serve as franchise sales consultants for Fyzwest, and Fyzwest is being consolidated into us in the first quarter of 2016.~~

Area Representative: FYZ Utah LLC

Fyz Utah LLC ("Fyz Utah") is a Utah limited liability company formed on December 29, 2014, with its principal office at 1087 East Bretonwoods Lane, Orem, Utah 84097. Fyz Utah has been our Area Representative in the State of Utah since February 2015.

Fyz Utah's management includes:

Chief Executive Officer/Fyz Utah: Rogan L. Taylor

Rogan has been Chief Executive Officer of Fyz Utah since its inception. From March 15, 1987 to present, he has been Physical Therapist and owner of Spine, Orthopedic & Sports Physical Therapy, LLC in Orem, Utah, which operates a franchised FYZICAL® Center.

Chief Financial Officer/Fyz Utah: Linda S. Taylor

Linda has been Chief Financial Officer of Fyz Utah since its inception. From March 15, 1987 to present, she has been a Manager of Spine, Orthopedic & Sports Physical Therapy, LLC in Orem, Utah, which operates a franchised FYZICAL® Center.

Chief Operating Officer/Fyz Utah: Kimball Taylor

Kimball has been Chief Operating Officer of Fyz Utah since its inception. From May 1, 2009 to present, he has been Physical Therapist and assistant office manager of Spine, Orthopedic & Sports Physical Therapy, LLC in Orem, Utah, which operates a franchised FYZICAL® Center.

Vice President of Marketing/Fyz Utah: Kevin Claiborne Massie, Jr.

Kevin has been Vice President of Marketing of Fyz Utah since its inception. From January 2013 to present, he has been the sales manager for Eco Alarm in Provo, Utah. From March 2010 to December 2012, he was a sales representative for Vivint in Provo, Utah.

Area Representative: Tuscaloosa Ear, Nose & Throat Center, P.C.

Tuscaloosa Ear, Nose & Throat Center, P.C. ("TENT") is an Alabama professional corporation formed on March 31, 1977, with its principal office at 1300 McFarland Boulevard, Suite 150, Tuscaloosa, Alabama 35406. TENT has been our Area Representative in the State of Alabama since August 9, 2016.

TENT's management includes:

President / TENT: Lee Loftin, M.D.

Dr. Loftin has been President of TENT since 1999, and has been a Physician/Owner from 1991 to present.

Secretary / TENT: Gary M Lake III, M.D.

Dr. Lake has been Secretary of TENT since 1999, and has been a Physician/Owner from July 1995 to present.

Physician/Owner / TENT: Carlisle Reid Stephenson III, M.D.

Dr. Stephenson has been a Physician/Owner of TENT since July, 2000 to present.

Physician/Owner / TENT: David Bruce Rosenstiel, M.D.

Dr. Rosenstiel has been a Physician/Owner of TENT since June, 2001 to present.

Physician/ TENT: James Edgar Shotts, Jr., M.D.

Dr. Shotts has been a Physician of TENT since 1973 to present.

Director of Physical Therapy: Dustin Clary

Mr. Clary ~~will be joining~~joined TENT as Director of Physical Therapy in January ~~2017~~2016. From March 21, 2006 until ~~then~~January 2017, he ~~is serving~~served as Director of Physical Therapy at Black Warrior Medical in Tuscaloosa, Alabama.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

You will pay us an initial franchise fee based on the number of Territories that comprise your Protected Area. The initial franchise fee is \$1.75 per person based on the population in the Territory and is based on a minimum of one Territory. A "**Territory**" is a geographic area that contains a population of approximately 40,000 people and comprises an area encompassing a complete zip code; no areas comprising less than a full zip code. For example, if your Territory contains a population of 40,000, then the initial franchise fee would be \$70,000. The initial franchise fee is payable in full when you and we enter into the Franchise Agreement.

The initial franchise fee is determined uniformly for all franchisees based on territory size and is not refundable under any circumstances. All initial franchise fees are fully earned when paid.

We are a member of the International Franchise Association ("**IFA**") and participate in the IFA's VetFran program, which provides financial incentives to qualified veterans to help them acquire franchised businesses. In support of this program, we reduce the initial franchise fee 25% for qualified veterans. The qualified veteran needs to have majority ownership in the franchised business to receive this discount on the initial franchise fee. We reserve the right to modify this program at any time.

In addition, we may reduce or discount the initial franchise fee, at our discretion, during our initial period of franchise sales. During ~~2015~~2016, the amount of the initial franchise fees paid to us varied from a low of ~~\$20,615~~\$32,446 to a high of ~~\$243,416.45~~\$2,430,000; and was based on \$1.75 per person in the population. ~~However, previously the cash portion of the initial franchise fee was waived for 2 franchise owners that are also our owners and in exchange for intellectual property that we incorporated into the System.~~

There are no other amounts that will be paid to us prior to opening your Center.

ITEM 6

OTHER FEES

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	<u>Year 1: Greater of \$1,000 per Territory⁽²⁾ per month or 6% of Gross Revenue per month⁽³⁾.</u> <u>Year 2: Greater of \$2,000 per Territory⁽²⁾ per month or 6% of Gross Revenue per month⁽³⁾.</u> <u>Years 3-10: Greater of \$3,000 per Territory⁽²⁾ per month or 6% of Gross Revenue per month⁽³⁾.</u>	5th day of each month, starting on the Royalty Commencement Date ⁽⁵⁾	Your Royalty Fee will be an amount equal to: <u>\$1,000 times the number of Territories that comprise your Protected Area during Year 1; \$2,000 times the number of Territories that comprise your Protected Area during Year 2; \$3,000 times the number of Territories that comprise your Protected Area during Years 3-10;</u> or 6% of Gross Revenue, whichever is greater. If applicable laws or regulations will not permit the payment of Royalties based on Gross Revenue, then a monthly Royalty Fee will be \$500 <u>\$1,000</u> per Therapist. ⁽⁴⁾ You may be required to pay the Royalty and any other fees by electronic funds transfer. <u>"Year 1" begins on the Royalty Commencement Date and ends on its first anniversary. Each subsequent year begins at the end of the previous year and ends 12 months later and so on.</u>
Local Advertising	Not currently required	On a monthly basis when required, paid to third party	Although you may invest more, to establish Brand recognition and to promote growth, you may be required to invest up to 5% of your Gross Revenue on advertising, marketing and promotional programs we develop from time to time.
Periodic Training Fee	Currently not charged	Before training begins	Your Operating Principal, Clinical Director, Licensed Professionals and/or key employees may be required to attend periodic refresher or additional training courses. If so, you may be required to pay a reasonable fee for each person who attends such training. You will also be responsible for all expenses and costs that your trainees incur, including wages, travel and living expenses.
On-Site Training Fee ⁽⁶⁾	Currently \$800 - \$1,600 per day, plus expenses	10 days after invoicing	If we agree, at our option, to provide any on-site training at your Center, you agree to pay us a reasonable fee, in an amount to be mutually agreed upon, for each of our personnel providing such on-site training, and also reimburse us for their meals, travel, lodging and other expense. Any on-site training is subject to availability of our personnel.
Software	Currently not	5th day of each	If we license or sublicense any software or

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Licensing and Support Fees ⁽⁷⁾	charged. We have a relationship with an outside software vendor and the fees due the vendor (not us) are \$450 enrollment fee and \$1 per patient visit. But the software is current an option and not required.	month	technology to you, then we may charge you initial and ongoing software licensing and/or support fees. (See Note 7) Not currently charged. If you want the software, then you pay the vendor directly.
Website Development / Hosting Fees	Currently not charged.	5th day of each month	If we or our designee provide website development, hosting and/or search engine optimization services that we or our designee provide for the www.fyzical.com website or other website that we maintain or permit you to maintain for your Center, then we may charge you a reasonable fee.
Telephone / Call Center Support Fees	Currently not charged.	5th day of each month	(See Note 8)
Renewal Fee	10% of then-current initial franchise fee per Territory	Not less than 90 days nor more than 180 days prior to the expiration of the Term	There are other conditions for the grant of a successor franchise.
Transfer Fee	10% of then-current initial franchise fee per Territory	Before transfer	Payable when you transfer or sell your franchise. No charge if franchise transferred to an entity that you control or for certain transfers of ownership interests between existing owners.
Audit Fee	Actual cost of the audit or inspection	10 days after invoice	If you fail to timely furnish any reports or records that we require.
Late Fee	Lesser of 12% of amount past due or highest rate allowed by applicable law	10 days after invoice	Payable on all overdue amounts.
Insufficient Funds Fee	\$35 per occurrence	Upon demand	If there are insufficient funds in your account to cover all amounts that you owe us.
Indemnification	Will vary with circumstances	10 days after invoice	If we are sued for claims relating to the operation of your Center or for damages that we incur due to your breach of the Franchise Agreement, then you will reimburse us.
Insurance	Amount of unpaid	10 days after	Payable only if you do not maintain

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
	premiums, plus an administrative fee	invoice	required insurance coverage and we elect to obtain coverage for you.
Relocation	Our costs and expenses	10 days after invoice	You will reimburse us for any costs and expenses that we incur in connection with the relocation of your Center.
Liquidated Damages (In-Term and Post-Term Competitive Restrictions)	Amount equal to aggregate Royalty Fees for trailing 12-month period preceding date of the violation, termination, expiration or transfer, as applicable	Upon demand	If, for any reason, specific performance or injunctive relief is not available under applicable law, we will be entitled to recover, at a minimum, liquidated damages in an amount equal to the Center's aggregate Royalty fees for the trailing 12-month period, if you or any owner violates the competitive restrictions contained in the Franchise Agreement.
Conversion Center – Optional Exit Payment (Early Termination)	Amount equal to aggregate Royalty Fees for trailing 24-month period preceding date of termination	Prior to termination	Payable if you are a conversion Center franchisee and elect, at your option, to terminate the Franchise Agreement prior to expiration. You may exercise this option at any time following the 5 th anniversary of your Franchise Agreement and prior to the expiration of the initial term. You will provide us with 90 days' prior written notice and sign a general release. The post-term competitive restrictions will not apply and will be cancelled. This option does not apply to new Centers.
Conversion Center – Optional Exit Payment (Post-Term Competitive Restrictions)	Amount equal to aggregate Royalty Fees for trailing 24-month period preceding date of expiration, termination or transfer	Upon expiration, termination or transfer	If you are a conversion Center franchisee, you will have the option, upon expiration, termination or transfer of the Franchise Agreement, to pay us an amount equal to the aggregate Royalty fees for the trailing 24-month period, in which case the post-term competitive restrictions will not apply and will be cancelled. This option does not apply to new Centers.
New Center – Optional Exit Payment (Post-Term Competitive Restrictions)	Amount equal to aggregate Royalty Fees for trailing 24-month period preceding expiration of Franchise Agreement	Upon expiration	If you are a new Center franchisee and fully comply with your Franchise Agreement during the Term, you will have the option, upon expiration (but <u>not</u> termination), to pay us an amount equal to the aggregate Royalty fees for the trailing 24-month period, in which case the post-term competitive restrictions will not apply and will be cancelled. This option does not apply if the Franchise Agreement is terminated prior to expiration.

NOTES:

- (1) All fees and expenses described in this Item 6 are uniformly imposed and non-refundable. Except as otherwise indicated in the chart above, we impose all of the fees and expenses listed above, and they are payable to us. We may, at our option, require you to pay any or all periodic or recurring fees to us by electronic funds transfer.
- (2) The Royalty will not be less than \$1,000 per month per Territory (based on a minimum of 1 Territory).
- (3) The term "**Gross Revenue**" means all revenue you derive from operating the Center, including, but not limited to, all amounts you receive from any activities or services whatsoever, whether at or away from the Center, including any products or services that are in any way associated with the Marks, and whether from cash, check, barter, debit or credit (regardless of collection in the case of credit), but excluding: (i) all federal, state, or municipal sales, use or service taxes collected from patients and paid to the appropriate taxing authority; (ii) promotional discounts or coupons required by us; and (iii) patient refunds, adjustments, credits or allowances made by the Center in good faith and in accordance with our policies.
- (4) If applicable laws or regulations will not permit the payment of a Royalty Fee to us that is based on Gross Revenue, or raises sufficient risk of being held unlawful, then you will pay us a monthly Royalty equal to ~~\$500~~\$1,000 per Therapist, based on the number of Therapists at your Center during the immediately preceding month. For purposes of the Royalty calculation, the term "**Therapist**" includes each physical therapist, physical therapist assistant, and rehabilitation aide/technician.
- (5) The "**Royalty Commencement Date**" means the 5th day of the first full calendar month following (i) the Opening Date (as defined below) or (ii) the date on which your Center is licensed and qualified to provide physical therapy services, whichever occurs first. The "**Opening Date**" means the earlier to occur of: (a) the actual opening date of your Center or (b) either 180 days from the date of your Franchise Agreement (if you are opening a new Center) or 45 days from the date of your Franchise Agreement (if you are converting an existing business to a FYZICAL® Center). You will notify us in writing within 48 hours after your Center obtains all necessary licenses and registrations to provide physical therapy services and provide us with copies of such licenses and/or registrations.
- (6) If you request us to do so, we may, but need not, provide on-site training or assistance at your Center at a mutually convenient time. If we agree to do so, you agree to pay us a reasonable fee, in an amount to be mutually agreed, and reimburse us for all reasonable expenses that we incur in providing the training or assistance, including travel and living expenses.
- (7) If we license or sublicense any software or technology to you, then you may be charged an initial and ongoing licensing and/or support fees in the amount we designate from time to time. At our request, you and we will enter into a license agreement, in form satisfactory to us, which will govern the terms under which you may utilize such software and/or technology. See Item 11 for additional information regarding your computer requirements. We have an outside vendor for these services. They charge a \$450 enrollment fee and \$1 per patient visit. You are not required to use the software.
- (8) To efficiently route consumers to your Center both during branding initiatives and for a consistent customer experience, you may be assigned or designated telephone numbers and e-mail addresses that you agree to use in the operation of your Center. You agree to pay a reasonable fee to cover the cost of such numbers and e-mail addresses and our administration and servicing of them. You agree that we reserve the right to control all telephone numbers and e-mail addresses used in the operation of your

Center. Additionally, a toll free, 1-800, or centralized telephone number and/or call center services may be instituted for all FYZICAL® Centers, and you agree to pay us or our designated associate support fees in such amount as we designate from time to time.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – NEW CENTER

Type of Expenditure	Amount ⁽¹⁾	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (2)(3)	\$70,000 - \$130 140,000	Lump sum	Upon effective date of Franchise Agreement	To us
Training Expenses (including reasonable food, lodging & travel – per person)	\$1,750 to \$5,000	As incurred	During training	Third parties
Lease Deposit & Rent (4)	\$5,000 to \$20,000	Monthly	Before opening	Landlord
Build Out & Improvements (5)	\$10,000 to \$100,000	As incurred	Before opening	Landlord
Security System (6)	\$500 to \$2,500	Lump sum	Before opening	Third parties
Computer System	\$1,000 to \$3,000	Lump sum	Before opening	Third parties
Furniture, Fixtures and Equipment	\$15,000 to \$50,000	Lump sum	Before opening	Third parties
Signage	\$500 to \$6,000	Lump sum	Before opening	Third parties
Grand Opening Advertising	\$1,000 to \$5,000	As incurred	As incurred	Third parties
Utility Deposits, Business Licenses & Other Prepaid Expenses	\$1,000 to \$5,000	Lump sum	As incurred	Utility companies and government agencies
Insurance (12 months) (7)	\$7,000 to \$13,500	Lump sum	Before opening	Insurance companies
Miscellaneous Opening Costs	\$1,000 to \$5,000	As incurred	Before opening	Suppliers
Additional Funds (3 months) (8)	\$25,000 to \$35,000	As incurred	As incurred	Landlord, suppliers and employees
Total Estimated Initial Investment (7)(8)	\$138,750 - \$380390,000			

NOTES:

(1) None of the fees payable to us are refundable. We are unaware of any fees payable to third party suppliers that are refundable, although some landlords refund security deposits at the end of the lease if the tenant does not default.

(2) The initial franchise fee is \$1.75 per person based on the population in the Territory and is based on a minimum of one Territory. A "**Territory**" is a geographic area that contains a population of approximately 40,000 people and comprises an area encompassing a complete zip code; no areas comprising less than a full zip code. The low estimate is based on a Territory of ~~60~~40,000 people and the high estimate is based on a Territory population of 80,000. See Item 5.

~~(3) If you meet certain credit requirements, we may finance up to 90% of the initial franchise fee, but not in excess of \$117,000 (90% of \$130,000). The minimum down payment is the greater of 10% or \$7,000. The annual interest rate ranges from 8% to 12% depending on the length of term and can be paid over a 12 to 36 month period of time. The monthly payments for a loan of \$70,000 less 10% down payment (70,000 - 7,000 = 63,000) at 12% annual interest rate paid over a 36 month period would be \$2,092.50 per month. (See Item 10.)~~

~~(4)~~(3) These figures presume that you will be leasing your premises. The expense of leasing will vary depending upon the size of the premises (average size ranges from 1,200 square feet to 6,500 square feet, but may be smaller or larger depending on your circumstance), its location, landlord contributions, and the requirements of individual landlords. Generally, the rent will range from \$5 to \$35 per square foot, although your actual rent may vary significantly above or below this range depending on your area and the local market conditions. Landlords typically require security deposits equal to 1 or 2 months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The total estimated initial investment shown in the chart above includes 1 month's security plus 3 months' rent. Some franchisees may prefer to own their Center. The costs of purchasing a Center vary so widely that we cannot reasonably estimate the cost.

~~(5)~~(4) The leasehold improvements and build-out costs vary widely based upon a number of factors, including the size and condition of the premises, whether or not there are any existing leasehold improvements and whether the landlord will contribute to the cost of the improvements.

~~(6)~~(5) We do not require new or conversion Centers to have a security system, but we do recommend that you have one.

(6) The estimated cost of insurance for the policies required by the Franchise Agreement will vary significantly based on your location, and the claims experience of commercial businesses in the area, as well as your claims experience in other businesses you operate. See Item 8 for a description of the insurance.

(7) We relied on our affiliate's experience operating a FYZICAL® Center in Sarasota, Florida to compile these estimates. These amounts are minimum recommended levels to cover operating expenses, including employee salaries, for 3 months. We cannot guarantee that this amount is sufficient. You may require additional working capital if your sales are low or if your fixed costs are high.

(8) The disclosure laws require us to include this estimate of all costs to operate your franchise during the "initial phase" of your business, which is defined as 3 months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for our industry, so our disclosures cover a 3-month period. In compiling these estimates, we relied on our affiliate's experience

in operating a FYZICAL® Center. The amounts shown are estimates only and may vary for many reasons. Your actual cost will depend on factors such as how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the prevailing wage rates; competition; and the sales level reached during the initial period. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

YOUR ESTIMATED INITIAL INVESTMENT – CONVERSION CENTER

Type of Expenditure	Amount ⁽¹⁾	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee ⁽²⁾⁽³⁾	\$70,000 - \$130 <u>140</u> ,000	Lump sum	Upon effective date of Franchise Agreement	To us
Training Expenses (including reasonable food, lodging & travel – per person)	\$1,750 to \$5,000	As incurred	During training	Third parties
Lease (Rental Amount) ⁽⁴⁾	\$0 to \$20,000	Monthly	Before opening	Landlord
Build Out & Improvements ⁽⁵⁴⁾	\$0 to \$5,000	As incurred	Before opening	Landlord
Security System ⁽⁶⁵⁾	\$0 to \$2,500	Lump sum	Before opening	Third parties
Computer System	\$0 to \$2,000	Lump sum	Before opening	Third parties
Furniture, Fixtures and Equipment ⁽⁷⁶⁾	\$0 to \$5,000	Lump sum	Before opening	Third parties
Signage	\$500 to \$5,000	Lump sum	Before opening	Third parties
Grand Opening Advertising	\$1,000 to \$5,000	As incurred	As incurred	Third parties
Utility Deposits, Business Licenses & Other Prepaid Expenses	\$0 to \$1,500	Lump sum	As incurred	Utility companies and government agencies
Insurance (12 months) ⁽⁸⁷⁾	\$7,000 to \$13,500	Lump sum	Before opening	Insurance companies
Miscellaneous Opening Costs	\$1,000 to \$5,000	As incurred	Before opening	Suppliers
Additional Funds (3 months) ⁽⁹⁸⁾	\$1,000 to \$10,000	As incurred	As incurred	Landlord, suppliers and employees
Total Estimated Initial Investment ⁽⁸⁾⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	\$82,250 to \$209<u>210</u>,500			

NOTES:

(1) None of the fees payable to us are refundable. We are unaware of any fees payable to third party suppliers that are refundable, although some landlords refund security deposits at the end of the lease if the tenant does not default.

(2) The initial franchise fee is \$1.75 per person based on the population in the Territory and is based on a minimum of one Territory. A "**Territory**" is a geographic area that contains a population of approximately 40,000 people and comprises an area encompassing a complete zip code; no areas comprising less than a full zip code. The low estimate is based on a Territory of 40,000 people and the high estimate is based on a Territory population of 80,000. —See Item 5.

~~(3) — If you meet certain credit requirements, we may finance up to 90% of the initial franchise fee, but not in excess of \$117,000 (90% of \$130,000). The minimum down payment is the greater of 10% or \$7,000. The annual interest rate ranges from 8% to 12% depending on the length of term and can be paid over a 12 to 36 month period of time. The monthly payments for a loan of \$70,000 less 10% down payment (70,000 — 7,000 = 63,000) at 12% annual interest rate paid over a 36 month period would be \$2,092.50 per month. (See Item 10.)~~

~~(4)~~(3) The low end assumes that you own your premises. The expense of leasing will vary depending upon the size of the premises (average size ranges from 1,200 square feet to 6,500 square feet but may be smaller or larger depending on your circumstance), its location, landlord contributions, and the requirements of individual landlords. Generally, the rent will range from \$5 to \$35 per square foot, although your actual rent may vary significantly above or below this range depending on your area and the local market conditions. Landlords typically require security deposits equal to 1 or 2 months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The total estimated initial investment shown in the chart above includes 3 months' rent. It does not include any amount for the security deposit, since you are converting an existing physical therapy or fitness center to a FYZICAL® Center and, thus, have already incurred some of these costs. Some franchisees may prefer to own their Center. The costs of purchasing a Center vary so widely that we cannot reasonably estimate the cost.

~~(5)~~(4) The leasehold improvements and build-out costs vary widely based upon a number of factors, including the size and condition of the premises, whether or not there are any existing leasehold improvements and whether the landlord will contribute to the cost of the improvements. The estimate assumes that you are converting an existing business to a FYZICAL® Center and will conform the existing premises to our standards and specifications.

~~(6)~~(5) We do not require that new or conversion Centers have a security system, but we do recommend that you have one. The low end assumes that in a conversion, the franchisee may already have a security system.

~~(7)~~(6) This low estimate assumes that the furniture, fixtures and equipment at your existing facility are suitable and can be used in the operation of your FYZICAL® Center.

~~(8)~~(7) The estimated cost of insurance for the policies required by the Franchise Agreement will vary significantly based on your location, and the claims experience of commercial businesses in the area, as well as your claims experience in other businesses you operate. See Item 8 for a description of the insurance.

(98) We relied on our affiliate's experience operating a FYZICAL® Center in Sarasota, Florida to compile these estimates. These amounts are minimum recommended levels to cover operating expenses, including employee salaries, for 3 months. We cannot guarantee that this amount is sufficient. You may require additional working capital if your sales are low or if your fixed costs are high.

(109) These estimates assume that you will be converting an existing physical therapy or fitness center to a FYZICAL® Center, in which case you may already have some of the equipment, furniture, fixtures, business licenses and other items needed to operate a FYZICAL® Center. If you are opening a new FYZICAL® Center or relocating your existing business as part of the conversion to a FYZICAL® Center, your costs will be higher (see chart for "Your Estimated Initial Investment – New Center" above). Franchisees that convert an existing physical therapy or fitness center to a FYZICAL® Center do so pursuant to the Conversion Addendum to Franchise Agreement (form attached as Exhibit "C" to this disclosure document), which modifies certain portions of the Franchise Agreement.

(110) The disclosure laws require us to include this estimate of all costs to operate your franchise during the "initial phase" of your business, which is defined as 3 months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for our industry, so our disclosures cover a 3-month period. In compiling these estimates, we relied on our affiliate's experience in operating a FYZICAL® Center. The amounts shown are estimates only and may vary for many reasons. Your actual cost will depend on factors such as how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the prevailing wage rates; competition; and the sales level reached during the initial period. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases from Us

You are not currently required to purchase any products or services from us or our affiliate. However, for group purchasing, quality control or other benefits, we and our affiliates reserve the right to be the sole or one of the approved suppliers for any products or services utilized in the operation of FYZICAL® Centers. During ~~2016~~2015, we and our affiliates have not received any income from the sale of products or services to franchisees, but we reserve the right to do so in the future.

Purchases required from us or our affiliates currently represents 0% of your total purchases in connection with establishing your Center, and 0% of your total purchases in operating the Center.

Approved Suppliers

You agree to purchase or lease all products, supplies, equipment (including computer hardware and software), services and other items specified in the Manuals from time to time. If required by the Manuals, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliate). In our sole discretion, we may concentrate purchases with one or more approved or designated suppliers, to obtain lower prices, advertising support and/or other services, or for any other reason we deem appropriate. In such instances, we may limit the number of suppliers with whom you deal, designate sources that you will use, and refuse any request by you for another approved supplier of any applicable product or service. You agree to follow all of our policies and procedures for ~~participation~~participation in or termination of any preferred vendor programs that we establish. If we receive rebates or other financial consideration from suppliers

based upon franchisee purchases, we have no obligation to pass these amounts on to you or to use them for your benefit.

If you want us to approve a new supplier, product or service that you propose, you agree to submit to us sufficient written information about the proposed new supplier, product or service to enable us to approve or reject either the supplier or the particular item or service. We will have 30 days from receipt of the information to approve or reject the proposed new supplier, product or service. If we have not responded to your request within this time period, the request is deemed disapproved and we will notify you in writing of such disapproval within 10 days of the end of such 30-day period. We may consider in providing such approval not just the quality standards of the products or services, but the proposed supplier's delivery capabilities, financing terms and ability to service our franchise system as a whole. We may terminate or withhold approval of any product or service, or any supplier of a product or service, that does not meet our quality standards by giving you written notice. If we do so, you agree to immediately stop purchasing from such supplier or using such product or service in your FYZICAL® Center. At our request, you agree to submit to us sufficient information about the proposed supplier, product or service to enable us to determine whether it meets our standards and specifications. We may charge a reasonable fee for evaluating alternative suppliers, products or services, plus the actual cost of travel and living expenses of our personnel and any fees we pay to third parties in furtherance of the evaluation.

We estimate that required purchases from approved or designated suppliers currently represents less than 1% of your total purchases in establishing your Center, and less than 1% of your overall purchases in operating the Center.

There are no suppliers in which any of our officers own an interest.

Standards and Specifications

You agree to develop and operate your Center in accordance with our standards and specifications. Our standards and specifications may regulate, among other things (a) a description of the authorized goods and services that you may offer at your Center; (b) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for FYZICAL® Centers; (c) mandatory reporting and insurance requirements; (d) mandatory and suggested specifications for your Center; and (e) a written list of goods and services (or specifications for goods and services) that you will purchase for the construction of your Center and the development and operation of your Center, and a list of any designated or approved suppliers for these goods or services (which may include us or our affiliate). Our standards and specifications may impose minimum requirements for quality, use, cost, delivery, performance, design and appearance. We will notify you in our Manuals or other communications of our standards and specifications and/or names of approved suppliers.

We estimate that required purchases according to our standards and specifications currently represent less than 1% of your total purchases in establishing your Center, and less than 1% of your overall purchases in operating the Center.

Rebates

We may receive rebates, payments or other material benefits from suppliers based on franchisee purchases. We intend to negotiate relationships with suppliers to enable our franchisees to purchase certain items at discounted prices. If we succeed, you will be able to purchase these items at the discounted prices that we negotiate (less any rebates or other consideration paid to us).

We have negotiated a purchasing arrangement for our franchisees with a leading medical equipment and products supplier. The program entitles our franchisees to the lowest prices offered by that supplier; a discount on technical service fees; and special finance rates on purchases at least once a year. For our procurement and consulting services, that supplier will pay us an administrative fee based on the amount of franchisee purchases from them of up to 3% as follows:

Amount of Franchisee Purchases	Administrative Fee
\$150,000 - \$274,999	1%
\$275,000 - \$399,999	2%
\$400,000 and up	3%

We have also negotiated a purchasing arrangement for our franchisees for performance sports wear and for a railing system. We will receive an administrative fee of 5% of your purchases from them. You will receive \$200 in free gear upon opening a new account for the performance sports wear. You will receive a 20% discount on railing systems.

You are not currently required to purchase from the foregoing suppliers, but may in the future. Due to the described benefits, we encourage you to do so.

During ~~2016~~2015, we received ~~\$19,394~~\$28,921.51 from our recommended suppliers, which we used for marketing, training and meeting expenses, as well as for general administrative and operating expenses.

Center Development

For brand consistency, we may require FYZICAL® Centers to be constructed or remodeled, furnished, and equipped in accordance with our standards and specifications. At your expense, you agree to construct and equip the premises to the specifications contained in the Manuals and to purchase (or lease) and install the equipment, fixtures, signs and other items that we require. We reserve the right to approve the architects, contractors and other suppliers you use in the construction and development of your Center. The construction, build-out and layout of your Center will be reviewed and approved by us before you open.

Insurance

You agree to obtain and maintain, at your own expense, such insurance coverage that we require from time to time and meet the other insurance-related obligations in the Franchise Agreement. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payment and your history. You agree to send us copies of all insurance policies. Each policy is required to name us and our affiliates as additional insured parties. Our current insurance policy requirements include:

- (a) comprehensive general liability insurance:
 - \$2,000,000 general aggregate
 - \$1,000,000 per occurrence
 - \$1,000,000 for fire damage
 - \$10,000 for medical expenses (any one person)
 - \$1,000,000 for personal injury
 - \$2,000,000 for products
- (b) property/casualty insurance (\$20,000 per occurrence)
- (c) worker's compensation insurance (minimum amount required by applicable law)
- (d) professional liability and malpractice insurance

- \$3,000,000 aggregate for each physical therapist and physical therapy assistant
- \$1,000,000 each claim

Upon 10 days' notice, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right, but not the obligation, to obtain such coverage on your behalf, and you will promptly complete all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all costs and premiums that we incur.

Miscellaneous

There are no purchasing cooperatives although we reserve the right to establish one or more purchasing cooperatives in the future. Other than lower negotiated prices as stated above, you do not receive any material benefits for using designated or approved suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 7.1 & 7.2; Conversion Addendum Section 3	Item 7 & Item 11
b. Pre-opening purchases/leases	Section 7.3, 12.4 & 15.2; Conversion Addendum Section 6	Items 5, 7, 8 & 11
c. Site development and other pre-opening requirements	Section 5.1, 7.3 & 7.4; Conversion Addendum Section 6	Items 6, 7 & 11
d. Initial and ongoing training	Section 5.1, 5.2, 5.3 & 5.4	Items 6 & 11
e. Opening	Section 7.4; Conversion Addendum Section 7	Item 11
f. Fees	Section 4.2, 5.1, 5.2, 5.3, 5.4, 6.3, 6.4, 11.1, 11.4, 12.4, 12.6, 13, 19.2	Items 5 & 6
g. Compliance with standards and policies/Operating Manual	Section 6.2, 7.1, 7.2, 7.3, 11, 12, 15 & 17	Item 11
h. Trademarks and proprietary information	Section 17	Items 13 & 14
i. Restrictions on products/services offered	Section 12.3	Item 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Section 3	Item 12

Obligation	Section in Agreement	Disclosure Document Item
l. Ongoing product/service purchases	Not applicable	Not applicable
m. Maintenance, appearance and remodeling requirements	Section 12.5 & 12.7	Item 11
n. Insurance	Section 15.2	Items 6 & 7
o. Advertising	Section 11	Items 6, 7 & 11
p. Indemnification	Section 18	Item 6
q. Owner's participation/management/staffing	Section 8	Items 11 & 15
r. Records and reports	Section 15.3 & 15.4	Item 6
s. Inspections and audits	Section 16	Items 6 & 11
t. Transfer	Section 19; Conversion Addendum Section 11	Item 17
u. Renewal	Section 4; Conversion Addendum Section 5	Item 17
v. Post-termination obligations	Section 21	Item 17
w. Non-competition covenants	Section 14; Conversion Addendum Section 10	Item 17
x. Dispute resolution	Sections 22 & 24.1; Promissory Note Sections 12, 13 & 18; Security Agreement Sections 9.3, 9.4 & 10	Item 17

ITEM 10 FINANCING

~~If you meet certain credit requirements and are otherwise unable to obtain financing from a third party, then we may, in our sole discretion, finance a portion of the initial franchise fee. The following chart summarizes the terms of such financing, but the actual terms and conditions will be set forth in a Promissory Note and Security Agreement and such other documents and you and we agree. The form of Promissory Note, Security Agreement and UCC-1 Financing Statement are attached as Exhibit "H" to this disclosure document.~~

Topic	Provisions	Explanatory Notes
Item Financed	A portion of the initial franchise fee	
Source of Financing	Franchisor	
Amount Financed	Up to 90% of the initial franchise fee, except that the amount financed will not exceed \$117,000.	The franchisee will pay a minimum of 10% down, but not less than \$7,000. This is the maximum amount that we will finance.
Term	12 to 36 months	Principal and interest amortized over 12 to 36 month term.

Topic	Provisions	Explanatory Notes
APR	8% to 12%	Interest rate varies, depending on the term of the loan.
Installment Payment	Varies, depending on interest rate, term and amount financed.	For a loan of \$63,000 over 36 months and a 12% annual interest rate, the monthly payment would be \$2,092.50
Prepayment Penalty	None	Loan can be prepaid at any time without penalty.
Security Required	Lien on all Center assets	(See Note 2)
Liability Upon Default	Default interest rate is 18% or highest rate allowed by law; entire principal balance immediately due and payable; collection costs; materials breach of Franchise Agreement.	(See Note 3)
Loss of Legal Rights on Default	You waive presentment, demand, protest and notice of demand and dishonor, protest and non-payment and all other legal or equitable defenses you may have.	
Governing Law	Florida law governs the Promissory Note and Security Agreement.	All actions will be brought in Sarasota County, Florida.

NOTES:

- (1) — The amount financed is generally negotiated on an individual basis depending on several factors, including, without limitation, your credit history, guarantees of your owners, and financial condition.
- (2) — To provide us with collateral to secure your prompt payment and performance under the Promissory Note, you will execute a Security Agreement which grants us a security interest in all of the assets of the FYZICAL® Center, including furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, general intangibles, and all other assets, supplies and materials, under the Uniform Commercial Code. If you are a business entity, your owners will be required to guaranty performance and payment under the Promissory Note and the Security Agreement.
- (3) — Upon an event of default or acceleration event, the entire unpaid principal balance and all accrued interest will be accelerated and become immediately due and payable in full, and the interest rate will increase to the lesser of 18% or the maximum rate permitted by law. An "event of default" means: (a) you fail to pay any sums when due to us under the Promissory Note, the Franchise Agreement or any other agreement with us and do not correct such failure within 5 days after written notice of such failure is delivered to you; or (b) you breach any other provisions of the Franchise Agreement and do not correct such failure within the applicable cure period. You agree to pay all costs of collecting amounts due under the Promissory Note. In addition, a default under any of the financing documents constitutes an event of default under the Franchise Agreement.

~~Except as described above, we~~ do not offer direct or indirect financing. We do not guarantee ~~any of your notes, leases or obligations. We do not receive any direct or indirect payments or other consideration from any person for the placement of any financing with lender(s)-~~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 Center, we will:

1. Approve the location, build-out and design of your Center. See Section below entitled "Site Development" for additional information. (Sections 7.1, 7.3, 7.4)
2. Provide you with access to one copy of the Manuals, which will help you establish your Center. See Section below entitled "Manuals" for additional information. (Section 6.2)
3. Provide you with written specifications for the goods and services you agree to purchase to establish your Center, as well as a written list of approved and/or designated suppliers for purposes of acquiring these goods and services. See Item 8 for additional information regarding your purchase of these goods and services. (Section 12.3)
4. Provide an initial training program. See Section below entitled "Initial Training Program" for additional information. (Section 5.1)

Time to Opening

We anticipate that the typical length of time between the effective date of the Franchise Agreement and opening the FYZICAL® Center franchise will be approximately 90 to 180 days for a new Center and 30 to 45 days for a Conversion Center. Some of the factors that may affect this time are identification of a suitable location, financing, the extent to which an existing location will be upgraded or remodeled, delayed installation of equipment and fixtures, completion of training, obtaining insurance, and complying with local laws and regulations.

You will not open your Center before: (1) successful completion of the initial training program; (2) you purchase all required insurance and provide us, at our option, with copies of such policies or evidence of coverage; (3) you obtain all required licenses, permits and other governmental approvals; and (4) you have received our written approval of the construction, build-out and layout of your Center. You agree to send us a written notice identifying your proposed opening date at least 30 days before opening. We may conduct a pre-opening inspection of your Center, and you will make any changes we request prior to opening. You will open your Center within 180 days after the effective date of the Franchise Agreement, if you are opening a new Center, or within 45 days afterwards, if you are converting an existing business to a FYZICAL® Center. We may terminate the Franchise Agreement if you fail to open within the prescribed time period.

Post-Opening Obligations: During the operation of your Center, we will:

1. Continue to provide you with access to one copy of the Manuals, to assist you in operating your Center. See Section below entitled "Manuals" for additional information. (Section 6.2)

2. Give you ongoing guidance and recommendations on ways to improve the marketing and operation of your Center. (Section 6.5)

3. Maintain an Internet website that will include a list of all of the FYZICAL® Center franchisees that are in good standing with us. We may modify the content of and/or discontinue this website at any time in our sole discretion. (Section 6.6)

In addition, during the operation of your Center, we may, but will not be obligated to:

1. Provide on-site training or assistance at your Center. See Section below entitled “Ongoing Training” for additional information. (Section 5.3)

2. Provide periodic additional or refresher training programs. See Section below entitled “Ongoing Training” for additional information. (Section 5.2)

3. Hold periodic national or regional conferences to discuss business and operational issues affecting FYZICAL® Center franchisees, including industry changes, new services and/or merchandise, marketing strategies and the like. See Item 6 for additional information. (Section 5.4)

4. Negotiate purchase agreements with suppliers to allow you to purchase certain goods or services at discounted prices. See Item 8 for additional information. (Section 6.7)

5. Negotiate purchase agreements with suppliers that allow us to purchase certain items at discounted prices and resell them to you. See Items 6 and 8 for additional information. (Section 6.8)

6. Develop private label goods for sale by FYZICAL® Center franchisees. (Section 6.9)

Initial Training Program

We will provide an initial training program for you (or your Operating Principal), General Manager or your Clinical Director for a period of approximately 3 to 4 days. We recommend, but do not require, that your office manager also attend the initial training program. We will train these individuals at no additional charge to you. You (or your Operating Principal), General Manager or your Clinical Director will successfully complete our initial training program within 30 days from the effective date of your Franchise Agreement. Training will occur at our corporate headquarters (currently located in Sarasota, Florida), a company-owned Center, or at any other location or franchised location that we designate. Currently, we intend to offer the initial training program on an as-needed basis.

The initial training program currently is conducted at our affiliate's ~~West Palm Beach~~[Bonita Springs](#), Florida Center and consists of the following:

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours on the Job Training	Location
Day 1 (New CenterOperations)			
How to begin; acquisition vs. new start Success, Methods of Making Money	1. 0 25	–	West Palm Beach Bonita Springs , Florida

Subject	Hours of Classroom Training	Hours on the Job Training	Location
Site selection Change Management	0. 5 10	–	West Palm Beach Bonita Springs , Florida
Infrastructure set-up and development FranConnect / FYZICAL College	0. 5 15	–	West Palm Beach Bonita Springs , Florida
#1 Organization Chart	0.10	=	Bonita Springs, Florida
Equipment requirements, selections and options #2 Strategic Planning and GOALED Book	1.0 .20	–	West Palm Beach Bonita Springs , Florida
Setting up the business #3 Public Relations/Marketing Plan	0. 75 20	–	West Palm Beach Bonita Springs , Florida
Licensing and compliance #4 Patient Conversion	1. 0 00	–	West Palm Beach Bonita Springs , Florida
Provider requests #5 Annual Budget	0. 75 10	–	West Palm Beach Bonita Springs , Florida
Credentialing #6 Daily Management Report	0. 75 10	–	West Palm Beach Bonita Springs , Florida
Network choices #7 Clinical Performance Report	0. 5 05	–	West Palm Beach Bonita Springs , Florida
Day 2 (New Center and Conversion Center) #8 Departmentalized Financials	0.10	=	Bonita Springs, Florida
Principles of management #9 Pillars of Success (Benchmarking)	0. 5 30	–	West Palm Beach Bonita Springs , Florida
Front desk management #9 Vital Statistics (Benchmarking)	1.0 .45	–	West Palm Beach Bonita Springs , Florida
Insurance mix #9 Achieving the Pillars	0. 75 05	–	West Palm Beach Bonita Springs , Florida
Productivity/efficiency #9 Performance-based Culture / Compensation	0.75 1.00	–	West Palm Beach Bonita Springs , Florida
#10 Medicare Therapy Documentation and billing & Compliance	0.75 1.20	–	West Palm Beach Bonita Springs , Florida
<u>Day 2 (Operations - Clinical - Additional Lines of Business)</u>			
The ONE Thing: Productivity 101	1.0	=	Bonita Springs, Florida
Safety World Class Billing and compliance Collections	1. 0 05	–	West Palm Beach Bonita Springs , Florida
Time sheets and payroll Client Care Specialist	0.25	–	West Palm Beach Bonita Springs , Florida
HR management Results Begin When Your Patient Arrives	0. 75 25	–	West Palm Beach Bonita Springs , Florida
Hiring and recruiting Care Credit	0. 75 15	–	West Palm Beach Bonita Springs , Florida

Subject	Hours of Classroom Training	Hours on the Job Training	Location
Day 3 (New Center and Conversion Center) ADP Strategic Partner	<u>0.25</u>	=	<u>Bonita Springs, Florida</u>
Physician marketing Business of Balance	3.0 <u>40</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Direct consumer marketing Balance Made Simple / IVOG	3.5 <u>1.00</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Day 4 (New Center and Conversion Center) Force Plates	<u>0.30</u>	=	<u>Bonita Springs, Florida</u>
Management reports BODYQ	0.75 <u>15</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Financials BODYQ Sales Conversion	0.75 <u>20</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Planning/budgeting Retail Store	1.0 <u>40</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Day 3 (Sales & Marketing)			
Software selection OTO Break Out	0.5 <u>1.30</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Relationship building FYZICIAN Liaison & Recruiting	0.75 <u>1.30</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Day-to-day basics FYZICIAN Liaison 1st 90 Days	1.0 <u>10</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
FYZICAL store Physician Purpose Marketing	0.75 <u>25</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Research and development External Marketing (video)	0.5 <u>40</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
Franeconnect Transformation Timeline	0.5 <u>40</u>	—	West Palm Beach <u>Bonita Springs, Florida</u>
<u>BHAG</u>	<u>0.20</u>	=	<u>Bonita Springs, Florida</u>
TOTALS	19.5 (Conversion Center)-to 26.25 (New Center)<u>16.7</u>	—	

The time periods allocated to the subjects listed above are approximations, and the time actually invested by you and your personnel may vary based on the experience and performance of those persons being trained. On-the-job training will occur on an as-needed basis as part of the initial training program. The instructional materials used in the initial training will consist primarily of our Manuals and other handouts, and lectures. You will not be charged an additional fee for any of the training materials.

Our training is conducted by: (a) Michael Graves, who has been one of our ~~Managing Partners~~members and franchise owners since January 29, 2014 and has more than ~~19~~20 years of experience in the field; (b) Bruce White, who has been one of our ~~Managing Partners~~Sales Associates and

franchise owners since January 29, 2014 and has more than ~~19~~20 years of experience in the field; (c) Tim Richardson, who has been our Vice President of Operations since December, 2014 and has more than ~~19~~20 years of experience in the field; (d) Brian Werner who has been our National Balance Director since May 1, 2015 and has over ~~17~~18 years of experience in the field; ~~and~~ (e) Constance Mattis, who has been our Chief Financial Officer since inception and has more than 25 years of experience in the field; ~~and~~ (f) Dr. Rick Douglass, who has been our National Director of Education since September 2016 and has over 20 years of experience in the field.

Your Operating Principal or Clinical Director will complete the initial training program to our satisfaction within 30 days from the effective date of your Franchise Agreement. In addition, each of your physical therapists will be certified through the American Board of Physical Therapy Specialties (ABPTS) (or successor organization) or other organization that we specify from time to time.

Ongoing Training

In order to maintain the uniformity and high standard of goods and services provided by FYZICAL® Center franchisees, we may provide periodic additional or refresher training programs for your Operating Principal, General Manager, Clinical Director, Licensed Professionals and/or other key employees. If so, you may be required to pay a reasonable fee for each person (not to exceed ~~\$995~~\$1,500) who attends such training. You will also be responsible for all expenses and costs that your trainees incur, including wages, travel and living expenses.

From time to time, you may request that we visit your Center to provide on-site training. We are not required to provide on-site training. If we agree, at our option, to provide any on-site training at your Center, you agree to pay us a reasonable fee, in an amount to be mutually agreed upon, for each of our personnel providing such on-site training, and also reimburse us for their meals, travel, lodging and other expense. Any on-site training is subject to availability of our personnel.

For the benefit of the franchise system, we may also hold periodic national or regional conferences, including an annual conference (up to 2 days in duration), to discuss various business issues and operational and general business concerns affecting FYZICAL® Centers. We will determine whether attendance at these conferences is mandatory or optional. We will not require attendance at more than one mandatory conference during any 12-month period. We will not charge any registration fees for owners to attend our annual conference(s), but you are responsible for all food, travel and lodging expenses that your owners and employees incur while attending conferences.

Manuals

We will provide you with access in text or electronic form to our Manuals during the term of your Franchise Agreement. The Manuals may include, among other things, (a) a description of the authorized goods and services that you may offer at your Center; (b) required and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for FYZICAL® Center franchisees; (c) required reporting and insurance requirements; (iv) required and suggested specifications for your Center; and (d) a written list of goods and services (or specifications for goods and services) you will purchase for the construction or remodel of your Center and the development and operation of your Center and a list of any designated or approved suppliers for these goods or services. The Manuals are confidential and remain our property. We may modify the Manuals at any time, but the modification(s) will not alter your status or fundamental rights under the Franchise Agreement.

As of the date of this disclosure document, the Manuals contain a total of ~~1,658~~3,134 pages. A copy of the Table of Contents to the Manuals is attached to this disclosure document as Exhibit "D".

Site Development

A FYZICAL® Center typically ranges in size from 1,200 square feet to 6,500 square feet, but may be smaller or larger depending on your circumstances. You agree to locate and receive our approval of the premises from which you will operate your Center within 60 days after the effective date of the Franchise Agreement. The premises will be located within your Protected Area and conform to our minimum site selection criteria. You will send us a complete site report (containing the demographic, commercial and other information, photographs and video tapes that we may reasonably require) for your proposed site. We will use our best efforts to approve or disapprove a proposed site within 15 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 15-day period. In reviewing a proposed site, we will consider factors such as parking, size, traffic counts, general location, existence and location of competitive businesses, general character of the neighborhood and various economic indicators.

You agree to deliver copies of the proposed lease agreement and related documents to us for approval before you sign them. Our approval will be limited to ensuring that the lease and related documents are consistent with the Franchise Agreement and our standards and specifications for FYZICAL® Centers. You agree to send us a copy of your fully executed lease within 5 days of ~~their~~its execution. We may terminate your Franchise Agreement if you and we are unable to agree on a site for your Center, or you have not obtained a fully-signed lease agreement for the premises, within 60 days of the effective date of your Franchise Agreement.

After you purchase or lease your approved site, you agree to construct and equip the premises to the specifications contained in the Manuals. You also agree to install the equipment, fixtures, signs and other items that we require. Before you open, we will approve the build-out and layout of your Center. You will remodel and make all improvements and alterations to your Center that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. You may not remodel or significantly alter your premises without our prior approval.

Computer System

You agree to obtain and maintain, at your expense, the computer hardware and software that we designate in the Manuals (the “**Computer System**”). We may develop and license/sublicense proprietary software programs that you agree to use in the operation of your Center. We may inspect your Computer System and access the data collected by and stored on the Computer System, except that we will not access any individually identifiable health information. We will have the right to independent access to the Computer System and to the data collected, except for protected health information related to your patients.

To operate efficiently, presently we require you to purchase and maintain 1 computer for every 3 staff members, with a minimum of 2 computers. Accordingly, the number of computers will depend on the size of your Center and the number of personnel. You agree each computer will have a quad-core processor with a minimum 2.6GHz, 4GB RAM, a minimum 500GB hard drive, Wi-Fi capability, a gigabit Ethernet adapter and a DVD-RW drive. The Dell Optiplex desktop and Latitude laptop line of computers currently meet these criteria, but you may purchase or lease any computer that satisfies these requirements. You agree to use approved scheduling and EMR (Electronic Medical Record) software, as well as billing software, which may be web-based or PC-based. Other required software currently includes iContact™ ("cloud-based" software for advertising and promotional purposes), Exercise Pro™

(software for creating and distributing home exercise programs for patients), Peachtree® Accounting or QuickBooks® (accounting software), and Microsoft Office® (including Word and Excel).

To operate efficiently, you agree that each computer will be connected to the Internet via high-speed Internet connection (e.g., digital subscriber, cable, ISDN, or T-1 Internet) with e-mail capabilities. A high-speed wireless network is recommended, but not currently required. In addition, you agree to purchase at least one high quality "all-in-one" laser printer/copier/scanner with network capabilities. You may utilize the "all-in-one" as your fax, but we recommend a separate, dedicated high-speed fax machine for sending and receiving faxes to and from physicians' offices. We recommend, but do not currently require, that you purchase a service contract with a local provider for any necessary repairs to the "all-in-one," since the printer capabilities are critical in the operation of your Center for printing clients' information paperwork, files and other client related documents. In addition to the "all-in-one" printer, you agree to have a black-and-white printer for each of your Clinical Director, billing specialist and receptionist for printing miscellaneous documents and labels or billing on a daily basis. For customer service, you agree to have a multi-line telephone system with a minimum of 4 phone lines (3 for voice and 1 for fax) that has speakerphone and multi-mailbox, voicemail capabilities. To efficiently route consumers to your Center both during branding initiatives and for a consistent customer experience, you may be assigned or designated telephone number(s) and e-mail addresses that you agree to use in the operation of your Center. You agree to pay a reasonable fee (not to exceed \$50) to cover the cost of such telephone numbers and e-mail addresses and our administration and servicing of them but it is not currently charged. You agree that we reserve the right to control all telephone numbers and e-mail addresses used in the operation of your Center. We may also institute a "1-800" or centralized telephone number and/or call center services for all FYZICAL® Centers. The fee for this centralized telephone number or call center services will not exceed \$50 and is not currently charged. (See Item 6)

We estimate that the cost of the computer system will be approximately \$1,000 to \$3,000, depending on the size of your Center and the number of personnel.

Neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your Computer System. You agree to maintain the computer hardware in good working order at your cost. During the term of your Franchise Agreement, you agree if requested to upgrade or update your computer hardware and/or software to conform to our then-current specifications. There is no contractual limit on the frequency or cost of this obligation. We estimate that the cost to upgrade or update your computer hardware and/or software will not exceed \$700. You are also responsible for priority cabling and all networking services related to the Computer System. Except as described above, there currently are no optional or required support contracts. We reserve the right to change the software or technology that you agree to use or add new software or technology at any time.

Advertising and Marketing

To establish brand recognition and to promote growth, you may be required to invest up to 5% of your Center's Gross Revenue each month for **local advertising and marketing** to promote your Center. No later than the 5th day of each month, you will provide us with a monthly report of your local advertising expenditures for the prior month (which will be accompanied by copies of receipts for such expenditures, if requested by us).

We do not maintain or require you to contribute to a general marketing fund. We are not required to spend any amount on advertising in your Protected Area. However, you agree to participate at your own expense in all advertising, promotional and marketing programs that we require and to use any marketing or advertising materials that we develop for FYZICAL® Centers.

Advertising and marketing materials may, at our option, periodically be created and made available to you for purchase. These materials may be made available over the Internet (in which case you will arrange for printing the materials and paying all printing costs). Alternatively, third-party suppliers will create the advertising or marketing materials for your purchase.

Any advertising or marketing materials that you use will be approved by us in advance. You may not use any advertising materials that have not been approved by us. You agree to submit to us any advertising materials that you prepare or modify and we will have 30 days to review and either approve or reject the materials. If we do not approve any advertising materials within the 30-day period, then the materials are deemed disapproved.

At this time, for brand uniformity we do not allow our franchisees to maintain their own websites or market their FYZICAL® Center on the Internet. However, for conversions, we may allow you to continue to maintain your existing website under certain conditions and with certain modifications we require but only for a limited time that we determine appropriate depending on the market proximity of other Centers and other factors. Therefore, you may not maintain a World Wide Website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network except as specifically described in this Section. If we change our policy at a later date to allow franchisees to maintain their own websites, you may do so only if you comply with all of the website and Internet requirements that we specify. In that case, we may require that you sign an amendment to the Franchise Agreement that will govern your ability to maintain a website.

There are no advertising cooperatives. We do not have a formal franchisee council or association.

ITEM 12 TERRITORY

Approved Location

Each Franchise Agreement grants you the right to operate a single FYZICAL® Center at a single location that will be approved by us (the "**Approved Location**"). The Approved Location will be located within your Protected Area (as defined below) and conform to our minimum site selection criteria, which may include demographic characteristics, traffic patterns, parking, signage, character of neighborhood, competition from and proximity to other businesses, the size, appearance and other physical characteristics of the proposed site, and any other factors or characteristics that we consider appropriate. You agree to send us a complete site report (containing photographs and any other information that we require) for your proposed site. We may accept or reject any proposed site in our commercially reasonable judgment. We will use our best efforts to approve or disapprove a proposed site within 15 days after we receive all of the requisite materials. Once approved, the specific street address of the Approved Location will be listed in Attachment "C" to your Franchise Agreement.

You may not relocate your Center without our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you agree to: (1) comply with all of our then-current site selection and development requirements; (2) open your new Center and resume operations within 10 days after closing your prior Center; and (3) continue to pay us Royalties and any other recurring fees during any period that your Center is closed for relocation. You agree to reimburse us for any costs and expenses that we incur in connection with the relocation of your Center.

Protected Area

As long as you are in substantial compliance with the Franchise Agreement, including the Minimum Performance Standards (defined below), we will not, during the term of your Franchise Agreement, operate or grant others the right to operate another FYZICAL® Center within the specific geographic area we designate as your protected area (the “**Protected Area**”). We will insert a description of the Protected Area in Attachment "B" before the Franchise Agreement is entered into. The Protected Area will be comprised of one or more Territories. A “**Territory**” is a geographic area that contains a population of approximately 40,000 people and comprises an area encompassing a complete zip code; no areas comprising less than a full zip code (determined as of the effective date of the Franchise Agreement). Each Territory will be identified by map and/or described by streets, roads, county lines or other boundaries, as determined by us in our sole discretion. If the Protected Area contains more than one Territory, the initial franchise fee and all other fees are multiplied by the number of people in each Territory in the Protected Area (or fraction thereof in excess of one Territory). The Territory size(s) will not be reduced or increased due to any change in population during the term of your Franchise Agreement.

Minimum Performance Standards

Commencing with your second year of operations, you agree to the following minimum performance levels (the “**Minimum Performance Standards**”) each year during the term of your Franchise Agreement to retain exclusive rights in the Protected Area:

Time Period	Minimum Annual Gross Revenue per Territory (Non-Cumulative)
Year 1	Not Applicable
Year 2	\$100,000
Year 3	\$100,000
Year 4	\$100,000
Year 5 and thereafter	\$200,000

For purposes of measuring your compliance with the Minimum Performance Standards, the first year begins on the earlier to occur of: (i) the actual opening date of your Center or (ii) 180 days from the effective date of your Franchise Agreement (if you are opening a new Center) or 45 days from the effective date of your Franchise Agreement (if you are converting an existing business to a FYZICAL® Center (the “**Opening Date**”), and ends on the first anniversary of the Opening Date. Each subsequent year runs for a 12-month period from the prior anniversary of the Opening Date. If you fail to achieve the Minimum Performance Standards during any period, we may, at our option, effective 30 days after we deliver written notice to you: (a) terminate your exclusive rights to the Protected Area; or (b) reduce the scope of the geographic area comprising the Protected Area in which you will have exclusive rights. If we terminate your exclusive rights to the Protected Area or reduce the scope of the Protected Area, you may continue to operate your Center, but we may establish and operate, or allow others to establish and operate, FYZICAL® Centers in your former Protected Area or former portion(s) of the Protected Area, as the case may be.

Except for the Minimum Performance Standards described above, the territorial rights granted to you are not dependent on your achievement of a certain sales volume, market penetration, or other contingency. As long as you are in compliance with the Franchise Agreement, there are no circumstances

under which the Protected Area granted to you may be altered before the expiration or the termination of the Franchise Agreement without your written consent.

Reserved Rights

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. Other than the "Territory Opportunity" described below, you are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises. You may provide services at the site of your Center to anyone from anywhere.

We (and our affiliates) retain the rights to do any or all of the following, in our sole discretion:

(a) Establish and operate, and grant franchises to others to establish and operate, FYZICAL® Centers anywhere outside the Protected Area, on such terms and conditions as we deem appropriate (even immediately outside the border of the Protected Area).

(b) Establish and operate, and grant franchises to others to establish and operate, businesses of any kind whatsoever, whether located within or outside the Protected Area, that do not use the Marks.

(c) Establish and operate, and grant franchises to others to establish and operate, anywhere (including within the Protected Area) businesses providing health-care or fitness related services under the Marks, subject to your right of first refusal as described under "Territory Opportunity" below.

(d) Sell or license others to sell competitive or identical goods or services (whether under the Marks or under different trademarks) through Alternative Channels of Distribution, regardless of location. An "**Alternative Channel of Distribution**" means any channel of distribution other than retail sales made to customers from a FYZICAL® Center. Examples of Alternative Channels of Distribution include: (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (ii) sales through retail stores that do not operate under the Marks; and (iii) sales made at wholesale. Sales through Alternative Channels of Distribution are excluded from your territorial protections. This means that your territorial protections do not limit our ability to sell or license others to sell competitive or identical goods or services through Alternative Channels of Distribution within your Protected Area. You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution. You are not permitted to market or sell through Alternative Channels of Distribution.

(e) Acquire, or be acquired by, another business or chain that may sell competitive or identical goods or services, but any centers or outlets that we acquire will not operate under the Marks if they are located within your Protected Area.

Currently, neither we nor any affiliate of ours intends to operate or franchise another center under a different trademark that sells products or services similar to the products or services offered at a FYZICAL® Center. However, we reserve the right to do so in the future.

Right of First Refusal for Territory Opportunity

If we or our affiliate operate or grant franchises for the operation of a health-care or fitness-related business offering products or services under the Marks that involves the location of a physical outlet within your Protected Area (a "**Territory Opportunity**"), we will provide you with a right of first refusal for such Territory Opportunity on the following terms:

1. We will provide you with written notice of a Territory Opportunity expected to be physically located within your Protected Area. You will have 60 days to advise us in writing that you wish to participate in the Territory Opportunity.

2. If you do not notify us within such period, then we may pursue such Territory Opportunity and/or grant any other person or entity the right to participate in such Territory Opportunity without any liability to you.

3. If you timely notify us in writing that you wish to participate in the Territory Opportunity, then we may condition your participation on compliance with such terms and conditions as we consider appropriate to the particular Territory Opportunity, including: (i) execution of such franchise agreement and related agreements as are then generally used by us in connection with the award of the applicable Territory Opportunity; (ii) timely payment of all initial fees and any other fees charged by us or our affiliate in connection with the award or grant of the applicable Territory Opportunity; and (iii) meeting our then-current eligibility requirements applied by us to candidates for such Territory Opportunity.

National Accounts

You agree to participate in any National Accounts programs that we establish from time to time. A "**National Account**" is a customer that we designate for participation in any National Accounts program, that operates under the same trademarks or service marks through independent franchises or some other association, at multiple locations, or who we otherwise consider as a customer or potential customer for FYZICAL® Centers in multiple geographic areas. The locations of some of the National Accounts may be in your Protected Area. You will receive compensation for your participation in National Accounts Programs, on the terms outlined in the Manuals.

Advertising and Solicitation



Currently, you may solicit customers and advertise your Center anywhere you choose. There are no restrictions on you, any of our other franchisees, any of our affiliates, or us to prevent any soliciting or advertising in another person's Protected Area. However, we reserve the right to designate or limit the areas in which you and other FYZICAL® Businesses may advertise, except that we will not limit your right to advertise your Center to patients and potential patients located within your Protected Area. You agree all of your advertising and marketing materials will be approved by us prior to their use. There are no other restrictions on your right to solicit customers, whether from inside or outside of your Protected Area. No party is obligated to pay compensation to any other party for soliciting customers from the other party's Protected Area, although we may change our policies and require compensation in the future.

You may use the Internet to advertise only in compliance with the Franchise Agreement and the Manuals. You may use social media only in compliance with our policies, as amended from time to time.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to operate a FYZICAL® Center under the trademark and service mark "FYZICAL® plus design" and related trademarks, service marks, logos and commercial symbols, and to use any future Marks we authorize. You agree to use the Marks in strict accordance with the Franchise Agreement and the Manuals.

Our affiliate, BizZoom, has registered the FYZICAL® logo on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

MARK	REGISTRATION NUMBER	REGISTRATION DATE
 Word and design	4,478,721	February 4, 2014
 Design only	4,413,815	October 8, 2013

<p>BizZoom also applied to register the word mark “FYZICAL” on the USPTO, with Application No. 86540116. We do not have a federal registration for this word mark. Therefore, the word mark does not have many legal benefits and rights as a federally registered trademark. If the right to use this word mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.</p> <p><u>FYZICAL</u> <u>Word only</u></p>	<u>5,079,869</u>	<u>November 8, 2016</u>
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We have the right to use and license the use of the Marks to franchisees under a License Agreement with our affiliate, BizZoom. The License Agreement provides that BizZoom has the right to specify, inspect, and oversee the quality standards of our services and products to assure the protection, enhancement, and goodwill of the Marks. The License Agreement is of perpetual duration and will remain in effect unless terminated by us or BizZoom. If we breach the License Agreement, or if the License Agreement is otherwise terminated, you may lose your rights to use the Marks.

You agree to follow our rules when using the Marks and not use our name or Mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You may not use the Marks in connection with the sale of any product or service that is not previously authorized by us in writing.

We reserve the right to substitute different trade names, service marks, trademarks and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that substitution will be beneficial to the System. If we do, you agree if requested to discontinue or modify your use of any Mark or use one or more additional or substitute Marks, at your expense. You agree to comply with our directions within the time period prescribed in our notice. We will not be obligated to reimburse you for any expenses or loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

You agree to notify us immediately when you learn about an infringing or challenging use of the Marks. We will take the action we think appropriate, but we are not required to take any action if we do not feel it is warranted. We may require your assistance, but you are not permitted to control any

proceeding or litigation relating to our Marks. You agree to not directly or indirectly contest our or our Parent's right to the Marks. We are not obligated to indemnify you against any damages for which you are held liable to third parties arising out of your use of any of the Marks, unless otherwise required by applicable law.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; no pending infringements, oppositions or cancellations; and no pending material litigation involving any of the Marks. We do not know of any infringing uses that could materially affect your use of the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. Although we have not filed an application for copyright registration for the Manuals, we do claim a copyright to the Manuals. During the term of your Franchise Agreement, you are allowed to use our proprietary information relating to the development, marketing and operation of a FYZICAL® Businesses, including, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manuals.

You agree to maintain the confidentiality of all of our proprietary information and use it only in strict accordance with the terms of the Franchise Agreement and the Manuals. You agree to promptly tell us when you learn about unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You are not permitted to control any proceeding or litigation alleging the unauthorized use of any of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements that are known by us at this time.

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

If the Franchisee is a business entity or more than one natural person, then we require the franchisee to designate an owner or principal officer acceptable to us (the "**Operating Principal**") to assume responsibility for the supervision, management and proper operation of the Center. We do not require the Operating Principal to have an ownership interest in the business entity. The Operating Principal will have the authority to bind you regarding all operational decisions with respect to your Center. Your relationship with the Operating Principal, General Manager and any Licensed Professionals that you engage will comply with your state's laws and regulations. You agree the Operating Principal or an approved Clinical Director will successfully complete our initial training program and any other training programs we require from time to time. You agree your Clinical Director, Licensed Professionals and other employees who have access to our trade secrets and other confidential information will execute the noncompetition and nondisclosure agreement before having access to said operational systems, trade secrets, and other confidential information.

If you (or your Operating Principal) will not be actively supervising and managing the Center, then you agree to recruit, hire and maintain a General Manager, or "**Clinical Director**" who: (i) has a sufficient amount of experience (in terms of duration, operational responsibilities, previous training, etc.) as a general manager or in a similar supervisory position to demonstrate to us that he or she is capable of managing a FYZICAL® Center on a full-time ongoing basis; (ii) has management responsibility and authority over the day-to-day operations of the Center; (iii) is actively employed by you or the franchisee entity on a full-time basis to manage the Center's operations; (iv) is bound by our then-current form of confidentiality and non-competition agreement (or other contract in form and substance satisfactory to

us); and (v) has satisfactorily completed our initial training program and any other training programs we require from time to time.

If you are a business entity (e.g., corporation, partnership or limited liability company), each of your owners agree to personally guarantee your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement. This includes both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. The form of “**Principal Owner's Guaranty**” is attached to the Franchise Agreement as Attachment "D". Depending on the creditworthiness of your owners and the community property laws of the states in which they reside, we may also require a Principal Owner's Guaranty from the spouse of each owner.

You also agree to complete and deliver to us a “**Principal Owner's Statement**” in the form attached as Attachment "E" to the Franchise Agreement, which describes all of your owners and their interests in you.

To protect the proprietary knowledge and maintain a competitive advantage you agree all of your employees and other agents who may have access to our confidential information will be bound by a Confidentiality Agreement, the current form of which is attached to the Franchise Agreement as Attachment "H".

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You agree we have the right to approve all goods and services that you sell at or through your Center. You agree to offer all goods and services that we require. You may not sell any goods or services that we have disapproved. We have the unrestricted right to change the goods and/or services that you have agreed to sell as part of your Center at any time in our sole discretion, and you will comply with any such change.

You agree all products and services you use, offer or sell at your Center will conform to our standards and specifications. These are described in our Manuals and other writings. You agree not to deviate from our standards and specifications unless we first give you our written consent. You also agree to comply with all applicable laws and regulations and secure all governmental approvals for the operation of your Center.

We have the right to modify standards and specifications from time to time, and any such modifications may obligate you to invest additional capital in your FYZICAL® Center and/or incur higher operating costs; provided, however, that such modifications will not alter your fundamental rights under your Franchise Agreement. We will provide you with notice of any required modifications. Our notice will indicate how long you will have to make such changes and modifications, which will generally be 30 to 90 days, depending on the type of change that is required. There is no limit on the amount you may be required to spend to change your equipment, remodel your Center, or make other improvements or modifications that we specify during the term of your Franchise Agreement. There is also no limit on your obligation to remodel the Center during the term of your Franchise Agreement or as a condition to renewing or transferring your franchise.

You agree all advertising and promotional materials, signs, and other items that we designate will bear the Marks in the form, color, size, location and manner we require. You agree not to advertise, promote, post or list information relating to the FYZICAL® Center on the Internet (through the creation of a website or otherwise), without our prior written consent.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP		
Provision	Sections in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.1	Term is 10 years.
b. Renewal or extension of the term	Sections 4.1 & 4.2; Conversion Addendum Section 5	Upon expiration of your franchise agreement, you may acquire 2 consecutive franchises for 10 years each if you sign our then-current form of Franchise Agreement (which may have terms and conditions materially different than your original franchise agreement) and satisfy other renewal conditions.
c. Requirements for franchisee to renew or extend	Sections 4.1 & 4.2	You agree to: (1) not be in default; (2) give us timely notice; (3) enter into our then-current form of franchise agreement and related documents (e.g., personal guaranty, noncompetition agreement, etc.); (4) enter into a general release; (5) pay successor franchise fee; (6) remodel or upgrade your Center to comply with our then-current standards and specifications; and (7) maintain possession of your Center under your lease. If you renew, you may be required to enter into an agreement with materially different terms and conditions than the original agreement.
d. Termination by franchisee	Section 20.1; Conversion Addendum Section 4	You can terminate if we fail to cure a material default within the cure period. If you are a conversion franchisee, you may, at your option, terminate the Franchise Agreement at any time commencing with the 5 th anniversary date of the Franchise Agreement and prior to expiration of the initial term, if you provide us with 90 days' prior written notice, sign a general release, and pay the applicable Exit Fee. (See Item 6) This option does not apply to new Centers.
e. Termination by franchisor without cause	Section 20.4	We can terminate without cause if you and we mutually agree to terminate.
f. Termination by franchisor with cause	Sections 20.2 & 20.3	We can terminate if you default.
g. "Cause" defined - curable defaults	Section 20.3	You have 30 days to cure any default, other than defaults described below under "non-curable defaults."
h. "Cause" defined - non-curable defaults	Section 20.2	The following defaults cannot be cured: (i) failure to successfully complete training; (ii) failure to find approved site, secure lease or open in timely manner; (iii) insolvency, bankruptcy or seizure of assets; (iv) abandonment of franchise; (v) failure to maintain required license or permit;

THE FRANCHISE RELATIONSHIP		
Provision	Sections in Franchise Agreement	Summary
		(vi) conviction of certain types of crimes or be the subject of certain administrative actions; (vii) failure to comply with material law; (viii) commission of act that may adversely affect the reputation of System or Marks; (ix) health or safety hazards; (x) material misrepresentations; (xi) failure to pay us or affiliate within 5 days after demand; (xii) the license of the Licensed Professional is suspended or revoked (unless the Licensed Professional is replaced within 5 business days); (xiii) unauthorized transfers; (xiv) unauthorized use of our intellectual property; (xv) violation of confidentiality, noncompetition or non-solicitation covenant; (xvi) termination of your lease due to your default; or (xvii) termination of any other agreement between you and us or an affiliate due to your default.
i. Franchisee's obligations on termination/non renewal	Section 21.1	Obligations include complete de-identification, cease use of intellectual property, return of Manuals and all branded materials, return of software, assignment of customer information and accounts, cancellation of fictitious names, and payment of amounts due (also see "r" below).
j. Assignment of contract by franchisor	Section 19.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 19.2 & <u>Attachment "A"</u> (definition of "Transfer")	Includes transfer of contract or assets, or ownership change.
l. Franchisor approval of transfer by franchisee	Sections 19.2, 19.3 & <u>Attachment "A"</u> (definition of "Permitted Transfer")	If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to an immediate family member or existing owner, without our approval. We have the right to approve all other transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 19.2	Transferee will meet our qualifications, successfully complete training (or commit to do so), obtain all required licenses and permits, and enter into a new franchise agreement for the remainder of the term (or at our option, take assignment of existing franchise agreement). You will be in compliance with Franchise Agreement, assign your lease, if applicable, remodel the Center to current standards (or get a commitment from transferee to do so), pay us the Transfer Fee and sign a general release and subordination agreement. We notify you that we do not intend to exercise our right of first refusal.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 19.5	We have the right to match any bona fide, arms-length offer for your Center.

THE FRANCHISE RELATIONSHIP		
Provision	Sections in Franchise Agreement	Summary
o. Franchisor's option to purchase franchisee's business	None	None
p. Death or disability of franchisee	Section 19.4	Within 180 days, franchise will be assigned by estate to an assignee in compliance with conditions for other transfers. We may designate a manager to operate the Center prior to transfer.
q. Non-competition covenants during the term of the franchise	Section 14.2, 14.3, 14.5, 14.6, 14.7 & 14.8	No involvement in competing center; comply with non-solicitation and non-disclosure covenants.
r. Non-competition covenants after the franchise is terminated or expires	Sections 14.2, 14.4, 14.5, 14.6, 14.7, 14.8, 21.1 & <u>Attachment "A"</u> (definition of "Post-Term Restricted Period" & "Restricted Territory"); Conversion Addendum Section 10	No involvement for 2 years in competing business located or operating within the former Protected Area or within a 3-mile radius of any FYZICAL® Center in operation or under development on the date of termination or expiration of the Franchise Agreement; comply with non-solicitation and non-disclosure covenants; cease use of intellectual property. If you are a conversion franchisee, you may, at your option, upon expiration or termination of the Franchise Agreement, pay us an amount equal to 24-months' trailing Royalty fees, in which case the post-term competitive restrictions will not apply. If you are a new Center franchisee and have fully complied with the terms of your Franchise Agreement during the entire term, you will have the option, upon expiration (but not termination) of the Franchise Agreement to pay us an amount equal to 24 months' trailing Royalty fees, in which case the post-term competitive restrictions will not apply. In all cases, the confidentiality provisions will continue to apply following expiration or termination of the Franchise Agreement.
s. Modification of the agreement	Sections 14.8, 24.3 & 24.8	Requires writing signed by both parties (except for unilateral changes to Manuals or unilateral reduction of scope of restrictive covenants by us). Other modifications primarily to comply with various states laws.
t. Integration/merger clause	Section 24.8	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 22	All disputes will be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants (subject to applicable law).

THE FRANCHISE RELATIONSHIP		
Provision	Sections in Franchise Agreement	Summary
v. Choice of forum	Section 22; Promissory Note Section 12; Security Agreement Section 9.3	All mediation and litigation will take place in county where we maintain our principal place of business (currently, Sarasota County, Florida) at the time the dispute arises (subject to applicable law).
w. Choice of law	Section 24.1; Promissory Note Section 13; Security Agreement Section 9.4	Florida law (subject to applicable law).

Please refer to any disclosure addenda and contractual amendments appended to this disclosure document or the Franchise Agreement for additional terms that may be required under applicable state law. Please note, however, that if you would not otherwise be covered under those state laws by their own terms, then you will not be covered merely because we have given you an addendum or rider that describes the provisions of those state laws.

ITEM 18 PUBLIC FIGURES

We do not currently use any public figures to promote our franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

These financial performance representations should not be considered as the actual or potential sales or revenue that will be realized by any other Center. Some Centers have earned this amount. Your individual results may differ. There is no assurance you'll earn as much.

We obtained these financial results from the information provided by our affiliates and franchisees. We have not independently audited or verified the information.

We have written substantiation in our possession to support the information appearing in this financial performance representation. Written substantiation will be made available to you upon reasonable request.

All FYZICAL® Centers offer substantially the same services to the public.

2016 Gross Sales Data

We compiled the Gross Sales (which are unaudited figures) for the 16 affiliated/company-owned and 45 franchised, FYZICAL® Centers open the full year of 2016. The company-owned Centers, consistent with Item 20 below, are actually affiliates owned by business entities that are owned by certain of our members and management or a subsidiary. The figures are based on historical results. Of the 45 Franchised Centers, 45 were Conversion Centers that converted to FYZICAL® Centers after previously operating under a different trade name. Of the 16 company-owned Centers, 14 were Conversion Centers and 2 were new Centers. Although 139 franchised FYZICAL® Centers were open a full year in 2016, we report revenues only for the 45 Centers in which we received reports of revenues during the year.

<u>Item</u>	<u>Franchised Centers</u>	<u>Company-Owned Centers</u>
<u>High Revenue</u>	<u>\$9,127,294</u>	<u>\$6,062,500</u>
<u>Low Revenue</u>	<u>\$105,231</u>	<u>\$506,470</u>
<u>Average Revenue</u>	<u>\$713,642</u>	<u>\$2,896,716</u>
<u>Median Revenue</u>	<u>\$445,842</u>	<u>\$2,639,300</u>
<u>Total Number of Centers Included</u>	<u>45</u>	<u>16</u>
<u>Number of Centers exceeding Average Revenue</u>	<u>9</u>	<u>2</u>
<u>Percentage of Centers exceeding Average Revenue</u>	<u>20%</u>	<u>13%</u>

2015 Gross Sales Data

We compiled the Gross Sales (which are unaudited figures) for the 10 affiliated/company-owned and 33 franchised, FYZICAL® Centers open the full year of 2015 (with 2 franchised Centers that opened in late January 2015). The company-owned Centers, consistent with Item 20 below are actually affiliates owned by business entities that are owned by certain of our members and management. The figures are based on historical results. Of the 33 Franchised Centers, all were Conversion Centers that converted to FYZICAL® Centers after previously operating under a different trade name. Of the 10 company-owned Centers, 9 were Conversion Centers and 1 was a new Center.

~~These financial performance representations should not be considered as the actual or potential sales or revenue that will be realized by any other Center. Some Centers have earned this amount. Your individual results may differ. There is no assurance you'll earn as much.~~

~~A new franchisee's individual financial results are likely to differ from the financial results presented below.~~

~~We obtained these financial results from the information provided by our affiliates and franchisees. We have not independently audited or verified the information.~~

~~We have written substantiation in our possession to support the information appearing in this financial performance representation. Written substantiation will be made available to you upon reasonable request.~~

~~All FYZICAL® Centers offer substantially the same services to the public.~~

Item	Franchised Centers	Company-Owned Centers
High Revenue	\$1,634,003	\$5,700,000
Low Revenue	\$92,909	\$200,091

Item	Franchised Centers	Company-Owned Centers
Average Revenue	\$658,779	\$2,029,872
Median Revenue	\$532,327	\$1,606,414
Total Number of Centers Included	33	10
Number of Centers exceeding Average Revenue	9	3
Percentage of Centers exceeding Average Revenue	27%	30%

The sales of FYZICAL® Centers may be affected by seasonality in some locations. Generally, sales in the Florida market appear to have more favorable sales levels during the months of January through May. However, not every FYZICAL® Center will be similarly affected by seasonality due to a wide variety of factors, including location, proximity to "snowbird" communities, tourism levels, population density of year-round residents, market draw, local advertising, and management efforts.

The sales figures are based on the historical results from the existing operating FYZICAL® Centers. [Written substantiation is available upon reasonable request.](#) They should not be considered as the actual or potential sales that will be recognized by anyone else, including you.

Furthermore, sales figures of any new FYZICAL® Center are likely to be substantially lower during the 1st year of operation than in later years.

[Some Centers have achieved these amounts of revenues. Your individual results may differ. There is no assurance that you'll sell as much.](#)

Your actual annual sales revenues may differ from the data presented above due to a variety of factors, such as regional market variations, the demographics of an area, lifestyles of customers in the market area, the location of your Center and other market characteristics, as well as your business abilities and efforts.

The information presented is not a forecast of future financial performance. We do not provide prospective franchisees with projections or forecasts of sales, profits or earnings. Actual results may vary by region, market potential, the franchisee's managerial skill, competition and other factors beyond our control. Actual results will also vary by location and the viability of the site. You should utilize the services of an accountant or other financial professional to help you if you want to prepare budgets or projections.

The financial performance representations do not reflect the cost of sales, operating expenses or other costs or expenses that will be deducted from the gross revenue figures to obtain your net income or profit.

We recommend that you make your own independent investigation to determine whether or not your Center may be profitable, and consult with an attorney and other advisors before executing the franchise agreement.

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 Matthew DiMauro, 505 South Orange Avenue, Suite 101, Sarasota, Florida 34236 and (941) 227-4122, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

~~We were incorporated on August 28, 2012 and started offering franchises on July 15, 2013. We have no franchise history to report before July 15, 2013.~~

Table No. 1
System-Wide Summary Outlet for Years Ending December 31, ~~2013~~, 2014, 2015 and 2016~~2015~~

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014 <u>2013</u>	0 <u>11</u>	11 <u>29</u>	+11 <u>18</u>
	2015 <u>2014</u>	11 <u>29</u>	29 <u>121</u>	+18 <u>92</u>
	2016 <u>2015</u>	29 <u>121</u>	122 <u>159</u>	+93 <u>38</u>
Company-Owned ⁽¹⁾	2014 <u>2013</u>	1 <u>*0</u>	0 <u>10</u>	-1 <u>+10</u>
	2015 <u>2014</u>	0 <u>10</u>	10 <u>17</u>	+10 <u>7</u>
	2016 <u>2015</u>	10 <u>17</u>	17 <u>19</u>	+7 <u>2</u>
Total Outlets ⁽²⁾⁽³⁾	2014 <u>2013</u>	1 <u>11</u>	11 <u>39</u>	+12 <u>32</u>
	2015 <u>2014</u>	11 <u>39</u>	39 <u>138</u>	+32 <u>99</u>
	2016 <u>2015</u>	39 <u>138</u>	139 <u>178</u>	+100 <u>40</u>

NOTES:

NOTES:

(1)* ~~This Center was owned and operated by our affiliate.~~

(2) We do not own or operate any Centers. See Item 1. These Centers are owned and operated ~~under franchise agreement with companies owned by certain of our owners and management and~~ by affiliates and, therefore ~~are affiliates. Therefore, they~~ are reported as company-owned.

(3) ~~2~~ Outlets refer to the number of open Clinics. Multiple Clinics may be operated under a single franchise agreement.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other Than the Franchisor)
for Years Ending December 31, ~~2013~~, 2014, 2015 and 2016~~2015~~

State	Year	Number of Transfers
All States	2014 <u>2013</u>	0
	2015 <u>2014</u>	0
	2016 <u>2015</u>	0
Total	2014 <u>2013</u>	0
	2015 <u>2014</u>	0
	2016 <u>2015</u>	0

Table No. 3
Status of Franchised Outlets For Years Ending December 31, ~~2013~~, 2014, 2015 and ~~2015~~ 2016

State	Year	Outlets ⁽¹⁾ at Start of Year	Outlets ⁽¹⁾ Opened	Termi- nations	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets ⁽¹⁾ at End of Year
Arizona <u>Alaba ma</u>	2014 013	0	0	0	0	0	0	0
	2015 014	0	0	0	0	0	0	0
	2016 015	0	2 <u>0</u>	0	0	0	0	2 <u>0</u>
<u>Arizona</u>	<u>2014</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2015</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2016</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>Arkansas</u>	<u>2014</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2016</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
California	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	8	0	0	0	0	8
	<u>2016</u>	<u>8</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>
Colorado	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	2	0	0	0	0	2
	<u>2016</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Connecticut	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	2	0	0	0	0	2
	<u>2016</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Florida	2014 013	0 <u>11</u>	11 <u>4</u>	0 <u>1</u>	0	0	0	11 <u>14</u>
	2014	11	4	1	0	0	0	14
	2015	14	10	1	0	0	0	23
Georgia	2016 013	0 <u>23</u>	0 <u>4</u>	0 <u>1</u>	0	0	0	0 <u>26</u>
<u>Georgia</u>	2014	0	2	0	0	0	0	2
	2015	2	4	0	0	0	0	6

State	Year	Outlets ⁽¹⁾ at Start of Year	Outlets ⁽¹⁾ Opened	Termi- nations	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets ⁽¹⁾ at End of Year
Illinois	2016 2013	06	03	03	0	0	0	06
Illinois	2014	0	3	0	0	0	0	3
	2015	3	12	0	0	0	0	15
	2016	15	2	1	0	0	0	16
Indiana	2014 2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
Iowa	2016 2013	01	03	0	0	0	0	04
Iowa	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
Kentucky	2016 2013	01	0	0	0	0	0	01
Kentucky	2014	0	1	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Louisiana	2014 2013	0	01	0	0	0	0	01
	2014	0	1	0	0	0	0	1
	2015	1	7	0	0	0	0	8
	2016	8	0	1	0	0	0	7
Maryland	2014 2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	2016	1	3	0	0	0	0	4
Massachusetts	2014 2013	0	02	0	0	0	0	02
	2014	0	2	0	0	0	0	2
	2015	2	1	0	0	0	0	3
	2016	3	1	0	0	0	1	3
Michigan	2014 2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	2	0	0	0	0	2
	2016	2	2	0	0	0	0	4

State	Year	Outlets ⁽¹⁾ at Start of Year	Outlets ⁽¹⁾ Opened	Termi- nations	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets ⁽¹⁾ at End of Year
Minnesota	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	<u>2016</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Missouri	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	<u>2016</u>	<u>1</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Nebraska	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	10	0	0	0	0	10
	<u>2016</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>
Nevada	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	<u>2016</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
New Jersey	2014 013	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2014	0	1	0	0	0	0	1
	2015	1	3 <u>2</u>	0	0	0	0	4 <u>3</u>
	<u>2016</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
New York	2014 013	0	0 <u>1</u>	0	0	0	0	0
	2014	0	1	0	0	0	0	0
	2015	0	4	0	0	0	0	4
	<u>2016</u>	<u>4</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
North Carolina	2014 013	0	0 <u>2</u>	0	0	0	0	0 <u>2</u>
	2014	0	2	0	0	0	0	2
	2015	2	0	0	0	0	0	2
Ohio	2016 013	0 <u>2</u>	0 <u>3</u>	0	0	0	0	0 <u>5</u>
<u>Ohio</u>	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	<u>2016</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>

State	Year	Outlets ⁽¹⁾ at Start of Year	Outlets ⁽¹⁾ Opened	Termi- nations	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets ⁽¹⁾ at End of Year
Oklahoma	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	2	0	0	0	0	2
	<u>2016</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Pennsylvania	2014 013	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2014	0	1	0	0	0	0	1
	2015	1	2	0	0	0	0	3
	<u>2016</u>	<u>3</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
South Carolina	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	3	0	0	0	0	3
	<u>2016</u>	<u>3</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
South Dakota	2014 013	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2016</u>	<u>1</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
<u>Tennessee</u>	2014	0	0	0	0	0	0	0
	2015	0	1 <u>0</u>	0	0	0	0	1 <u>0</u>
	<u>2016</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Texas	2014 013	0	0 <u>2</u>	0	0	0	0	0 <u>2</u>
	2014	0	2	0	0	0	0	2
	2015	2	8	1	0	0	0	9
Utah	2013 <u>016</u>	0 <u>9</u>	0	0 <u>1</u>	0	0	0	0 <u>8</u>
<u>Utah</u>	2014	0	0	0	0	0	0	0
	2015	0	4	0	0	0	0	4
	<u>2016</u>	<u>4</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
Virginia	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	2	2	0	0	0	0
	<u>2016</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Washington	2014 013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0

State	Year	Outlets ⁽¹⁾ at Start of Year	Outlets ⁽¹⁾ Opened	Termi- nations	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets ⁽¹⁾ at End of Year
	2015	0	1	0	0	0	0	1
	<u>2016</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Wisconsin	2014 013	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2016</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>Wyoming</u>	2014	0	0	0	0	0	0	0
	2015	0	1 <u>0</u>	0	0	0	0	1 <u>0</u>
Totals	2013 <u>016</u>	0	11 <u>2</u>	0	0	0	0	11 <u>2</u>
Totals	2014	11	19	1	0	0	0	29
	2015	29	97 <u>96</u>	4	0	0	0	122 <u>121</u>
	<u>2016</u>	<u>121</u>	<u>47</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>159</u>

(1) Outlets refer to the number of open Clinics. Multiple Clinics may be operated under a single franchise agreement.

Table No. 4
Status of Company-Owned Outlets ⁽¹⁾
For Years Ending December 31, ~~2013~~, 2014, 2015 and ~~2015~~2016

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Florida	2014 13	1 <u>0</u>	0 <u>8</u>	0	0	1 <u>0</u>	0 <u>8</u>
	2015 14	0 <u>8</u>	8 <u>5</u>	0	0	0	8 <u>13</u>
	2015 <u>16</u>	8 <u>13</u>	5 <u>2</u>	0	0	0	13 <u>15</u>
Nevada	2014 13	0	0 <u>2</u>	0	0	0	0 <u>2</u>
	2015 14	0 <u>2</u>	2	0	0	0	2 <u>4</u>
	2015 <u>16</u>	2 <u>4</u>	2 <u>0</u>	0	0	0	4
Totals	2014 13	1 <u>0</u>	0 <u>10</u>	0	0	1 <u>0</u>	0 <u>10</u>
	2015 14	0 <u>10</u>	10 <u>7</u>	0	0	0	10 <u>17</u>
	2015 <u>20</u>	10 <u>17</u>	7 <u>2</u>	0	0	0	17 <u>19</u>

NOTES:

~~NOTES:~~

- (1)* ~~This Center was owned and operated by our affiliate.~~
- (2) We do not own or operate any Centers. See Item 1. These Centers are owned and operated ~~under franchise agreement with companies owned by certain of our owners and management and~~ by affiliates and, therefore ~~are affiliates. Therefore, they~~ are reported as company-owned.
- (3) Outlets refer to the number of open Clinics. Multiple Clinics may be operated under a single franchise agreement.
- (3) On January 1, 2017, our affiliate Fyzical Retail acquired 5 Centers from FyzBiz, a franchisee in Florida.

Table No. 5
Projected Openings as of December 31, ~~2015~~2016

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year (2017 <u>2016</u>)	Projected New Company-Owned Outlets in the Next Fiscal Year (2017 <u>2016</u>)
<u>Alabama</u>	<u>1</u>	<u>3</u>	<u>0</u>
Arizona	0	10	0
Arkansas	0	10	0
California	0	7 <u>10</u>	0
Colorado	0	30	0
Connecticut	0	40	0
Delaware	0	1	0
Florida	3 <u>2</u>	10 <u>20</u>	1 <u>3</u>
Georgia	1 <u>0</u>	3 <u>20</u>	0
Illinois	0	2 <u>1</u>	0
Indiana	0 <u>1</u>	2 <u>1</u>	0
Iowa	0	10	0
Kansas	0	10	0
Kentucky	0 <u>1</u>	1	0
Louisiana	0	1 <u>2</u>	0
Maine	0	10	0
Maryland	0	10	0
Massachusetts	0 <u>1</u>	1 <u>4</u>	0
Michigan	0	1 <u>5</u>	0
<u>Minnesota</u>	<u>0</u>	<u>0</u>	<u>0</u>
Missouri	0	1	0
<u>Nebraska</u>	<u>0</u>	<u>0</u>	<u>0</u>
Nevada	0	10	0
New Hampshire	0	10	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year (2017 2016)	Projected New Company-Owned Outlets in the Next Fiscal Year (2017 2016)
New Jersey	0 <u>1</u>	1 <u>11</u>	0
New Mexico	0	1	0
New York	0 <u>2</u>	3 <u>2</u>	0
North Carolina	0 <u>1</u>	1	0
Ohio	0	1	0
Oklahoma	0	1 <u>0</u>	0
Oregon	0	1	0
Pennsylvania	0 <u>1</u>	1	0
South Carolina	0	1 <u>0</u>	0
<u>South Dakota</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tennessee	0	3 <u>0</u>	0
Texas	0 <u>3</u>	3 <u>13</u>	0
Utah	0	1 <u>0</u>	0
Virginia	0	1 <u>0</u>	0
Washington	0	3 <u>0</u>	0
<u>Wisconsin</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Wyoming</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	4<u>14</u>	67<u>100</u>	1<u>3</u>

The name, address and telephone number of each current franchisee as of the date of this disclosure document are listed in Exhibit "F.I."

The name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of the ~~13~~6 franchisees who, (a) in our most recent full fiscal year: (i) had an outlet terminated, cancelled, or not renewed; or (ii) otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement, as applicable; or (b) who has not communicated with us within 10 weeks of the issuance date of this disclosure document, is listed in Exhibit "K.J.":

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

We are not offering any existing franchised outlets to prospective franchisees, including those that either have been reacquired by us or are still being operated by current franchisees pending a transfer. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this disclosure document.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

There are no (i) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (ii) independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements for the periods ended December 31, ~~2015~~2016, December 31, ~~2015~~2014 and December 31, ~~2013~~2014 are attached to this disclosure document as Exhibit "B." ~~Our unaudited financial statements for the period ending September 30, 2016, are also attached as Exhibit "B."~~

ITEM 22 CONTRACTS

Attached to this disclosure document (or the Franchise Agreement attached to this disclosure document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

Exhibit "A"	Franchise Agreement
Exhibit "C"	Conversion Addendum to Franchise Agreement
Exhibit "F"	State Specific Addenda and Riders
Exhibit "G"	General Release
Exhibit "H"	Form of Promissory Note, Security Agreement and UCC 1 Financing Statement
Exhibit "I" <u>Exhibit "H"</u>	Franchise Compliance Certificate

Attachments to Franchise Agreement

Attachment "A"	Definitions
Attachment "B"	Protected Area
Attachment "C"	Initial Franchise Fee and Approved Location
Attachment "D"	Principal Owner's Statement
Attachment "E"	Principal Owner's Guaranty
Attachment "F"	ACH Authorization Form
Attachment "G"	Nondisclosure, Nonsolicitation and Noncompetition Agreement
Attachment "H"	Confidentiality Agreement

ITEM 23 RECEIPT

Exhibit "L" to this disclosure document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

FYZICAL, LLC
FRANCHISE AGREEMENT

TABLE OF CONTENTS

1.	DEFINITIONS	1
2.	GRANT OF FRANCHISE	1
3.	TERRITORIAL RIGHTS	1
3.1.	Protected Area	1
3.2.	Reserved Rights	1
3.3.	Minimum Performance Standards	2
3.4.	National Accounts	3
3.5.	Right of First Refusal	3
4.	TERM AND RENEWAL	3
4.1.	Generally	3
4.2.	Renewal Requirements	4
5.	TRAINING AND CONFERENCES	4
5.1.	Initial Training Program	4
5.2.	Periodic Training	4
5.3.	On-Site Training	4
5.4.	Conferences	4
5.5.	Expenses	4
6.	OTHER FRANCHISOR ASSISTANCE.	5
6.1.	Training	5
6.2.	Manuals	5
6.3.	Software	5
6.4.	Additional Assistance Upon Request	5
6.5.	General Guidance	5
6.6.	Website	5
6.7.	Purchase Agreements	5
6.8.	Discount Purchases	5
6.9.	Private Label Goods	5
6.10.	Telephone; E-mail; Call Center Services	6
7.	ESTABLISHING YOUR CENTER	6
7.1.	Site Selection	6
7.2.	Lease	6
7.3.	Construction	6
7.4.	Opening	6
7.5.	Relocation	7
8.	MANAGEMENT.	7
8.1.	Operating Principal(s)	7
8.2.	General Manager	7
8.3.	Employees	8

9.	FRANCHISEE AS ENTITY	8
10.	GUARANTY	8
11.	ADVERTISING & MARKETING.	9
11.1.	Local Advertising	9
11.2.	Standards for Advertising	9
11.3.	Approval of Advertising	9
11.4.	Internet and Websites	9
12.	OPERATING STANDARDS.	9
12.1.	Generally	9
12.2.	Operating Manual	10
12.3.	Authorized Goods and Services	10
12.4.	Suppliers and Purchasing	10
12.5.	Equipment Maintenance and Changes	11
12.6.	Software and Technology	11
12.7.	Remodeling and Maintenance	11
12.8.	Hours of Operation	12
12.9.	Client Complaints	12
12.10.	Business Formats.	12
13.	FEES	12
13.1.	Initial Franchise Fee	12
13.2.	Royalty Fee	12
13.3.	Fee Basis.	13
13.4.	Other Fees and Payments	13
13.5.	Interest on Late Payments	13
13.6.	Method of Payment	13 14
13.7.	Application of Payments	14
14.	RESTRICTIVE COVENANTS.	14
14.1.	Reason for Covenants	14
14.2.	Our Know-How	14
14.3.	Unfair Competition During Term	14
14.4.	Unfair Competition After Term	14 15
14.5.	Immediate Family Members	15
14.6.	Employees and Others Associated with You	15
14.7.	Covenants Reasonable	15
14.8.	Breach of Covenants	15 16
15.	YOUR OTHER RESPONSIBILITIES	16
15.1.	Maximum and Minimum Prices	16
15.2.	Insurance	16
15.3.	Books and Records	16 17
15.4.	Reports	17
15.5.	Financial Statements	17
15.6.	Legal Compliance	18

16.	INSPECTION AND AUDIT	18
16.1.	Inspections	18
16.2.	Audits	18
17.	INTELLECTUAL PROPERTY	18 <u>19</u>
17.1.	Ownership and Use of Intellectual Property	18 <u>19</u>
17.2.	Changes to Intellectual Property	19
17.3.	Use of Marks	19
17.4.	Use of Know-how	19
17.5.	Improvements	19
17.6.	Notification of Infringements and Claims	19 <u>20</u>
18.	INDEMNITY.	20
19.	TRANSFERS	20
19.1.	By Us	20
19.2.	By You	20 <u>21</u>
19.3.	Permitted Transfers	21 <u>22</u>
19.4.	Death or Disability of an Owner	21 <u>22</u>
19.5.	Our Right of First Refusal	21 <u>22</u>
20.	TERMINATION	22
20.1.	By You	22
20.2.	Termination By Us Without Cure Period	22
20.3.	Additional Conditions of Termination	23 <u>24</u>
20.4.	Mutual Agreement to Terminate	23 <u>24</u>
21.	POST-TERM OBLIGATIONS.	24
21.1.	Obligations of You and the Owners	24
22.	DISPUTE RESOLUTION	24 <u>25</u>
23.	YOUR REPRESENTATIONS	25
24.	GENERAL PROVISIONS	25 <u>26</u>
24.1.	Governing Law	25 <u>26</u>
24.2.	Relationship of the Parties	26
24.3.	Severability and Substitution	26
24.4.	Waivers	26
24.5.	Approvals	26 <u>27</u>
24.6.	Force Majeure	27
24.7.	Binding Effect	27
24.8.	Integration	27
24.9.	Covenant of Good Faith	27
24.10.	Rights of Parties are Cumulative	27 <u>28</u>
24.11.	Survival	27 <u>28</u>
24.12.	Construction	28
24.13.	Time of Essence	28
24.14.	Counterparts	28
24.15.	Notice.	28

ATTACHMENTS

ATTACHMENT "A"	Definitions
ATTACHMENT "B"	Protected Area
ATTACHMENT "C"	Initial Franchise Fee and Approved Location
ATTACHMENT "D"	Principal Owner's Guaranty
ATTACHMENT "E"	Principal Owner's Statement
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FYZICAL, LLC
FRANCHISE AGREEMENT

This Franchise Agreement (this “**Agreement**”) is entered into this ____ day of _____, 20__ (the “**Effective Date**”), regardless of the actual date of signature, between **FYZICAL, LLC**, a Florida limited liability company (“**we**” or “**us**” or “**our**” or “**Fyzical**”) and _____, a(n) _____ (“**you**” or “**your**”).

1. DEFINITIONS

Capitalized terms used in this Agreement are defined either in the body of this Agreement or in ATTACHMENT "A". For capitalized terms that are defined in the body of this Agreement, ATTACHMENT "A" lists the Sections of this Agreement in which such terms are defined.

2. GRANT OF FRANCHISE

We hereby grant you a license to own and operate a FYZICAL® rehabilitation center (your “**Center**” or “**FYZICAL® Center**”) using our Intellectual Property from a single location that we approve (your “**Approved Location**”), and at no other location (temporary or permanent). The Approved Location is described in ATTACHMENT "C" to this Agreement. If the Approved Location has not been determined at the time you sign this Agreement, it will be determined in accordance with Section 7.1 and the address of the Center will then be inserted in ATTACHMENT "C."

You agree that your Center will have one or more licensed and qualified physical therapists (referred to as a “**Licensed Professional**”). You (if you are a Licensed Professional) or other Licensed Professionals engaged by you will be involved in the operations of your Center in accordance with your state's laws and regulations, your Franchise Agreement, and the Manuals. (Defined in Section 6.2).

3. TERRITORIAL RIGHTS

3.1. Protected Area. You and we will agree to a geographic area that will be designated as your exclusive area on ATTACHMENT "B" to this Agreement (the “**Protected Area**”), which will be comprised of one or more Territories. For purposes of this Agreement, a “**Territory**” is a geographic area that contains a population of approximately 40,000 people. The size of a Territory will not be increased or reduced due to any change in population during the Term of this Agreement. During the Term, as long as you are in substantial compliance with this Agreement, including the Minimum Performance Standards set forth in Section 3.3, we and our affiliates will not operate, or grant a franchise to anyone else to operate, a FYZICAL® Center at a fixed or permanent location inside the Protected Area, subject to the limitations described in Section 3.2 below.

3.2. Reserved Rights. Your territorial rights are granted in Section 3.1 above. We (and our affiliates) reserve all rights not expressly granted to you including, without limitation, the right to:

(a) Establish and operate, and grant franchises to others to establish and operate, FYZICAL® Centers anywhere outside the Protected Area, on such terms and conditions as we deem appropriate (even immediately outside the border of the Protected Area);

(b) Establish and operate, and grant franchises to others to establish and operate, businesses of any kind whatsoever, whether located within or outside the Protected Area, that do not use the Marks;

(c) Subject to your right of first refusal described in Section 3.5 below, and except for physical therapy and rehabilitation centers providing the same services as FYZICAL® Centers, establish and operate, and grant franchises to others to establish and operate, anywhere (including within the Protected Area) businesses providing health-care or fitness related services under the Marks;

(d) Sell or license others to sell competitive or identical goods or services (whether under the Marks or under different trademarks) through Alternative Channels of Distribution. An “**Alternative Channel of Distribution**” means any channel of distribution other than retail sales made to clients from a FYZICAL® Center within the Protected Area, including, but not limited to: (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (ii) sales through retail stores that do not operate under the Marks; and (iii) sales made at wholesale;

(e) Either (i) be acquired, directly or indirectly, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise, by a competitive or non-competitive company, franchise system, network or chain; or (ii) acquire, directly or indirectly, another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset purchase, change of control, merger, affiliation or otherwise (an “**Acquisition**”). If we acquire, or are acquired by, another business or chain that sells competitive or noncompetitive goods or services, those centers or outlets may be converted into FYZICAL® Center franchises operating under the Marks if such centers or outlets are located outside the Protected Area. We will not allow any centers or outlets to operate under the Marks within your Protected Area. Any such acquired or converted centers or outlets will not be taken into account in the franchise/population calculation described in Section 3.1 above; and/or

(f) Engage in any other activity, action or undertaking that we are not expressly prohibited from taking under this Agreement.

3.3. Minimum Performance Standards. Commencing with the second year of operations, you agree to meet the following minimum performance levels (the “**Minimum Performance Standards**”) each year during the Term of this Agreement to retain exclusive rights in the Protected Area:

Time Period	Minimum Annual Gross Revenue per Territory (Non-Cumulative)
Year 1	Not Applicable
Year 2	\$100,000
Year 3	\$100,000
Year 4	\$100,000
Year 5 and thereafter	\$200,000

For purposes of measuring your compliance with the Minimum Performance Standards, the first year begins on the earlier to occur of (i) the actual opening date of your Center or (ii) 180 days from the Effective Date of this Agreement (the “**Opening Date**”), and ends on the first anniversary thereof. Each subsequent year runs for a 12-month period from the prior anniversary of the Opening Date. If you fail to

achieve the Minimum Performance Standards, then we may, at our option, effective 30 days after we deliver written notice to you: (a) terminate your exclusive rights to the Protected Area; or (b) reduce the scope of the geographic area comprising the Protected Area in which you will have exclusive rights. If we terminate your exclusive rights to the Protected Area or reduce the scope of the Protected Area, you may continue to operate your Center, but we may establish and operate, or allow others to establish and operate, FYZICAL® Centers in your former Protected Area or former portion(s) of the Protected Area, as the case may be.

3.4. National Accounts. You agree to participate in any National Accounts programs that we establish from time to time. A "**National Account**" is a customer that we designate for participation in any National Accounts program, as outlined in the Manuals, that operates under common ownership or control, under the same trademarks or service marks through independent franchises or some other association, at multiple locations, or who we otherwise consider as a customer or potential customer for FYZICAL® Centers in multiple geographic areas. The locations of some of the National Accounts may be in your Protected Area. You will receive compensation for your participation in such programs, as set forth in the Manuals or otherwise.

3.5. Right of First Refusal. If we or our affiliate operate or grant franchises for the operation of health-care or fitness-related business(es) offering products or services under the Marks that involves the location of a physical outlet within your Protected Area (a "**Territory Opportunity**"), we will provide you with a right of first refusal for such Territory Opportunity on the following terms:

(a) We will provide you with written notice of a Territory Opportunity expected to be physically located within your Protected Area. You will have 60 days to advise us in writing that you wish to participate in the Territory Opportunity.

(b) If you do not notify us within such period, then we may pursue such Territory Opportunity and/or grant any other person or entity the right to participate in such Territory Opportunity without any liability to you.

(c) If you timely notify us in writing that you wish to participate in the Territory Opportunity, then we may condition your participation on compliance with such terms and conditions as we consider appropriate to the particular Territory Opportunity, including: (i) execution of such franchise agreement and related agreements as are then generally used by us in connection with the award of the applicable Territory Opportunity; (ii) timely payment of all initial fees and any other fees charged by us or our affiliate in connection with the award or grant of the applicable Territory Opportunity; and (iii) meeting our then-current eligibility requirements applied by us to candidates for such Territory Opportunity.

4. TERM AND RENEWAL

4.1. Generally. The term of this Agreement will begin on the Effective Date and expire 10 years thereafter (the "**Term**"), unless terminated sooner in accordance with Section 20. If this Agreement is the initial franchise agreement for your Center, you may enter into a maximum of 2 consecutive successor franchise agreements (each a "**Successor Agreement**") as long as you meet the conditions for renewal specified below. You agree to fulfill your obligations and exert your best efforts to do so, for the full Term. The Successor Agreement shall be the current form of franchise agreement that we use in granting FYZICAL® Center franchises as of the expiration of the Term or renewal term,

as applicable. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Agreement. The renewal terms will be 10 years each, for a maximum total term of 30 years. You will have no further right to operate your Center following the expiration of the final renewal term, unless we grant you another franchise in our sole discretion. If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement as well as your remaining renewal rights, if any.

- 4.2. Renewal Requirements.** In order to enter into a Successor Agreement, you and the Owners (as applicable) agree to: (a) notify us in writing of your desire to enter into a Successor Agreement not less than 90 days nor more than 180 days before the expiration of the Term; (b) not be in default under this Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Agreement; (c) sign the Successor Agreement and all ancillary documents that we require franchisees to sign; (d) pay a successor franchise fee in an amount equal to 10% of the then-current initial franchise fee for each Territory comprising your Protected Area ("**Successor Franchise Fee**"); (e) sign a General Release; (f) remodel your Center to comply with our then-current standards and specifications; (g) have the right under your lease to maintain possession of your premises for the duration of the renewal term; and (viii) take any additional action that we reasonably require. You agree to provide us the Successor Franchise Fee at the time you sign the Successor Agreement.

5. TRAINING AND CONFERENCES

- 5.1. Initial Training Program.** You agree your Operating Principal, General Manager or your approved Clinical Director will attend and successfully complete our initial training program not later than 30 days' from the Effective Date of this Agreement, unless we otherwise agree in writing. Otherwise, attendance by your employees is optional. We do not charge a fee for the initial training, but you are responsible for all travel and living expenses for your Operating Principal, General Manager or Clinical Director in accordance with Section 5.5 below.
- 5.2. Periodic Training.** From time to time, we may offer refresher or additional training courses for your Operating Principal, General Manager, Clinical Director and/or Licensed Professionals. Attendance at these training programs is mandatory, unless we otherwise agree in writing. We reserve the right to charge a reasonable fee not to exceed \$1,500 for each person who attends any refresher or additional training program. This fee is due immediately before training begins. You will be responsible for all travel and living expenses for your trainees as provided in Section 5.5 below. If you request additional or special training for your employees, all of the expenses that we incur in connection with such training, including per diem charges and travel and living expenses for our personnel, will be your responsibility. However, you are solely responsible for training all of your employees and ensuring they are fully trained to perform their duties. We do not require your employees to attend our training program.
- 5.3. On-Site Training.** If we agree, at our option and subject to the availability of our personnel, to provide any on-site training at your Center, you agree to pay us a reasonable fee, in an amount to be mutually agreed upon, for each of our personnel providing such on-site training and to reimburse us for all reasonable travel, meals, lodging and other expenses that we incur in providing the on-site training. These amounts are due 10 days after invoicing.

- 5.4. **Conferences.** We may hold periodic national or regional conferences, including an annual conference (up to 2 days in duration), to discuss various business issues and operational and general business concerns affecting FYZICAL® Centers. Attendance at these conferences may be optional or mandatory, as we determine in our sole discretion, but we will not require attendance at more than 1 mandatory conference during any 12-month period. We will not charge any registration fees for ~~such conference(s) owners~~ to attend our annual conference(s) but you will be responsible for all travel and living expenses for your trainees as provided in Section 5.5 below.
- 5.5. **Expenses.** You are responsible for all food, lodging and travel costs that your Owners-~~and~~ managers and/or employees incur while attending any training program or conference.

6. OTHER FRANCHISOR ASSISTANCE.

- 6.1. **Training.** We will provide the training described in Section 5 of this Agreement.
- 6.2. **Manuals.** During the Term, we will provide you access (which may be electronic) to our confidential operating manuals (collectively, the “**Manuals**”). The Manuals will help you establish and operate your Center. The information in the Manuals is confidential and proprietary and may not be disclosed to third parties without our prior approval.
- 6.3. **Software.** It may be beneficial for us to obtain software to assist in the operation of FYZICAL® Centers. If we do so, we also may license or sublicense such software or technology to you (the “**Software**”) pursuant to a license agreement we specify. In that case, you agree to pay us initial and ongoing software licensing and/or support fees in the amount that we designate from time to time, as prescribed in our Manuals. Software is confidential and remains our property. As of the Agreement Date we do not provide the service and thus do not charge the Fees.
- 6.4. **Additional Assistance Upon Request.** Upon your written request, we may provide additional assistance or training to you at a mutually convenient time. If we agree to provide the additional assistance or training, you agree to pay our standard fees. If we provide additional assistance or training at your Center, you agree to also reimburse us for all costs that we incur for food, lodging and travel. The additional assistance fee and any expense reimbursement, if applicable, are due 10 days after invoicing.
- 6.5. **General Guidance.** Based upon periodic inspections of your Center, as conducted by us in our sole discretion, or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Center.
- 6.6. **Website.** Due to the importance of maintaining a uniform presence on the internet, we will maintain an Internet Website for the FYZICAL® Center system that will include the information about your Center as we deem appropriate. We may modify the content of and/or discontinue the Website at any time in our sole discretion.
- 6.7. **Purchase Agreements.** We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for us and FYZICAL® Center franchisees. We may receive compensation from suppliers for our procurement and purchasing services. We may also purchase certain items from suppliers in bulk and resell them to you at our cost plus shipping fees and a reasonable markup.

- 6.8. Discount Purchases.** It may be beneficial to acquire inventory in bulk for cost savings and quality control. Thus, we may purchase in bulk certain inventory and either resell those items to, or have suppliers sell direct to, you and other FYZICAL® Center franchisees at discounted prices that we negotiate (subject to any rebates the suppliers pay to us for our purchasing and sourcing services). We make no representations or warranties (and specifically disclaim all warranties including the implied warranty of merchantability or fitness for a particular purpose) and shall have no liability to you with respect to the items that you purchase from us. Payments for these goods will be due at the time the order is placed. You are responsible for all shipping and handling costs.
- 6.9. Private Label Goods.** If we develop private label products for sale at your Center, you agree to maintain a reasonable inventory of these items at your Center at all times.
- 6.10. Telephone; E-mail; Call Center Services.** For brand consistency and uniform and efficient customer service, we may control all telephone numbers and e-mail addresses used in the operation of your Center. We may assign or designate telephone number(s) and e-mail address(es) that you agree to use in the operation of your Center and charge you a reasonable fee to cover the cost of such telephone number(s) and e-mail address(es). We may also institute a "1-800" or centralized telephone number and/or call center services for all FYZICAL® Centers and require you to pay us or our designee associated support fees, in the amount designated by us from time to time. As of the Agreement Date, we do not provide the service and thus do not charge the Fees.

7. ESTABLISHING YOUR CENTER

- 7.1. Site Selection.** You agree to locate, and obtain our approval of, the premises from which you will operate your Center within 60 days after the Effective Date. You agree the premises will be located within the Protected Area and will conform to our minimum site selection criteria for demographic characteristics, traffic patterns, parking, signage, character of neighborhood, competition from and proximity to other businesses, the size, appearance and other physical characteristics of the proposed site, and any other factors or characteristics that we consider appropriate. Our criteria, and our evaluation of them, may vary periodically and from location to location. You agree to send us a complete site report (containing the demographic, commercial and other information, photographs and video recordings that we may reasonably require) for your proposed site. We have the right to accept or reject all proposed sites in our commercially reasonable judgment. We will use our best efforts to approve or disapprove a proposed site within 15 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 15-day period. You understand that our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a FYZICAL® Center. Our approval of the site indicates only that we believe the site meets our minimum criteria. You may not operate your Center from any location other than the site that we have approved.
- 7.2. Lease.** You agree to deliver copies of the proposed lease agreement and related documents to us prior to signing them. You agree not to sign any lease agreement or related documents (or any renewal of them) unless we have approved them. Our approval, which will not be unreasonably withheld, will be limited to ensuring that the lease and related documents are consistent with this Agreement and our standards and specifications for FYZICAL® Centers. You agree to promptly send us a copy of your fully executed lease for our records (no later than 5 days after their execution). If you

and we are unable to agree on a site for your Center, or you have not obtained a fully-signed lease agreement for the premises, within 60 days of the Effective Date, we may terminate this Agreement.

- 7.3. Construction.** After you purchase or sign the lease for your premises, you agree, at your sole expense, to construct and equip the premises to the specifications contained in the Manuals and purchase (or lease) and install the equipment, fixtures, signs and other items that we require. We reserve the right to approve the architects, contractors and other suppliers you use to construct your Center. You acknowledge these requirements are necessary and reasonable to preserve the identity, reputation and goodwill we have developed, and the value of the franchise. Before you open, we must approve the layout of your Center.
- 7.4. Opening.** You agree to open your Center to the public within 180 days from the Effective Date. Unless we otherwise agree in writing, you may not open your Center before: (i) successful completion of the initial training program by your Operating Principal, General Manager or Clinical Director in accordance with Section 5.1; (ii) you purchase all required insurance; (iii) you obtain all required licenses, permits and other governmental approvals; and (iv) we provide our written approval of the construction, build-out and layout of your Center. You agree to notify us in writing within 48 hours after your Center obtains all necessary licenses and registrations to provide physical therapy services and provide us with copies of such licenses and/or registrations. You agree to send us a written notice identifying your proposed opening date at least 30 days before opening. We may conduct a pre-opening inspection of your Center and you agree to make any changes we require before opening. **TIME IS OF THE ESSENCE. BY VIRTUE OF OPENING YOUR CENTER, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL OF OUR PRE-OPENING OBLIGATIONS TO YOU.**
- 7.5. Relocation.** You may relocate your Center with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you agree to: (a) comply with Sections 7.1 through Section 7.3 of this Agreement with respect to your new Center; (b) open your new Center and resume operations within 10 days after closing your prior Center; and (c) continue to pay us Royalties and any other recurring fees during any period that your Center is closed for relocation. You agree to reimburse us for any costs and expenses that we incur in connection with the relocation of your Center. These amounts will be due upon receipt of our invoice.

8. MANAGEMENT.

- 8.1. Operating Principal(s).** You acknowledge and agree that a major requirement for the success of your Center is the active, continuing, and substantial personal involvement and on-premises supervision of the Center and the presence in the Center of you or an approved General Manager or Clinical Director (as defined in Section 8.2), and the dedicated supervisory efforts of a licensed physical therapist qualified under the laws of your state to perform and/or provide the services offered at your Center. Accordingly, you shall conform your conduct and business operations to the foregoing standard. If an Entity or more than one natural person is the Franchisee under this Agreement, then you shall designate one or more of your owners or principal officers, acceptable to us (individually or collectively, the "**Operating Principal**"), to directly supervise and be responsible for the day-to-day management and proper operation of the Center in all respects whatsoever. Notwithstanding the foregoing, only a Licensed Professional may

perform physical therapy services. You agree that the Operating Principal has the authority to bind you regarding all operational decisions with respect to the Center. Your relationship with the Operating Principal and any Licensed Professionals engaged by you who will be involved in the operations of the Center agree to comply with your state's laws and regulations. You agree that the Operating Principal or Clinical Director will successfully complete our initial training program within 30 days' from the Effective Date of this Agreement. The Operating Principal, General Manager, Clinical Director and any key managers we designate agree to complete any other training programs we require from time to time. Your General Manager, Clinical Director, Licensed Professionals and other employees who have access to our trade secrets and other confidential information will execute a Noncompetition Agreement before having access to said operational systems, trade secrets, and other confidential information. The appointment of the Operating Principal will not relieve you of your obligations under this Agreement.

8.2. General Manager. If you (or your Operating Principal) will not be actively supervising and managing the Center, then you agree to recruit, hire and maintain either a "**General Manager**" or a Clinical Director. You agree that a General Manager will: (i) have a sufficient amount of experience (in terms of duration, operational responsibilities, previous training, etc.) as a general manager or in a similar supervisory position to demonstrate to us that he or she is capable of managing a FYZICAL® Center on a full-time ongoing basis; (ii) have management responsibility and authority over the day-to-day operations of the Center; (iii) be actively employed by you or the Entity on a full-time basis to manage the Center's operations; (iv) be bound by our then-current form of confidentiality and non-competition agreement (or other contract in form and substance satisfactory to us); and (v) have satisfactorily completed our initial training program and any other training programs we require from time to time. A "**Clinical Director**" is a General Manager licensed to practice as a PT or a PTA and will have a license to practice as a PT or a PTA.

8.3. Employees. You are solely responsible for hiring, training, and supervising honest, reliable, competent and courteous employees for the operation of your Center. You agree to pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. You agree to ensure that a sufficient number of trained employees are available to meet the operational standards and requirements of your Center at all times. You agree to ensure that your employees perform their duties in compliance with the terms of the Manuals and any other materials applicable to employees that we communicate to you. You may give your employees only the minimum amount of information and material from the Manuals that is necessary to enable them to perform their assigned tasks. You agree to ensure that your employees do not make or retain any copies of the Manuals or any portion of the Manuals. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. We also do not control the hiring or firing of your employees. You are solely responsible for training all of your employees and ensuring they are fully trained to perform their duties. We do not require your employees to attend our training programs.

9. FRANCHISEE AS ENTITY.

If you are an Entity, the Principal Owner's Statement in the form attached as ATTACHMENT "D" to this Agreement will completely and accurately describe all of your Owners and their interests in

the Entity. You and your Owners agree to deliver to us revised Principal Owner's Statements as may be necessary to reflect any ownership changes during the Term of this Agreement (no ownership changes may be made without our prior approval). All Owners are jointly and severally responsible for the Entity's performance of this Agreement and bound by all of the terms of this Agreement. Upon our request, you agree to provide us with a resolution of the Entity authorizing the execution of this Agreement, a copy of the Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof), and such other information as we may request. You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation.

10. GUARANTY.

If you are an Entity, all Owners (whether direct or indirect) agree jointly and severally guarantee the Entity's performance of this Agreement and shall bind themselves to the terms of this Agreement by signing our standard Principal Owner's Guaranty, the current form of which is attached as ATTACHMENT "E." Depending on the creditworthiness of the Owners and the community property laws of the states in which they reside, we may require that the spouse of each Owner also sign the Principal Owner's Guaranty or other form of guaranty satisfactory to us.

11. ADVERTISING & MARKETING.

11.1. Local Advertising. We may require you to spend up to 5% of your Center's Gross Revenue (as defined in Section 13.2) per month for local advertising and marketing to promote your Center based on marketing, advertising and promotional programs we develop from time to time. You may spend more than this amount, at your discretion. You agree that we need to approve all such advertising in accordance with Section 11.3 below. You agree to participate at your own expense in all advertising, promotional and marketing programs and campaigns, including without limitation, radio, television, direct mail, Internet, newspaper, and/or magazine, and to use any marketing or advertising materials that we develop for FYZICAL® Centers. Your failure to comply with this Section will be deemed a material breach of this Agreement.

11.2. Standards for Advertising. All advertisements and promotions that you create or use will be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws. You agree to ensure that your advertisements and promotional materials do not infringe upon the intellectual property rights of others. For uniformity and to ensure customers know of the chain, you will include the locations and telephone numbers of other FYZICAL® Centers, whether franchised or owned by us or our affiliates, in any advertising for your Center, as outlined in the Manuals from time to time. You will not be entitled to any compensation for doing so.

11.3. Approval of Advertising. To protect and maintain brand consistency, before you use any advertising, marketing or promotional materials that we did not prepare or previously approve, you agree to obtain our approval. If you do not receive our approval within 30 days after submission to us, then they will be deemed disapproved. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove).

11.4. Internet and Websites. We have established and maintain an Internet website at the uniform resource locator ("URL") www.fyzical.com (the "**Website**") that provides information about the FYZICAL® Centers system and the services that we and our

franchisees provide. We will include at the Fyzical website an interior page containing information about your Center. We may require you to prepare all or a portion of the page, at your expense, using templates that we provide. All such information will be subject to our approval prior to posting. We reserve the right to charge you a reasonable fee for website development, hosting and/or search engine optimization services that we or our designee provide for the Website or any Internet website(s) that we maintain, or permit you to maintain, related to your Center. For uniformity and other reasons, you may not maintain a World Wide website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Center except as we periodically allow. We may allow you to maintain any websites you created prior to the Effective Date for redirection to the Website. We may permit you to have a presence on several media networks, such as social groups or pages identifying your Center. You and your employees may interact with clients or friends on those social media networks in a manner that is consistent with the rules and policies of the applicable social media network and with the professional business protocol in compliance with the Manuals. If we change our policy at a later date to allow franchisees to maintain their own Websites or market on the Internet, you may do so only if you comply with all of the Website and Internet requirements that we specify. In that case, we may require that you sign an amendment to this Agreement that will govern your ability to maintain a website and/or market on the Internet.

12. OPERATING STANDARDS.

12.1. Generally. You agree to operate your Center: (a) in a manner that will promote the goodwill of the Marks; and (b) in full compliance with System Standards and all other terms of this Agreement and the Manuals. You agree that you will not, without our prior written approval, offer any services or merchandise that are not authorized by us for FYZICAL® Centers, nor shall your Center be used for any purpose other than operations in compliance with this Agreement and the Manuals. Furthermore, no Licensed Professional may perform physical therapy services or otherwise provide services or use their license except as authorized herein without our prior written consent, which may be withheld for any reason. Notwithstanding the provisions of this Section 12.1 restricting the practice of professional services at your Center, your Licensed Professionals may provide professional services outside of the Center as part of a professional practice to which the Licensed Professional belongs, provided that you and the Licensed Professionals shall not: (1) use our Intellectual Property, including, without limitation, our trade secrets, business methods, logotypes, service marks and trademarks, in such business or practice; (2) use the Know-how in such business or practice; and/or (3) develop a product or service in such business or practice or elsewhere that would diminish the business opportunities of your Center and other FYZICAL® Centers.

12.2. Operating Manual. To ensure the uniform quality and appearance of FYZICAL® Centers, you agree to establish and operate your Center in accordance with the Manuals. The Manuals may contain, among other things: (a) a description of the authorized goods and services that you may offer at your Center; (b) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for FYZICAL® Center franchisees; (c) mandatory reporting and insurance requirements; (d) mandatory and suggested specifications for your Center; and (e) a written list of goods and services (or specifications for goods and services) you agree to purchase for the construction of your Center and the development and operation of your Center and a list of any designated or

approved suppliers for these goods or services. We can modify the Manuals at any time. All mandatory provisions contained in the Manuals (whether they are included now or in the future) become part of this Agreement as if fully set forth herein. To the extent any of the System Standards, or other resources in the Manuals, address personnel or employment matters, those are not mandatory but are merely recommendations, suggestions or guidelines. System Standards do not include any mandatory requirements on your employees' wages, working conditions, hours, staffing levels, shift timing or other terms of employment; but may specify uniforms and appearance to meet brand standards.

12.3. Authorized Goods and Services. To ensure the uniform quality and appearance of FYZICAL® Centers, you agree to offer all goods and services that we require from time to time in our commercially reasonable judgment. You may not offer any other goods or services at your Center without our prior written permission, nor may you use your Center or permit your Center to be used for any purpose other than offering the goods and services that we authorize. You may perform or provide physical therapy to treat any specific areas of the body or medical conditions for treatment and rehabilitation of injuries that is recognized as medically accepted by generally accepted professional organizations we have approved. We may, without obligation to do so, add, modify or delete authorized goods and services, and you agree to do the same upon notice from us. Our addition, modification or deletion of one or more goods or services shall not constitute a termination of the franchise or this Agreement. We will only delete a previously authorized service or treatment if we have determined in good faith that continuing to offer it would unreasonably risk harm or disrepute to our brand, the System or the goodwill associated with the Marks.

12.4. Suppliers and Purchasing. You agree to purchase or lease all products, supplies, equipment, including computer hardware and software, services and other items specified in the Manuals from time to time. If required by the Manuals, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliate). You acknowledge that our right to specify the suppliers that you may use is necessary and desirable so that we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development, construction and ongoing operation of FYZICAL® Centers, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates, administrative fees, or other financial consideration from these suppliers for our services and specifications that are based upon franchisee purchases, we have no obligation to pass these amounts on to you or to use them for your benefit. To the extent we receive rebates, administrative fees or other payments from a supplier of products to you that would otherwise be subject to Section 1128B(b) of the Social Security Act, then: (a) the compensation to us accountable for your purchases from such supplier will not exceed 3% of the purchase price you pay for the products furnished by such supplier; and (b) we will report to you in writing at least annually the actual amount we received from that supplier. If you want us to approve a supplier that you propose, you agree to send us a written notice specifying the supplier's name and qualifications and provide any additional information that we request. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 30-day period. We may charge a reasonable fee for evaluating alternative suppliers, products or services, plus the

actual cost of travel and living expenses of our personnel as well as any fees we pay to third parties in furtherance of the evaluation. You agree to pay us these amounts within 10 days after invoicing.

- 12.5. Equipment Maintenance and Changes.** You agree to maintain your Center and all equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System and you agree to comply with any such required change, at your expense, within the time period that we reasonably prescribe, all as contained in this clause or the Manuals.
- 12.6. Software and Technology.** We may find it beneficial to develop proprietary software or technology that will be used by FYZICAL® Center franchisees. If this occurs, you and we will enter into a license agreement which may require you to pay us commercially reasonable licensing, support and maintenance, and hosting fees. The terms of the license agreement will govern the terms pursuant to which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts that we pay to the licensor based on your use of the software or technology, plus a reasonable amount to compensate us for installation or support services that we or our affiliate provide. As of the Agreement Date, we have not exercised these rights and have made a third party licensed software available to you. All fees referenced in this Section are due on the fifth (5th) day of the month or as otherwise specified in the Manuals.
- 12.7. Remodeling and Maintenance.** You agree to remodel and make all improvements and alterations to your Center that we reasonably require from time to time to reflect our then-current image, appearance and Center specifications. You may not remodel or significantly alter your premises without our prior written approval, which will not be unreasonably withheld. However, we will not be required to approve any proposed remodeling or alteration that would not conform to our then-current specifications, standards or image requirements. You agree to maintain your Center in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to comply with our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (a) thorough cleaning, repainting, redecorating of the interior and exterior of the Center at the intervals we may prescribe (or at such earlier times that such actions are required or advisable); and (b) interior and exterior repair of the Center as needed. You agree to comply with any maintenance, cleaning or Center upkeep schedule that we prescribe from time to time.
- 12.8. Hours of Operation.** You agree that your Center will be open during the days and hours specified in the Manuals. You understand that your clients may require assistance outside normal business hours. Accordingly, you agree to ensure that at all times you have one or more “on-call” employees who are available to assist clients outside your normal business hours. During business hours, you will have management personnel on duty who are responsible for supervising the Center's employees and operations.

12.9. Client Complaints. If you receive a client complaint, you agree to follow the complaint resolution process that we specify in the Manuals to protect the goodwill associated with the Marks and the System.

12.10. Business Formats. We have established and may continue to develop business formats and protocols (the "**Business Formats**") relating to the engagement of and your relationship with your Licensed Professional(s). The Business Formats are proprietary and confidential in nature. We have created the Business Formats in an effort to structure an effective relationship between you and the Licensed Professionals involved with your Center. The Business Formats are provided for your benefit. You agree to provide the Business Formats to a lawyer retained by you and licensed to practice in the state where your Center will be located to ensure compliance with your state's laws and regulations. You agree to Business Formats as the basis for any relationship between you and any of the Licensed Professionals, although the specific terms and conditions may be modified in order to comply with your local law or to reflect negotiated changes between you and the Licensed Professionals. We may require you to obtain our prior written approval of the final Business Formats before its implementation. If you do not receive written notice of approval from us within 30 days of our receipt of all requested information, your proposed Business Formats shall be deemed disapproved. Our written approval of your Business Formats does not constitute our guarantee of a successful relationship between you and the Licensed Professionals. We will not, including through the Business Formats, interfere with your or your Licensed Professional's professional judgment.

13. FEES

13.1. Initial Franchise Fee. You agree to pay us a non-recurring and non-refundable initial franchise fee in the amount indicated on Exhibit "A" to this Agreement. The initial franchise fee is \$1.75 per person based on the population in the Territory and is based on a minimum of one Territory. A "**Territory**" is a geographic area that contains a population of approximately 40,000 people and comprises an area encompassing a complete zip code; no areas comprising less than a full zip code. For example, if your Territory contains a population of 40,000, then the initial franchise fee would be \$70,000. The initial franchise fee is payable in full in one lump sum at the time you sign this Agreement (less any amounts: (i) credited against any deposit paid; and (ii) we have agreed to finance, in which case you will sign our standard form of promissory note for payment of the balance due). The initial franchise fee is fully earned by us and non-refundable once the Franchise Agreement has been signed.

13.2. Royalty Fee. Beginning on the Royalty Commencement Date (as defined below), you agree to pay us a continuing monthly royalty fee (the "**Royalty**") ~~in an amount equal to the greater of: (a) \$1,000 times the number of Territories comprising your Protected Area or (b) 6% of Gross Revenue for the immediately preceding month.~~ ;

<u>Period</u>	<u>The Greater Of</u>	
	<u>Amount per Territory</u>	<u>Percentage of Gross Revenue for the Preceding Month</u>
<u>Year 1</u>	<u>\$1,000</u>	<u>6%</u>
<u>Year 2</u>	<u>\$2,000</u>	<u>6%</u>
<u>Year 3 and thereafter</u>	<u>\$3,000</u>	<u>6%</u>

"Year 1" begins on the Royalty Commencement Date and ends on its first anniversary. Each subsequent year begins at the end of the previous year and ends 12 months later and so on.

If we determine that applicable laws or regulations will not permit the payment of a Royalty to us that is based on Gross Revenue, or raises sufficient risk of being held unlawful, then we may require you to pay us a monthly Royalty equal to \$500 per Therapist (as defined below), based on the number of Therapists at your Center during the immediately preceding month. For purposes of the Royalty calculation, "**Therapist**" includes each physical therapist, physical therapist assistant, and rehabilitation aide/technician. As used in this Agreement, "**Gross Revenue**" means all revenue you derive from operating the Center, including, but not limited to, all amounts you receive from any activities or services whatsoever, whether at or away from the Center, including any products or services that are in any way associated with the Marks, and whether from cash, check, barter, debit or credit (regardless of collection in the case of credit), but excluding: (i) all federal, state, or municipal sales, use or service taxes collected from patients and paid to the appropriate taxing authority; (ii) promotional discounts or coupons required by us; and (iii) patient refunds, adjustments, credits or allowances made by the Center in good faith and in accordance with our policies. The "**Royalty Commencement Date**" shall be the fifth (5th) day of the first full calendar month following (a) the Opening Date (as defined in Section 3.3) or (b) the date on which your Center has obtained all necessary licenses and registrations to provide physical therapy services, whichever occurs first. You agree that we will receive the Royalty, together with a report of the Center's Gross Revenue for the immediately preceding month, on or before the fifth (5th) day of each month or as otherwise specified in the Manuals.

13.3. Fee Basis. All provisions of this Agreement incorporate one "Territory" based on a population of approximately 40,000. If you purchase more than one Territory, all terms and conditions of this Agreement will be calculated using the 40,000 population "Territory" as a multiple (or such portion or fraction as the case may be), other than terms that vary based on other considerations (like Gross Revenue or number of Therapists). In no event will the initial franchise fee be less than \$70,000 (based on a minimum of one Territory) or the Royalty be less than \$1,000 per month (based on a minimum of one Territory).

13.4. Other Fees and Payments. You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as is fully set forth in this Section 13. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon goods or services that you sell or based upon goods or services that we furnish to you (other than income taxes that we pay based on amounts that you pay us under this Agreement).

13.5. Interest on Late Payments. If any sums due under this Agreement have not been received by us when due (or there are insufficient funds in your Account to cover any sums owed to us when due) then, in addition to those sums, you agree to pay us interest on the amounts past due at the rate equal to the lesser of 12% per annum or the highest rate permitted by applicable law. If no due date has been specified by us, then interest begins to accrue 10 days after we bill you. We will not impose a late fee for any amounts paid pursuant to Section 13.7 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payments at the time the payments became due and payable. However, we may impose a late fee for any amounts that we are unable to reasonably determine due to your failure to furnish us with a report required by Section 13.4 within the required period of time or record sales in a timely manner, in

which case we may assess a late fee on the entire amount that was due and payable. You acknowledge that this Section 13.5 shall not constitute our agreement to accept the late payments after same are due, or a commitment by us to extend credit to or otherwise finance the operation of your Center.

13.6. Method of Payment. You agree to complete and send us an ACH Authorization Form allowing us to electronically credit and debit a banking account that you designate (your “**Account**”) for: (a) all fees payable to us pursuant to this Agreement (other than the initial franchise fee); (b) any amounts that you owe to us or any of our affiliates for the purchase of goods or services; and (c) any amounts that we or our affiliate owe you for any amounts that we or they collect on your behalf. Our current form of ACH Authorization Form is attached to this Agreement as ATTACHMENT "F." You agree to sign and deliver to us any other documents that we or your bank may require to authorize us to credit and debit your Account for these amounts. You agree to deposit into the Account all revenues that you generate from the operation of your Center. You agree to make sufficient funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your Account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with an insufficient funds fee in the amount of \$35 (per occurrence), plus any late charge imposed pursuant to Section 13.5.

13.7. Application of Payments. We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

14. RESTRICTIVE COVENANTS.

14.1. Reason for Covenants. You acknowledge that the Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners have received an advantage through knowledge of our day-to-day operations and Know-how related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our franchise system.

14.2. Our Know-How. You and the Owners agree: (a) neither you nor any Owner will use the Know-how in any business or capacity other than the operation of your Center pursuant to this Agreement; (b) you and the Owners will maintain the confidentiality of the Know-how at all times; (c) neither you nor any Owner will make unauthorized copies of documents containing any Know-how; (d) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of the Know-how; and (e) you and the Owners will stop using the Know-how immediately upon the expiration, termination or Transfer of this Agreement and return all copies of any Know-how to us, and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement will stop using the Know-how immediately at the time he or she ceases to be an Owner and return all copies of any Know-how to us.

14.3. Unfair Competition During Term. You and your Owners agree not to unfairly compete with us during the Term by engaging in any of the following activities (“**Prohibited Activities**”): (a) acquiring or developing, or having any direct or indirect interest as a disclosed or beneficial owner in, any Competitive Business, other than owning an interest

of less than 5% in a Competitive Business that is a publicly traded company; (b) offering or performing physical therapy services (other than through a FYZICAL® Center); (c) being employed or engaged as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; (d) diverting or attempting to divert any business from us (or one of our affiliates or franchisees) to a Competitive Business; or (e) inducing (i) any of our employees or managers (or those of our affiliates or franchisees) to leave their position with us (or our affiliate or franchisee); or (ii) any client of ours (or of one of our affiliates or franchisees) to transfer their business to any person that is not then a franchisee of ours.

- 14.4. Unfair Competition After Term.** During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and your Owners may have an interest in, or be engaged by or perform services for, a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within, and does not provide competitive goods or services to clients who are located within the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity. If you have fully complied with this Agreement during the Term, you may, at your option, upon expiration (but not termination) of this Agreement (provided you do not enter into a successor franchise agreement), pay us an amount equal to the Center's aggregate Royalty fees for the trailing 24-month period preceding the date of expiration, in which case the post-term non-competition covenants in this Section 14.4 will not apply and will be waived.
- 14.5. Immediate Family Members.** The Owners acknowledge that they could circumvent the purpose of Section 14 by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). The Owners also acknowledge that it would be difficult for us to prove whether the Owners disclosed the Know-how to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 14 if any member of his or her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses or discloses the Know-how. However, the Owner may rebut this presumption by furnishing evidence conclusively showing that the Owner did not disclose the Know-how to the family member.
- 14.6. Employees and Others Associated with You.** You agree to ensure that all of your employees, officers, directors, partners, members, independent contractors and other persons associated with you or your Center who may have access to our Know-how, and who are not required to sign a Noncompetition Agreement, sign and send us a Confidentiality Agreement, that will not otherwise contain any terms or conditions of employment, before having access to our Know-how. You agree to use your best efforts to ensure that these individuals comply with the terms of the Confidentiality Agreement and you agree to immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Confidentiality Agreement and/or Noncompetition Agreement, including reasonable attorneys' fees and court costs.

- 14.7. Covenants Reasonable.** You and the Owners acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; (b) our use and enforcement of covenants similar to those described above with respect to other FYZICAL® Center franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Center; and (c) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 14 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.
- 14.8. Breach of Covenants.** You and the Owners agree that failure to comply with the terms of this Section 14 will cause substantial and irreparable damage to us and/or other FYZICAL® Center franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of the terms of this Section 14 will entitle us to injunctive relief. We may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 14. If, you or an Owner engages in a Prohibited Activity during the Term or Post-Term Restricted Period, and specific performance or injunctive relief is not available under applicable law, you agree that, at a minimum, we will be entitled to liquidated damages in an amount equal to the Center's aggregate Royalty fees for the trailing 12-month period preceding the date of the violation (if the breach occurs during the Term) or the date of termination, expiration or Transfer of this Agreement (if the breach occurs during the Post-Term Restricted Period), if actual damages cannot be reasonably determined. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable by reducing any part or all of it, you and we agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

15. YOUR OTHER RESPONSIBILITIES

- 15.1. Maximum and Minimum Prices.** To the extent permitted by applicable law, we will periodically establish maximum and/or minimum prices for services and products that your Center offers, including, without limitation, prices for promotions in which all or certain FYZICAL® Centers participate. If we establish such prices for any product or service, you agree not to exceed or reduce that price, but will charge the price for the product or service that we establish.
- 15.2. Insurance.** For your protection and ours, you agree to maintain in full force and effect during the Term, at your expense, the following insurance policies (in addition to any

insurance that may be required by applicable law, any lender, or any lessor): (a) comprehensive general liability insurance against claims for bodily or personal injury, death and property damage caused by or occurring in connection with the operation of your Center; (b) property/casualty insurance for your Center and its contents; (c) worker's compensation insurance and employer's liability insurance as required by law; (d) professional liability and malpractice insurance; and (e) any other insurance that we specify in the Manuals or otherwise require from time to time. You agree to provide us with proof of coverage on demand. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Center. You agree that all insurance policies will: (1) (except for worker's compensation insurance) name us (and our members, officers, directors, and employees) as additional insureds; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time; (3) contain a waiver by the insurance carrier of all subrogation rights against us; (4) provide that we receive 10 days prior written notice of the termination, expiration, cancellation or modification of the policy; and (5) include such other provisions as we may require from time to time. If any of your policies fail to meet this criteria, then we may disapprove the policy and you agree to immediately find additional coverage with an alternative carrier satisfactory to us. Upon 10 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you agree to promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all costs and premiums that we incur.

15.3. Books and Records. You agree to prepare and maintain at your Center for at least 10 years after their preparation, complete and accurate books, records, accounts and tax returns pertaining to your Center, including the records reasonably specified by us in the Manuals. You agree to establish and maintain, at your expense, a bookkeeping, accounting and recordkeeping system conforming to the requirements and formats we prescribe from time to time. This may include, for example, a requirement that you use a cash basis method of accounting and/or adopt a calendar year end as your fiscal year end for reporting purposes. You agree to maintain, and furnish to us upon request, a list of all of your clients (excluding any protected health information). You agree to send us copies of your books and records within 7 days of our request.

15.4. Reports. You agree to furnish us on such forms that we prescribe from time to time, no later than the 5th of each month (or as otherwise prescribed by us in the Manuals):

- (a) a report on the Center's Gross Revenue during the immediately preceding month;
- (b) a complete roster including the names of all Therapists performing services at or for your Center during the immediately preceding month;
- (c) a report of your local advertising expenditures under Section 11.1 during the immediately preceding month (which shall be accompanied by copies of receipts for such expenditures, if requested by us);

- (c) a report of client visits during the immediately preceding month (which shall exclude any protected health information);
- (d) copies of bank statements for your Center's operating account(s); and
- (e) any other report(s) that we require from time to time, as set forth in the Manuals.

You agree to send us a copy of any other report upon request. We may require that any of the reports or financial statements described in Section 15.4 or Section 15.5 be provided to us by mail, e-mail, facsimile or other electronic system at the times and in the manner we designate. If we require you to purchase and utilize a computer and/or automated cash management system that allows us to electronically retrieve information concerning your sales transactions, you agree that we will have the right to electronically poll your computer and/or automated cash management system, including through use of any software, to retrieve and compile information regarding the operation of your Center.

15.5. Financial Statements. During the Term of this Agreement, you agree to provide us with the following financial information:

- (a) within 20 days following the end of each calendar quarter, a quarterly unaudited balance sheet and profit and loss statement for your Center;
- (b) within 90 days after the end of each calendar year, a balance sheet (as of the end of the calendar year) and an annual statement of profit and loss and source and use of funds for your Center;
- (c) within 10 days after our request, exact copies of federal and state income and other tax returns for your Center; and
- (d) such other financial reports and information as we may reasonably request from time to time.

You agree that all financial statements will be verified and signed by you certifying to us that the information is true, complete, and accurate and in accordance with generally accepted accounting principles ("GAAP"). We have the right to require that your annual financial statements be audited by a certified public accountant. You agree to send us a copy of any financial statement required by this Section upon request. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.

15.6. Legal Compliance. You agree to secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Center and operate and manage your Center in full compliance with all applicable laws, ordinances, rules and regulations. You agree to notify us in writing within 2 business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Center or your financial condition. You agree to immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation.

16. INSPECTION AND AUDIT

- 16.1. Inspections.** To ensure compliance with this Agreement, our representatives will have the right to enter your Center, evaluate your operations and inspect or examine your books, records, accounts and tax returns. Our evaluation may include watching your rendered services, contacting your landlord, and/or employees. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Center, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection.
- 16.2. Audits.** To ensure compliance, we will have the right at any time during your regular business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, your (if you are an Entity) and the Center's business, bookkeeping and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in conducting any such inspection or audit. You agree to immediately pay us any shortfall in the amounts you owe us (regardless of the degree), including late fees and interest. You agree to reimburse us for the actual cost of the audit or inspection, including, without limitation, reasonable accounting and attorneys' fees and travel and housing expenses incurred by us or our representatives in conducting the audit or inspection if the inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis. All amounts you are required to pay pursuant to this Section 16.2 shall be due and payable 10 days after the date of the invoice. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

17. INTELLECTUAL PROPERTY

- 17.1. Ownership and Use of Intellectual Property.** You acknowledge that: (a) we are the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks; (b) your right to use the Intellectual Property is derived solely from this Agreement; and (c) your right to use the Intellectual Property is limited to a license granted by us to operate your Center during the Term pursuant to, and only in compliance with, this Agreement, the Manuals, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Manuals governing your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.
- 17.2. Changes to Intellectual Property.** The Intellectual Property may be modified at any time by us, including by changing the Marks, the System, the Copyrights or the Know-how. If we modify or discontinue use of any of the Intellectual Property, then you agree to comply with any such changes within the time period prescribed in our notice. We will not be obligated to reimburse you for any direct or indirect loss, including loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark. You waive all other

claims arising from or relating to any change, modification, substitution or discontinuation of the Intellectual Property. Except for the reimbursement obligation listed in this Section, we will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

- 17.3. Use of Marks.** You agree to use the Marks as the sole identification of your Center; provided, however that you agree to identify yourself as the independent owner of your Center in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement). You agree to: (a) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (b) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours. You may not use the Marks as a domain name or part of a domain name.
- 17.4. Use of Know-how.** We will disclose the Know-how to you in the initial training program, the Manuals, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms of this Agreement in the development and operation of your Center. You acknowledge that the Know-how is proprietary and is disclosed to you solely for use in the development and operation of your Center during the Term.
- 17.5. Improvements.** If you conceive of or develop any improvements or additions to the services or products offered by, or the method of operation of, a FYZICAL® Center, or any advertising or promotional ideas related to such Center (collectively, “Improvements”), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You agree to obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate a FYZICAL® Center franchise, without any obligation to pay you royalties or other fees. You agree to assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a FYZICAL® Center.
- 17.6. Notification of Infringements and Claims.** You agree to immediately notify us of any: (a) apparent infringement of any of the Intellectual Property; (b) challenge to your use of any of the Intellectual Property; or (c) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as

may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property. We are not obligated to indemnify you against any damages for which you are held liable to third parties arising out of your use of any of the Marks, unless otherwise required by applicable state law.

18. INDEMNITY.

You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following Claims: (a) any Claim asserted against you and/or any of the Indemnified Parties arising from the marketing, use or operation of your Center or your performance and/or breach of any of your obligations under this Agreement; (b) any other Claim arising from alleged violations of your relationship with and responsibility to us; or (c) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Agreement. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys' fees.

19. TRANSFERS

19.1. By Us. This Agreement and the franchise is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons without assigning the Agreement.

19.2. By You. You understand that the rights and duties created by this Agreement are personal to you and the Owners and that we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

(a) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to own and operate a FYZICAL® Center and otherwise meets all of our then applicable standards for franchisees;

(b) you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate;

(c) all of the owners of the transferee have successfully completed, or made arrangements to attend, the initial training program (and the transferee has paid us the Training Fee for each new person who will attend training);

(d) your landlord consents to your assignment of the lease to the transferee, or the transferee is diligently pursuing an approved substitute location;

(e) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Center;

(f) the transferee and its owners sign our then-current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (1) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (2) the transferee need not pay a separate initial franchise fee;

(g) you remodel your Center to comply with our then-current standards and specifications or you obtain a commitment from the transferee to do so;

(h) you or the transferee pay us a transfer fee equal to 10% of our then-current initial franchise fee for each Territory comprising your Protected Area;

(i) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;

(j) you enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement;

(k) we do not elect to exercise our right of first refusal described in Section 19.5; and

(l) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

19.3. Permitted Transfers. You may engage in a Permitted Transfer without our prior approval, but you agree to give us at least 60 days' prior written notice. You and the Owners (and the transferee) agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.

19.4. Death or Disability of an Owner. You agree that upon the death or permanent disability of an Owner, the Owner's ownership interest in you or the franchise, as applicable, will be assigned to another Owner or to a third party approved by us within 180 days. Any assignment to a third party will be subject to all of the terms and conditions of Section 19.2 unless the assignment qualifies as a Permitted Transfer. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement or otherwise operating the

Center in the manner required by this Agreement and the Manuals for a continuous period of at least 3 months.

- 19.5. Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, agree to obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the interest in your Center or the ownership interest in you for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, agree to sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 19.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

20. TERMINATION

- 20.1. By You.** You may terminate this Agreement if we materially breach this Agreement and fail to cure the breach within 60 days after you send us a written notice specifying the nature of the breach. If you terminate this Agreement under this Section, you agree to still comply with your post-termination obligations described in Section 21 and all other obligations that survive the expiration or termination of this Agreement.

- 20.2. Termination By Us Without Cure Period.** We may, in our sole discretion, terminate this Agreement upon written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Agreement:

(a) if the license of the designated Operating Principal or Licensed Professional is suspended or revoked by the applicable regulatory authority in your state, even if the Operating Principal or Licensed Professional maintains appeal rights (unless the Operating Principal or Licensed Professional is replaced with an individual who meets the requirements of this Agreement within 5 business days);

(b) if your Operating Principal, General Manager or Clinical Director fails to satisfactorily complete the initial training program within the time period required by Section 5.1;

(c) if you fail to obtain our approval of your Center location within the time period required by Sections 7.1;

(d) if you fail to secure a fully executed lease within the time period required by Section 7.2;

(e) if you fail to open your Center within the time period required by Section 7.4;

(f) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978, as amended);

(g) if your Center, or a substantial portion of the assets associated with your Center, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Center, and it is not discharged within 5 days of the levy;

(h) if you abandon or fail to operate your Center for 10 consecutive business days, unless the failure is due to an event of force majeure or another reason that we approve;

(i) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Center, even if you or the Owner still maintain appeal rights;

(j) if you or an Owner (i) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other material crime or (ii) is subject to any material administrative disciplinary action or (iii) fails to comply with any material federal, state or local law or regulation applicable to your Center;

(k) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks;

(l) if you manage or operate your Center in a manner that presents a health or safety hazard to your clients, employees or the public;

(m) if you or an Owner make any material misrepresentation to us, whether occurring before or after being granted the franchise;

(n) if you fail to pay any amount owed to us or an affiliate of ours under this Agreement or any other agreement or promissory note within 5 days after receipt of a demand for payment;

(o) if you or an Owner makes an unauthorized Transfer;

(p) if you or an Owner makes an unauthorized use of the Intellectual Property;

(q) if you or an Owner breaches any of the restrictive covenants described in Section 14;

(r) if the lease for your premises is terminated due to your default; or

(s) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default.

20.3. Additional Conditions of Termination. In addition to our termination rights in Section 20.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written

notice if you or an Owner fail to comply with any other provision of this Agreement (including any mandatory provision in the Manuals) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 20.3, we may suspend performance of any of our obligations under this Agreement until you fully cure the breach.

20.4. Mutual Agreement to Terminate. If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period.

21. POST-TERM OBLIGATIONS.

21.1. Obligations of You and the Owners. After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

(a) immediately cease to use the Intellectual Property and any confidential information and return all copies of any confidential materials that we have loaned to you;

(b) comply with all covenants described in Section 14 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;

(c) return all copies of the Manuals, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, Copyrights or other identification relating to a FYZICAL® Center, unless we allow you to transfer such items to an approved transferee;

(d) return all copies of the Software (and delete all such software from your computer memory and storage);

(e) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;

(f) provide us with a list of all of your current, former and prospective clients;

(g) assign all client contracts to us (unless we allow you to transfer those contracts to an approved transferee) and/or promptly refund client pre-payments, as directed by us;

(h) make such modifications and alterations to the premises that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the premises; provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee or if we exercise our right to purchase your entire Center;

(i) notify all telephone companies, listing agencies and domain name registration companies (collectively, the “**Agencies**”) of the termination or expiration of your right to use: (i) the telephone numbers and/or domain names, if applicable, related to the operation of your Center; and (ii) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and

(j) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

22. DISPUTE RESOLUTION.

The parties agree to submit any claim, dispute or disagreement, including any matter pertaining to the validity, enforcement or interpretation of this Agreement or issues relating to the offer and sale of the franchise or the relationship between the parties (a “**Dispute**”) to mediation before a mutually-agreeable mediator prior to litigation, unless the Dispute involves an alleged breach of Section 14 or Section 17. Any mediation shall take place in the county in which we maintain our principal place of business at the time the mediation begins (currently, Sarasota County, Florida). If the Dispute is not successfully resolved by mediation within 30 days after either party makes a demand for mediation or the Dispute involves an alleged breach of Section 14 or Section 17, either party may file a lawsuit in any state or federal court of general jurisdiction in the county in which we maintain our principal place of business at the time the lawsuit is filed (currently, Sarasota County, Florida) and we and you irrevocably submit to the jurisdiction of such courts and waive any objection either of us may have to either the jurisdiction or venue of such courts. If we or you must enforce this Agreement in a judicial proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 14 OR SECTION 17) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (a) TRIAL BY JURY; AND (b) THE RIGHT TO LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

23. YOUR REPRESENTATIONS.

YOU HEREBY REPRESENT THAT: (a) YOU HAVE NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE CENTER CONTEMPLATED BY THIS AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT; (b) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE CENTER CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT; (c) YOU RECEIVED (1) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST 5 BUSINESS DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY; (d) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; AND (e) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE CENTER CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY

DEPENDENT UPON YOUR OWN CENTER ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY.

24. GENERAL PROVISIONS

- 24.1. Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of Florida (without reference to its principles of conflicts of law), but any law of the State of Florida that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.
- 24.2. Relationship of the Parties.** You understand and agree that nothing in this Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you agree to conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Center. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.
- 24.3. Severability and Substitution.** Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable: (a) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (b) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable. In addition, this Agreement will be deemed automatically modified to comply with applicable law if such governing law requires: (a) a greater prior notice of the termination of or refusal to renew this Agreement; or (b) the taking of some other action not described in this Agreement; or (c) if any system standard is invalid or unenforceable. We may modify such invalid or unenforceable provision to the extent required to be valid and enforceable. In such event, you will be bound by the modified provisions.
- 24.4. Waivers.** You and we may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of: (a) any custom or practice of the

parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any mandatory specification, standard, or operating procedure; (c) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other FYZICAL® Center franchisees; or (d) the acceptance by us of any payments due from you after breach of this Agreement.

- 24.5. Approvals.** Whenever this Agreement requires our approval, you agree to make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.
- 24.6. Force Majeure.** Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.
- 24.7. Binding Effect.** This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement; provided, however, that the additional insureds listed in Section 15.1 and the Indemnified Parties are intended third party beneficiaries under this Agreement with respect to Section 15.1 and Section 18, respectively.
- 24.8. Integration.** This Agreement constitutes the entire agreement between the parties and may not, except as permitted by Section 12.2 AND Section 24.3, be changed except by a written document signed by both parties. Any e-mail correspondence or other form of informal electronic communication shall not be deemed to modify this Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manuals are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. **Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.**

- 24.9. Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (a) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (b) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (c) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (d) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.
- 24.10. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.
- 24.11. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, Section 13, Section 14, Section 16, Section 18, Section 21, Section 22 and Section 24.
- 24.12. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.
- 24.13. Time of Essence.** Time is of the essence in this Agreement and every term thereof.
- 24.14. Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document. Facsimile signatures will have the same force and effect as original signatures.
- 24.15. Notice.** You agree that all notices and reports permitted or required under this Agreement or by the Manuals will be in writing and will be deemed delivered:
- (a) at the time delivered by hand;
 - (b) 1 business day after transmission by facsimile, e-mail or other electronic system;

(c) 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or

(d) 3 business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

Delivery by facsimile, e-mail and electronic means constitutes a writing and does not require designation of a physical address (as otherwise stated below). You agree that all such notices will otherwise be addressed to the parties as follows:

YOU: As set forth below your signature on this Agreement

US: FYZICAL, LLC
Attn: Chief Operating Officer
505 South Orange Avenue, Suite 101
Sarasota, Florida 34236

WITH A COPY TO: David Beyer
Quarles & Brady
101 East Kennedy Blvd., Suite 3400
Tampa, Florida 33602

Either party may change the address for delivery of notices and reports, and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the due date will be deemed delinquent.

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

FYZICAL, LLC
a Florida limited liability company

By: _____
Print Name: _____
Title: _____
Date: _____

FRANCHISEE:

[Business Entity Name]

By: _____
Print Name: _____
Title: _____
Date: _____

(If Individual(s)):

Sign: _____
Print Name: _____
Date: _____

Sign: _____
Print Name: _____
Date: _____

ATTACHMENT "A"
TO FYZICAL, LLC FRANCHISE AGREEMENT

DEFINITIONS

“**Account**” is defined in Section 13.6.

“**Acquisition**” is defined in Section 3.2(e).

“**Agencies**” is defined in Section 21.1(j).

“**Agreement**” is defined in the Introductory Paragraph.

“**Alternative Channels of Distribution**” is defined in Section 3.2(a).

"**Approved Location**" is defined in Section 2.

"**Business Formats**" is defined in Section 12.10.

“**Center**” is defined in Section 2.

“**Claim**” or “**Claims**” means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

"**Clinical Director**" is defined in Section 8.2.

"**Competitive Business**" means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any business or establishment that performs physical therapy, balance and vestibular therapy and medical based fitness.

“**Confidentiality Agreement**” means our form of Confidentiality Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "H".

“**Copyrights**” means all works and materials for which we or our affiliates have secured common law or registered copyright protection and that we allow FYZICAL® Center franchisees to use, sell or display in connection with the marketing and/or operation of a FYZICAL® Center, whether now in existence or created in the future.

“**Dispute**” is defined in Section 22.

“**Effective Date**” is defined in the Introductory Paragraph.

“**Entity**” means a corporation, partnership, limited liability company or other form of association.

"**FYZICAL® Center**" means a center that provides clients with physical therapy for rehabilitation, pain management and balance, medical based fitness and other products and services that we authorize from time to time, under the Marks and the System.

"**GAAP**" is defined in Section 15.5.

“General Release” means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities.

“Gross Revenue” is defined in Section 13.2.

“Improvements” is defined in Section 17.5.

“Indemnified Party” or **“Indemnified Parties”** means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

“Intellectual Property” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“Know-how” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a FYZICAL® Center, including, but not limited to, operating methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manuals.

“Licensed Professional” is defined in Section 2.

“Losses and Expenses” means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys’ fees; experts’ fees; accountants’ fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim.

“Manuals” is defined in Section 6.2.

“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a FYZICAL® Center, including “FYZICAL” and “FYZICAL (Design)” and any other trademarks, service marks or trade names that we designate for use in a FYZICAL® Center. The term “Marks” also includes any distinctive trade dress used to identify a FYZICAL® Center, whether now in existence or hereafter created.

“Minimum Performance Standard” is defined in Section 3.3.

“National Account” is defined in Section 3.4.

“Noncompetition Agreement” means our form of Nondisclosure, Nonsolicitation and Noncompetition Agreement, the most current form of which is attached to this Agreement as ATTACHMENT “G”.

“Opening Date” is defined in Section 3.3.

“Operating Principal” is defined in Section 8.1.

“Owner” or **“Owners”** means any individual who owns a direct or indirect ownership interest in the franchise or the Entity that is the franchisee under this Agreement. “Owner” includes both passive and active owners.

“Permitted Transfer” means: (i) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by an Owner who is the Operating Principal; and/or (ii) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power.

“Post-Term Restricted Period” means, with respect to you or any Owner, a 2-year period after the termination, expiration or Transfer of this Agreement.

“Prohibited Activities” is defined in Section 14.3.

“Protected Area” is defined in Section 3.1 and designated in ATTACHMENT "B".

“Restricted Territory” means the geographic area within: (i) the former Protected Area; and (ii) a 3-mile radius around any other FYZICAL® Center operating or under construction on the date of termination, expiration or Transfer of this Agreement.

“Royalty” is defined in Section 13.2.

“Royalty Commencement Date” is defined in Section 13.2.

“Software” is defined in Section 6.3.

“Successor Agreement” is defined in Section 4.1.

“Successor Franchise Fee” is defined in Section 4.2.

“System” means our distinct and, with respect to certain aspects, proprietary system for the operation of a Center that provides physical therapy and other rehabilitation services, including, without limitation, pain management and balance programs, and related products and services, the distinctive characteristics of which include logo, trade secrets, concept, style, proprietary programs and products, confidential operations manuals and operating system. The System shall also include additional products and services that we may authorize from time to time for FYZICAL® Centers.

“Term” is defined in Section 4.1.

“Territory” is defined in Section 3.1. The Territory(ies) that comprise your Protected Area are described in ATTACHMENT "B".

“Territory Opportunity” is defined in Section 3.5.

“Therapist” is defined in Section 13.2.

“Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the franchise (or any interest therein), the Center (or any portion thereof) or an ownership interest in an Entity that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

“URL” is defined in Section 11.4.

“We” or **“us”** or **"our"** is defined in the Introductory Paragraph.

“Website” is defined in Section 11.4.

“You” or **"your"** is defined in the Introductory Paragraph.

ATTACHMENT "B"
TO FYZICAL, LLC FRANCHISE AGREEMENT

PROTECTED AREA

The Protected Area referenced in Section 3.1 of the Franchise Agreement consists of the following Territory(ies):

Check box ☐ if map is attached.

See Section 3.2 of the Franchise Agreement for a description of our reserved rights.

FRANCHISOR:

FYZICAL, LLC

a Florida limited liability company

FRANCHISEE:

[Business Entity Name]

By: _____
Print Name: _____
Title: _____
Date: _____

By: _____
Print Name: _____
Title: _____
Date: _____

(If Individual(s)):

Sign: _____
Print Name: _____
Date: _____

Sign: _____
Print Name: _____
Date: _____

ATTACHMENT "C"
TO FYZICAL, LLC FRANCHISE AGREEMENT

INITIAL FRANCHISE FEE AND CENTER LOCATION

The initial franchise fee for your Center is: \$_____.

The approved location of your Center referenced in Section 2 of the Franchise Agreement shall be:

FRANCHISOR:

FYZICAL, LLC

a Florida limited liability company

FRANCHISEE:

[Business Entity Name]

By: _____
Print Name: _____
Title: _____
Date: _____

By: _____
Print Name: _____
Title: _____
Date: _____

(If Individual(s)):

Sign: _____
Print Name: _____
Date: _____

Sign: _____
Print Name: _____
Date: _____

ATTACHMENT "D"
TO FYZICAL, LLC FRANCHISE AGREEMENT

PRINCIPAL OWNER'S STATEMENT

You agree that this form will be completed by the Franchisee ("I," "me," or "my") if I have multiple owners or if I, or my franchised business, is owned by a business organization (like a corporation, partnership or limited liability company). Franchisor is relying on the truth and accuracy of this form in awarding the Franchise Agreement to me.

1. **Form of Franchisee.** I am a (check one):

- 1. General Partnership
 - 2. Corporation
 - 3. Limited Partnership
 - 4. Limited Liability Company
 - 5. Other
- Specify

☐
☐
☐
☐
☐

2. **Business Entity.** I was incorporated or formed on _____, under the laws of the State of _____. I have not conducted business under any name other than my corporate, limited liability company or partnership name and _____. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

<u>Name of Person</u>	<u>Position(s) Held</u>

3. **Owners.** The following list includes the full name and mailing address of each person who is one my owners and fully describes the nature of each owner's interest. Attach additional sheets if necessary.

<u>Owner's Name</u>	<u>Address</u>	<u>Description of Interest</u>
*		

* _____ is designated by the entity and its owners as the entity's agent for interacting with the Franchisor. The Franchisor may rely on representations made by _____ and agreements made by _____ as binding on behalf of the entity/Franchisee.

4. **Governing Documents.** The undersigned agree to provide copies of the documents and contracts governing the ownership, management and other significant aspects of the entity (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.) to Franchisor promptly upon request.

This Principal Owner's Statement is current and complete as of _____, 20__.

INDIVIDUALS:

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP:

Name: _____

By: _____

Title: _____

ATTACHMENT "E"
TO FYZICAL, LLC FRANCHISE AGREEMENT

PRINCIPAL OWNER'S GUARANTY

In consideration of and as an inducement to FYZICAL, LLC, a Florida limited liability company ("Franchisor") entering into that certain Franchise Agreement dated as of _____, 20____ (the "**Franchise Agreement**"), between Franchisor and _____, a(n) _____ ("**Franchisee**"), the undersigned individuals (each, a "**Guarantor**") jointly and severally, personally and unconditionally, do hereby: (a) guarantee to Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant in (1) the Franchise Agreement and (2) any ancillary agreement executed by Franchisee and Franchisor (or executed by Franchisee in favor of Franchisor) in connection with the Franchise Agreement, including but not limited to any agreement for the purchase of goods or services from Franchisor and any promissory note related to payments made to Franchisor (collectively, the "**Agreements**"); and (b) agree to be personally bound by, and personally liable for, each and every provision in the Agreements, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the requirements pertaining to non-competition, confidentiality, transfers, and dispute resolution.

Each Guarantor waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (4) any right the Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each Guarantor consents and agrees that: (1) such Guarantor's direct and immediate liability under this guaranty shall be joint and several; (2) such Guarantor shall render any payment or performance required under the Agreements upon demand if Franchisee fails or refuses punctually to do so; (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of each of the Agreements and following the termination, expiration or transfer of each of the Agreements to the extent any obligations under any such Agreements survive such termination, expiration or transfer.

Depending on the creditworthiness of each Guarantor and the community property laws of the states in which they reside, Franchisor may require that the spouses of one or more Guarantors execute this guaranty as well. Each Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state that does not require the consent of both spouses to encumber the assets of a marital estate or Franchisor has waived in writing any requirement that such spouse execute this guaranty.

Each Guarantor consents and agrees that:

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other owners and Guarantors of Franchisee;

(b) Guarantor shall render any payment or performance required under any of the Agreements upon demand if Franchisee fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Agreements by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) This Guaranty shall be governed by and construed in accordance with the laws of the State of Florida.

(f) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

Each Guarantor hereby signs and delivers this Guaranty effective as of the date of the Franchise Agreement regardless of the actual date of signature.

PERCENTAGE OF OWNERSHIP
INTEREST IN FRANCHISEE

GUARANTORS

Sign: _____

Print: _____

Sign: _____

Print: _____

Sign: _____

Print: _____

ATTACHMENT "F"
TO FYZICAL, LLC FRANCHISE AGREEMENT

ACH AUTHORIZATION FORM

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
Bank Account No.	<input type="checkbox"/> Checking <input type="checkbox"/> Savings (check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee hereby authorizes FYZICAL, LLC, (“**Franchisor**”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____	Date: _____
Name: _____	
Its: _____	
Federal Tax ID Number: _____	

NOTE: FRANCHISEE AGREES TO ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

ATTACHMENT "G"
TO FYZICAL, LLC FRANCHISE AGREEMENT

NONDISCLOSURE, NONSOLICITATION AND NONCOMPETITION AGREEMENT

This Agreement (this “**Agreement**”) is entered into by the undersigned (“**you**”) in favor of FYZICAL, LLC, a Florida limited liability company, and its successors and assigns (“**us**”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

- (a) “**Center**” means a FYZICAL® Center operated under the Marks and using the System.
- (b) “**Competitive Business**” means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any business or establishment that performs physical therapy, balance and vestibular therapy and medical based fitness.
- (c) “**Copyrights**” means all works and materials for which we or our affiliates have secured common law or registered copyright protection and that we allow FYZICAL® Center franchisees to use, sell or display in connection with the marketing and/or operation of a FYZICAL® Center, whether now in existence or created in the future.
- (d) “**Franchisee**” means the FYZICAL® Center franchisee for whom you are an owner, partner, member, officer, director, employee or independent contractor.
- (e) “**Intellectual Property**” means, collectively or individually, our Marks, Copyrights, Know-how and System.
- (f) “**Know-how**” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a FYZICAL® Center, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manuals.
- (g) “**Manuals**” means our confidential operations manual(s) for the operation of a FYZICAL® Center.
- (h) “**Marks**” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a FYZICAL® Center, including “FYZICAL” and "FYZICAL (Design)" and any other trademarks, service marks or trade names that we designate for use in a FYZICAL® Center. The term “Marks” also includes any distinctive trade dress used to identify a FYZICAL® Center, whether now in existence or hereafter created.
- (i) “**Prohibited Activities**” means any or all of the following: (i) acquiring or developing, or having any direct or indirect interest as a disclosed or beneficial owner in, any Competitive Business, other than owning an interest of less than 5% in a Competitive Business that is a publicly traded company; (ii) offering or performing physical therapy services (other than through a FYZICAL® Center); (iii) being employed or engaged as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; (iv) diverting or attempting to divert any business from us (or one of our affiliates or franchisees) to a Competitive Business; and/or (v) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position with us (or our

affiliate or franchisee); or (b) any client of ours (or of one of our affiliates or franchisees) to transfer their business to any person that is not then a franchisee of ours.

- (j) **“Restricted Period”** means the 2-year period after you cease to be an owner, partner, member, officer, director, employee or independent contractor of Franchisee.
- (k) **“Restricted Territory”** means the geographic area within: (i) a 15-mile radius of the Franchisee's Center; and (ii) a 3-mile radius around any other FYZICAL® Center operating or under construction on the date that you cease to be an owner, partner, member, officer, director, employee or independent contractor of Franchisee.
- (l) **“System”** means our distinct and, with respect to certain aspects, proprietary system for the operation of a Center that provides physical therapy and other rehabilitation services, including, without limitation, pain management and balance programs, medical based fitness and related products and services, the distinctive characteristics of which include logo, trade secrets, concept, style, proprietary programs and products, confidential operations manuals and operating system. The System shall also include additional products and services that we may authorize from time to time for FYZICAL® Centers.

2. Background. You are an owner, partner, member, officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Intellectual Property. You agree: (i) you will not use the Know-how in any Center or capacity other than the FYZICAL® Center operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an owner, partner, member, officer, director, employee or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are an owner, partner, member, officer, director, employee or independent contractor of Franchisee by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in, or being engaged by or performing services for, a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to clients who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity.

6. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or

(ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.

8. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other FYZICAL® Center franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. Miscellaneous.

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of Florida and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(d) You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date: _____

Signature

Typed or Printed Name

I witnessed the execution of the foregoing document this ____ day of _____, 20__.

Date: _____

Signature of Witness

Typed or Printed Name

ATTACHMENT "H"
TO FYZICAL, LLC FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

This Agreement (this “**Agreement**”) is entered into by the undersigned (“**you**”) in favor of FYZICAL, LLC, a Florida limited liability company, and its successors and assigns (“**us**”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

- (a) “**Copyrights**” means all works and materials for which we or our affiliates have secured common law or registered copyright protection and that we allow FYZICAL® Center franchisees to use, sell or display in connection with the marketing and/or operation of a FYZICAL® Center, whether now in existence or created in the future.
- (b) “**Franchisee**” means the FYZICAL® Center franchisee for whom you are an owner, partner, member, officer, director, employee or independent contractor.
- (c) “**Intellectual Property**” means, collectively or individually, our Marks, Copyrights, Know-how and System.
- (d) “**Know-how**” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a FYZICAL® Center, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manuals.
- (e) “**Manuals**” means our confidential operations manual(s) for the operation of a FYZICAL® Center.
- (f) “**Marks**” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a FYZICAL® Center, including “FYZICAL” and “FYZICAL (Design)” and any other trademarks, service marks or trade names that we designate for use in a FYZICAL® Center. The term “Marks” also includes any distinctive trade dress used to identify a FYZICAL® Center, whether now in existence or hereafter created.
- (g) “**System**” means our distinct and, with respect to certain aspects, proprietary system for the operation of a Center that provides physical therapy and other rehabilitation services, including, without limitation, pain management and balance programs, and medical based fitness and related products and services, the distinctive characteristics of which include logo, trade secrets, concept, style, proprietary programs and products, confidential operations manuals and operating system. The System shall also include additional products and services that we may authorize from time to time for FYZICAL® Centers.

2. Background. You are an owner, partner, member, officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of

our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Know-How and Intellectual Property. You agree: (a) you will not use the Know-how in any Center or capacity other than the FYZICAL® Center operated by Franchisee; (b) you will maintain the confidentiality of the Know-how at all times; (c) you will not make unauthorized copies of documents containing any Know-how; (d) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (e) you will stop using the Know-how immediately if you are no longer an owner, partner, member, officer, director, employee or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

5. Covenants Reasonable. You acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (b) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

6. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other FYZICAL® Center franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7. Miscellaneous.

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of Florida and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date: _____
Signature

Typed or Printed Name

I witnessed the execution of the foregoing document this ____ day of _____, 20__.

Date: _____
Signature of Witness

Typed or Printed Name

EXHIBIT B TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

Fyzical, LLC and Subsidiary

Consolidated Financial Statements,
Supplementary Information
and

Independent Auditor's Report,
December 31, 2016, 2015 and 2014



Kerkering, Barberio & Co.
Certified Public Accountants

Fyzical, LLC and Subsidiary

Contents

December 31, 2016, 2015 and 2014

	Page
Independent Auditor's Report.....	I
Consolidated Financial Statements	
Consolidated Balance Sheets.....	2
Consolidated Statements of Operations.....	3
Consolidated Statement of Changes in Members' Equity	4
Consolidated Statements of Cash Flows.....	5
Notes to Consolidated Financial Statements	6
Supplementary Information	
Consolidating Balance Sheet - 2016	12
Consolidating Balance Sheet - 2015	13
Consolidating Balance Sheet - 2014	14
Consolidating Statement of Operations - 2016.....	15
Consolidating Statement of Operations - 2015.....	16
Consolidating Statement of Operations - 2014.....	17
Consolidating Statement of Changes in Members' Equity	18

Independent Auditor's Report

The Members
Fyzical, LLC and Subsidiary
Sarasota, FL

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fyzical, LLC and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2016, 2015 and 2014, the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fyzical, LLC and Subsidiary as of December 31, 2016, 2015 and 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Beckering Perkins & Co.".

Sarasota, Florida
February 7, 2017

Fyzical, LLC and Subsidiary

Consolidated Balance Sheets

December 31, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current Assets:			
Cash	\$ 939,488	\$ 1,165,237	\$ 1,664,731
Accounts receivable	593,996	125,000	40,455
Due from related parties	64,961	15,432	11,205
Prepaid expenses	61,411	26,587	12,205
Notes receivable, current maturities, net	406,332	678,703	97,376
Total current assets	<u>2,066,188</u>	<u>2,010,959</u>	<u>1,825,972</u>
Noncurrent Assets:			
Notes receivable, less current maturities	420,100	795,703	139,840
Intangible assets, net	10,285	19,660	24,030
Property and equipment, net	52,505	72,107	57,144
Total noncurrent assets	<u>482,890</u>	<u>887,470</u>	<u>221,014</u>
Total Assets	\$ <u>2,549,078</u>	\$ <u>2,898,429</u>	\$ <u>2,046,986</u>
Liabilities and Members' Equity			
Current Liabilities:			
Accounts payable	\$ 12,776	\$ 26,661	\$ 35,316
Deposits and deferred revenue	9,759	5,000	116,637
Due to member	-	47,447	90,752
Total current liabilities	<u>22,535</u>	<u>79,108</u>	<u>242,705</u>
Members' Equity	<u>2,526,543</u>	<u>2,819,321</u>	<u>1,804,281</u>
Total Liabilities and Members' Equity	\$ <u>2,549,078</u>	\$ <u>2,898,429</u>	\$ <u>2,046,986</u>

See accompanying notes to consolidated financial statements.

Fyzical, LLC and Subsidiary
Consolidated Statements of Operations
Years Ended December 31, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue:			
Franchise fees	\$ 5,928,354	\$ 3,629,164	\$ 605,873
Royalty income	2,141,597	1,091,279	287,854
Footmax revenue	9,369	4,067	4,100
Total revenue	<u>8,079,320</u>	<u>4,724,510</u>	<u>897,827</u>
Operating Expenses:			
Advertising	582,691	549,585	379,393
Amortization	9,375	9,121	4,904
Depreciation	36,277	35,827	18,059
Legal fees	116,989	78,763	98,742
Occupancy	159,266	80,954	58,873
Office expense	69,555	67,190	25,938
Professional fees	1,093,049	398,825	59,250
Salaries, wages and related benefits	1,439,815	1,009,614	758,490
Commissions	-	30,358	-
Bad debt expense	412,131	-	-
Trade shows and conventions	342,949	231,230	112,624
Travel expense	8,745	54,047	33,375
Total operating expenses	<u>4,270,842</u>	<u>2,545,514</u>	<u>1,549,648</u>
Other income (expense), net:			
Interest income	76,966	33,290	16,441
Other income (expense)	<u>(228,222)</u>	<u>(72,246)</u>	<u>985</u>
Other income (expense), net	<u>(151,256)</u>	<u>(38,956)</u>	<u>17,426</u>
Net Gain (Loss)	\$ <u>3,657,222</u>	\$ <u>2,140,040</u>	\$ <u>(634,395)</u>

See accompanying notes to consolidated financial statements.

Fyzical, LLC

Consolidated Statement of Changes In Members' Equity Years Ended December 31, 2014, 2015, 2016

	BizZoom, Inc.	Paul Revere HC, LLC	Daniel A. Deems & Rhonda O. Deems	Fyzical Palm Beach, LLC	Brian K. Werner
Balance December 31, 2013	\$ 1,025,090	\$ 341,698	\$ 341,698	\$ -	\$ -
Transfer of equity interest	(42,431)	(4,651)	(4,651)	(5,221)	-
Member Contributions	37,144	-	-	750,000	-
Net Loss	<u>(317,292)</u>	<u>(101,556)</u>	<u>(101,556)</u>	<u>(113,991)</u>	<u>-</u>
Balance December 31, 2014	<u>702,511</u>	<u>235,491</u>	<u>235,491</u>	<u>630,788</u>	<u>-</u>
Distribution	(605,000)	(160,000)	(160,000)	(200,000)	-
Net Gain	<u>1,235,935</u>	<u>278,186</u>	<u>278,186</u>	<u>347,733</u>	<u>-</u>
Balance December 31, 2015	<u>1,333,446</u>	<u>353,677</u>	\$ <u>353,677</u>	<u>778,521</u>	<u>-</u>
Transfer of equity interest	(298,874)	-	(117,053)	-	26,455
Member Contributions	72,419	-	-	-	-
Distribution	(1,850,702)	(536,618)	(395,487)	(735,469)	(36,086)
Net Gain	<u>1,907,394</u>	<u>353,288</u>	<u>456,146</u>	<u>756,314</u>	<u>32,396</u>
Balance December 31, 2016	\$ <u><u>1,163,683</u></u>	\$ <u><u>170,347</u></u>	\$ <u><u>297,283</u></u>	\$ <u><u>799,366</u></u>	\$ <u><u>22,765</u></u>

B & A O'Malley Family Ltd.	O'Malley IRA	Total
\$ -	\$ -	\$ 1,708,486
-	-	(56,954)
-	-	787,144
-	-	(634,395)
-	-	1,804,281
-	-	(1,125,000)
-	-	2,140,040
-	-	2,819,321
83,001	34,052	(272,419)
-	-	72,419
(138,725)	(56,913)	(3,750,000)
107,558	44,126	3,657,222
\$ <u>51,834</u>	\$ <u>21,265</u>	\$ <u>2,526,543</u>

See accompanying notes to consolidated financial statements.

Fyzical, LLC and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:			
Net gain (loss)	\$ 3,657,222	\$ 2,140,040	\$ (634,395)
Adjustments to reconcile net gain (loss) to net cash provided by (used in) operating activities			
Amortization expense	9,375	9,121	4,904
Depreciation expense	36,277	35,827	18,059
Write off of bad debt	407,921	-	-
Change in operating assets:			
Accounts receivable	(468,996)	(84,545)	(31,306)
Due from related parties	(49,529)	(4,227)	(11,205)
Prepaid expenses	(34,824)	(14,382)	(3,834)
Change in operating liabilities:			
Accounts payable	(13,885)	(8,655)	(12,785)
Deposits and deferred revenue	4,759	(111,637)	116,637
Due to member	(47,447)	(43,305)	(35,585)
Total adjustments	<u>(156,349)</u>	<u>(221,803)</u>	<u>44,885</u>
Net cash provided by (used in) operating activities	<u>3,500,873</u>	<u>1,918,237</u>	<u>(589,510)</u>
Cash Flows from Investing Activities:			
Purchases of property and equipment	(16,675)	(50,790)	(33,459)
Purchase of intangible asset	-	(4,751)	(16,200)
Credit extended to franchisees for franchise fees	(604,258)	(1,651,973)	(155,071)
Payments received on notes receivable	844,311	414,783	59,578
Transfer of controlling interest in subsidiary	-	-	(56,954)
Net cash provided by (used in) investing activities	<u>223,378</u>	<u>(1,292,731)</u>	<u>(202,106)</u>
Cash Flows from Financing Activities:			
Contributions from members	-	-	787,144
Distribution of equity interest	(200,000)	-	-
Distributions to members	(3,750,000)	(1,125,000)	-
Net cash provided by (used in) financing activities	<u>(3,950,000)</u>	<u>(1,125,000)</u>	<u>787,144</u>
Net increase (decrease) in cash	(225,749)	(499,494)	(4,472)
Cash - beginning of period	1,165,237	1,664,731	1,669,203
Cash - end of period	\$ <u><u>939,488</u></u>	\$ <u><u>1,165,237</u></u>	\$ <u><u>1,664,731</u></u>
Noncash:			
Assumption of subsidiary debt for controlling member interest	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>37,144</u></u>

See accompanying notes to consolidated financial statements.

Fyzical, LLC and Subsidiary
Notes To Consolidated Financial Statements
December 31, 2016, 2015 and 2014

1. Organization and Nature of Operations

Fyzical, LLC, a limited liability company, was organized under the laws of the State of Florida effective August 28, 2012. Fyzical, LLC was formed for the purpose of offering and selling Fyzical franchises for the right to establish and operate physical therapy and fitness businesses in the United States.

FyzWest, LLC (the Subsidiary), a limited liability company, was organized under the laws of the State of Nevada effective July 26, 2013. The Subsidiary was formed for the purpose of offering and selling Fyzical franchises for the right to establish and operate physical therapy and fitness businesses in Nevada, New Mexico, Arizona, Utah, Colorado and Idaho.

The accompanying consolidated financial statements include the accounts of Fyzical, LLC and FyzWest, LLC (together, the Company).

2. Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the consolidated financial statements follows:

Consolidated Financial Statements

The consolidated financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements. Net losses from the Subsidiary totaled \$43,756 and \$25,248 in 2016 and 2014 respectively. Net gain from the Subsidiary totaled \$802,752 in 2015. Gains and losses have been recognized in the accompanying consolidated financial statements. All material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Financial Instruments Not Measured at Fair Value

The Company's financial instruments are not measured at fair value on a recurring basis but nevertheless certain financial instruments are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash, accounts receivable, due from related parties, notes receivable, prepaid expenses, accounts payable, deposits and deferred revenue, and due to member.

Cash

Cash represents amounts held in bank accounts.

Accounts Receivable and Bad Debts

The Company's accounts receivable balance consists of royalties receivable from franchisees. Bad debt expense for the years ended December 31, 2016, 2015 and 2014 was \$412,131, \$0, and \$0, respectively. Accounts receivable at December 31, 2016, 2015 and 2014 totaled \$593,996, \$125,000 and \$40,455, respectively.

Fyzical, LLC and Subsidiary
Notes To Consolidated Financial Statements (Continued)
December 31, 2016, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

Notes Receivable

The Company's notes receivable consists of financing agreements between the Company and franchisees to finance the initial franchise investment (franchise fees). The agreements are for 36 months and carry interest rates between 6 % - 12%. In 2016, a reserve of \$370,466 was established to reflect management's judgment as to the collectability of these notes.

Advertising Expense

Advertising costs are expensed as incurred. Marketing and advertising expense charged to operations totaled \$582,691, \$549,585 and \$379,393 for the years ended December 31, 2016, 2015 and 2014, respectively.

Intangible Assets

Intangible assets consist of capitalized historical costs for the domain name registration for the Fyzical website as well as website development costs. The domain registration has an indefinite life and is therefore not amortized. Other intangible assets are amortized over their estimated useful lives as follows:

	Years
Website Development	3
Trademark	10

Property and Equipment

Property and equipment are stated at cost at the date of acquisition. Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred. A summary of estimated lives is as follows:

	Years
Computer and Software	3-5
Furniture and Fixtures	5-7

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis.

Revenue Recognition

The initial franchise fee is recognized when the franchisee officially joins the Company and signs a Franchise Agreement. When the agreement is signed, the new franchisee must either pay the initial franchise fee or sign a promissory note. The initial franchise fee is determined based on the population of the protected zip codes and estimated populations that are outlined in the Franchise Agreement. All other franchise fees are calculated based on revenues or use of services and are considered earned either monthly (royalty income) or after services have been provided. Royalty fees are calculated based on monthly financial information provided by the franchisees.

Income Taxes

The Company is a limited liability company that has elected to be taxed as a partnership. All of the Company's taxable income or loss is allocated to the Members. Therefore, no provision or liability for income taxes has been included in the December 31, 2016, 2015 and 2014 consolidated financial statements.

Fyzical, LLC and Subsidiary
Notes To Consolidated Financial Statements (Continued)
December 31, 2016, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Company has reviewed and evaluated the relevant technical merits of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the consolidated financial statements of the Company.

The Company files income tax returns in the U.S. federal and the State of Florida jurisdictions. The tax periods ending December 31, 2013 through December 31, 2016 are open to examination by the Company's major taxing jurisdictions.

Reclassifications

Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net gain (loss).

3. Notes Receivable

Notes receivable consist of various principal amounts in accordance with franchise agreements, are generally payable in monthly installments for 36-month terms, and accrue annual interest of 6% - 12%. Principal amounts of notes receivable, net of reserve are expected to be collected as follows for the years ending December 31:

2017	\$	406,331
2018		252,435
2019		153,961
2020		8,352
2021		5,353
Notes receivable balance	\$	<u>826,432</u>

4. Property and Equipment

Property and equipment consists of the following:

	2016	2015	2014
Computer and software	\$ 122,221	\$ 105,546	\$ 78,984
Furniture and fixtures	9,926	9,926	3,035
Automobiles	17,337	17,337	-
	<u>149,484</u>	<u>132,809</u>	<u>82,019</u>
Less: accumulated depreciation	(96,979)	(60,702)	(24,875)
	<u>\$ 52,505</u>	<u>\$ 72,107</u>	<u>\$ 57,144</u>

Depreciation expense for the years ended December 31, 2016, 2015 and 2014 was \$36,277, \$35,827 and \$18,059, respectively.

Fyzical, LLC and Subsidiary
Notes To Consolidated Financial Statements (Continued)
December 31, 2016, 2015 and 2014

5. Intangible Assets

Intangible assets consist of the following:

	2016	2015	2014
Domain name	\$ 1,200	\$ 1,200	\$ 1,200
Website development	28,450	28,450	23,700
Trademark	4,705	4,705	4,705
	<u>34,355</u>	<u>34,355</u>	<u>29,605</u>
Less: accumulated amortization	(24,070)	(14,695)	(5,575)
	<u>\$ 10,285</u>	<u>\$ 19,660</u>	<u>\$ 24,030</u>

Amortization expense for the years ended December 31, 2016, 2015 and 2014 was \$9,375, \$9,121 and \$4,904, respectively.

6. Members' Equity

During the years ended December 31, 2016, 2015, and 2014, the Company received capital contributions of \$72,419, \$0 and \$750,000 for Fyzical, LLC member units, respectively. In addition, during 2014, a member of Fyzical, LLC assumed debt in the amount of \$37,144 in return for a 50% member interest in FyzWest, LLC. Fyzical, LLC also assumed debt of \$37,144 of the Subsidiary which was eliminated in consolidation. As such, consolidated member contributions totaled \$72,419, \$0 and \$787,144 for the years ended December 31, 2016, 2015 and 2014, respectively.

During 2015, an amendment was made to the operating agreement that issued additional units to certain members of the Company. An additional 750 units was given to three members.

During 2016, an amendment was made to the operating agreement that issued 70 additional units to BizZoom, Inc. in exchange for BizZoom's interest in FyzWest, LLC. Additionally during 2016 two other amendments to the operating agreement assigned capital interests from certain existing members to Brian K. Werner, B&A O'Malley Family Limited Partnership, and CAMAPLAN FBO Bert O'Malley IRA.

All member units issued are considered voting units. The following presents Fyzical, LLC units held and capital contributions made by members from inception through December 31, 2016, 2015 and 2014:

December 31, 2016

	Units Held	Capital Contribution
BizZoom, Inc.	1,077	\$ 1,872,419
Paul Revere HC, LLC	200	600,000
Daniel A. Deems & Rhonda O. Deems	230.15	600,000
Fyzical Palm Coast, LLC	428	750,000
Brian K. Werner	21	-
B&A O'Malley Family Limited Partnership	80.73	-
CAMAPLAN FBO Bert O'Malley IRA	33.12	-
Total	<u>2,070</u>	<u>\$ 3,822,419</u>

Fyzical, LLC and Subsidiary
Notes To Consolidated Financial Statements (Continued)
December 31, 2016, 2015 and 2014

6. Members' Equity (Continued)

December 31, 2015

	Units Held		Capital Contribution
BizZoom, Inc.	1,028	\$	1,800,000
Paul Revere HC, LLC	200		600,000
Daniel A. Deems & Rhonda O. Deems	344		600,000
Fyzical Palm Coast, LLC	428		750,000
Total	2,000	\$	3,750,000

December 31, 2014

	Units Held		Capital Contribution
BizZoom, Inc.	600	\$	1,800,000
Paul Revere HC, LLC	200		600,000
Daniel A. Deems & Rhonda O. Deems	200		600,000
Fyzical Palm Coast, LLC	250		750,000
Total	1,250	\$	3,750,000

In 2014, the Subsidiary transferred membership from a noncontrolling interest member to BizZoom, Inc., who is a member of Fyzical, LLC. The transfer was a result of a default on a loan owed by FyzWest, LLC to BizZoom, Inc. As part of this transaction, Fyzical, LLC assumed a portion of the loan in the amount of \$37,144. As of December 31, 2015 and 2014, Fyzical, LLC and BizZoom, Inc. each held a 50% interest in the Subsidiary, FyzWest, LLC. As of December 31, 2016 Fyzical, LLC held a 100% interest in the Subsidiary, FyzWest, LLC. Fyzical, LLC's member interest in FyzWest, LLC is eliminated in consolidation.

Distributions are paid first to members who have made capital contributions equal to the amount of such member's capital contribution and thereafter to the members in proportion to their units at the time of the distribution. During 2016, Fyzical LLC, distributed \$3,750,000 to its members and FyzWest distributed \$145,000 of which \$145,000 was eliminated during consolidation. During 2015, Fyzical distributed \$1,000,000 to its members and FyzWest distributed \$250,000, of which, \$125,000 was eliminated during consolidation. There were no distributions made in 2014.

7. Related Party Transactions

Various transactions occurred between Fyzical, LLC and Subsidiary FyzWest, LLC. These transactions and related balances were eliminated during consolidation.

Due from Related Party

The Company paid expenses on behalf of a related party and is owed \$4,588, \$15,432 and \$11,205 as of December 31, 2016, 2015 and 2014, respectively as a result. The amount is expected to be repaid in the next year.

The Company shares office space and other expenses with a member. The member charges the Company for the use of office space and for other overhead. The amounts charged by the member for these expenses totaled \$88,799, \$101,596 and \$101,034 for the years ended December 31, 2016, 2015 and 2014, respectively.

Fyzical, LLC and Subsidiary
Notes To Consolidated Financial Statements (Continued)
December 31, 2016, 2015 and 2014

7. Related Party Transactions (Continued)
Due from Related Party

Employees of a member provide services to the Company for a fee that is calculated based on an estimate of the time spent by the member's employees performing services for the Company. This amount totaled \$373,308, \$341,232 and \$696,385 for the years ended December 31, 2016, 2015 and 2014, respectively and is included in salaries, wages and related expenses in the accompanying consolidated statement of operations.

The amount due to the member as of December 31, 2016, 2015 and 2014 totaled \$0, \$47,447 and \$90,752, respectively.

8. Concentrations of Credit Risk

The Company maintains its cash with two financial institutions in accounts, which at times, may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

9. Subsequent Events

The Company has evaluated all events subsequent to the balance sheet date of December 31, 2016 through the date these financial statements were available to be issued, February 7, 2017, and has determined that there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.

Supplementary Information

Fyzical, LLC and Subsidiary

Consolidating Balance Sheet

December 31, 2016

	<u>Fyzical, LLC</u>	<u>FyzWest, LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Assets				
Current Assets:				
Cash	\$ 928,603	\$ 10,885	\$ -	\$ 939,488
Accounts receivable	593,996	-	-	593,996
Due from related parties	19,764	145,197	(100,000)	64,961
Prepaid expenses	61,411	-	-	61,411
Notes receivable, current maturities	306,332	200,000	(100,000)	406,332
Total current assets	<u>1,910,106</u>	<u>356,082</u>	<u>(200,000)</u>	<u>2,066,188</u>
Noncurrent Assets:				
Notes receivable, less current maturities	420,100	-	-	420,100
Investment in FyzWest, LLC	199,838	-	(199,838)	-
Intangible assets, net	10,285	-	-	10,285
Property and equipment, net	52,505	-	-	52,505
Total noncurrent assets	<u>682,728</u>	<u>-</u>	<u>(199,838)</u>	<u>482,890</u>
Total Assets	<u>\$ 2,592,834</u>	<u>\$ 356,082</u>	<u>\$ (399,838)</u>	<u>\$ 2,549,078</u>
Liabilities and Members' Equity				
Current Liabilities:				
Accounts payable	\$ 12,776	\$ -	\$ -	\$ 12,776
Deposits and deferred revenue	9,759	-	-	9,759
Due to member	-	-	-	-
Due to subsidiary	-	-	-	-
Total current liabilities	<u>22,535</u>	<u>-</u>	<u>-</u>	<u>22,535</u>
Members' Equity	<u>2,570,299</u>	<u>356,082</u>	<u>(399,838)</u>	<u>2,526,543</u>
Total Liabilities and Members' Equity	<u>\$ 2,592,834</u>	<u>\$ 356,082</u>	<u>\$ (399,838)</u>	<u>\$ 2,549,078</u>

See independent auditor's report

Fyzical, LLC and Subsidiary

Consolidating Balance Sheet

December 31, 2015

	<u>Fyzical, LLC</u>	<u>FyzWest, LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Assets				
Current Assets:				
Cash	\$ 1,087,560	\$ 77,677	\$ -	\$ 1,165,237
Accounts receivable	125,000	-	-	125,000
Due from related parties	11,722	29,706	(25,996)	15,432
Prepaid expenses	26,587	-	-	26,587
Notes receivable, current maturities	468,805	209,898	-	678,703
Total current assets	<u>1,719,674</u>	<u>317,281</u>	<u>(25,996)</u>	<u>2,010,959</u>
Noncurrent Assets:				
Notes receivable, less current maturities	568,146	227,557	-	795,703
Investment in FyzWest, LLC	272,420	-	(272,420)	-
Intangible assets, net	19,660	-	-	19,660
Property and equipment, net	72,107	-	-	72,107
Total noncurrent assets	<u>932,333</u>	<u>227,557</u>	<u>(272,420)</u>	<u>887,470</u>
Total Assets	\$ <u>2,652,007</u>	\$ <u>544,838</u>	\$ <u>(298,416)</u>	\$ <u>2,898,429</u>
Liabilities and Members' Equity				
Current Liabilities:				
Accounts payable	\$ 26,661	\$ -	\$ -	\$ 26,661
Deposits and deferred revenue	5,000	-	-	5,000
Due to member	47,447	-	-	47,447
Due to subsidiary	25,996	-	(25,996)	-
Total current liabilities	<u>105,104</u>	<u>-</u>	<u>(25,996)</u>	<u>79,108</u>
Members' Equity	<u>2,546,903</u>	<u>544,838</u>	<u>(272,420)</u>	<u>2,819,321</u>
Total Liabilities and Members' Equity	\$ <u>2,652,007</u>	\$ <u>544,838</u>	\$ <u>(298,416)</u>	\$ <u>2,898,429</u>

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Fyzical, LLC and Subsidiary

Consolidating Balance Sheet

December 31, 2014

	<u>Fyzical, LLC</u>	<u>FyzWest, LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Assets				
Current Assets:				
Cash	\$ 1,657,466	\$ 7,265	\$ -	\$ 1,664,731
Accounts receivable	40,455	-	-	40,455
Due from related parties	26,384	24,150	(39,329)	11,205
Prepaid expenses	12,205	-	-	12,205
Notes receivable, current maturities	97,376	-	-	97,376
Total current assets	<u>1,833,886</u>	<u>31,415</u>	<u>(39,329)</u>	<u>1,825,972</u>
Noncurrent Assets:				
Notes receivable, less current maturities	139,840	-	-	139,840
Investment in FyzWest, LLC	(3,957)	-	3,957	-
Intangible assets, net	24,030	-	-	24,030
Property and equipment, net	57,144	-	-	57,144
Total noncurrent assets	<u>217,057</u>	<u>-</u>	<u>3,957</u>	<u>221,014</u>
Total Assets	<u>\$ 2,050,943</u>	<u>\$ 31,415</u>	<u>\$ (35,372)</u>	<u>\$ 2,046,986</u>
Liabilities and Members' Equity				
Current Liabilities:				
Accounts payable	\$ 35,316	\$ -	\$ -	\$ 35,316
Deposits and deferred revenue	96,197	20,440	-	116,637
Due to member	90,752	18,889	(18,889)	90,752
Due to subsidiary	20,440	-	(20,440)	-
Total current liabilities	<u>242,705</u>	<u>39,329</u>	<u>(39,329)</u>	<u>242,705</u>
Members' Equity	<u>1,808,238</u>	<u>(7,914)</u>	<u>3,957</u>	<u>1,804,281</u>
Total Liabilities and Members' Equity	<u>\$ 2,050,943</u>	<u>\$ 31,415</u>	<u>\$ (35,372)</u>	<u>\$ 2,046,986</u>

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Fyzical, LLC and Subsidiary
Consolidating Statement of Operations
Year Ended December 31, 2016

	<u>Fyzical, LLC</u>	<u>FyzWest, LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Revenue:				
Franchise fees	\$ 5,928,354	\$ -	\$ -	\$ 5,928,354
Royalty income	2,140,688	909	-	2,141,597
Footmaxx revenue	9,369	-	-	9,369
Total revenue	<u>8,078,411</u>	<u>909</u>	<u>-</u>	<u>8,079,320</u>
Operating Expenses:				
Advertising	582,691	-	-	582,691
Amortization	9,375	-	-	9,375
Depreciation	36,277	-	-	36,277
Legal fees	116,989	-	-	116,989
Occupancy	159,266	-	-	159,266
Office expense	69,555	-	-	69,555
Professional fees	1,090,049	3,000	-	1,093,049
Salaries, wages and related	1,439,815	-	-	1,439,815
Commissions	-	-	-	-
Bad Debt	370,466	41,665	-	412,131
Trade shows and conventions	342,949	-	-	342,949
Travel expense	8,745	-	-	8,745
Total operating expenses	<u>4,226,177</u>	<u>44,665</u>	<u>-</u>	<u>4,270,842</u>
Other income (expense):				
Interest income	76,966	-	-	76,966
Other expense	(228,222)	-	-	(228,222)
Gain on investment in subsidiary	-	-	-	-
Other income (expense), net	<u>(151,256)</u>	<u>-</u>	<u>-</u>	<u>(151,256)</u>
Net Gain (Loss)	\$ <u>3,700,978</u>	\$ <u>(43,756)</u>	\$ <u>-</u>	\$ <u>3,657,222</u>

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Fyzical, LLC and Subsidiary
Consolidating Statement of Operations
Year Ended December 31, 2015

	<u>Fyzical, LLC</u>	<u>FyzWest, LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Revenue:				
Franchise fees	\$ 2,838,001	\$ 791,163	\$ -	\$ 3,629,164
Royalty income	1,050,941	40,338	-	1,091,279
Footmaxx revenue	4,067	-	-	4,067
Total revenue	<u>3,893,009</u>	<u>831,501</u>	<u>-</u>	<u>4,724,510</u>
Operating Expenses:				
Advertising	532,048	17,537	-	549,585
Amortization	9,121	-	-	9,121
Depreciation	35,827	-	-	35,827
Legal fees	78,763	-	-	78,763
Occupancy	80,954	-	-	80,954
Office expense	67,048	142	-	67,190
Professional fees	389,265	9,560	-	398,825
Salaries, wages and related	1,009,614	-	-	1,009,614
Commission	30,358	-	-	30,358
Trade shows and conventions	229,718	1,512	-	231,230
Travel expense	54,047	-	-	54,047
Total operating expenses	<u>2,516,763</u>	<u>28,751</u>	<u>-</u>	<u>2,545,514</u>
Other income (expense):				
Interest income	33,288	2	-	33,290
Other expense	(72,246)	-	-	(72,246)
Gain on investment in subsidiary	401,376	-	(401,376)	-
Other income (expense), net	<u>362,418</u>	<u>2</u>	<u>(401,376)</u>	<u>(38,956)</u>
Net Gain	\$ <u>1,738,664</u>	\$ <u>802,752</u>	\$ <u>(401,376)</u>	\$ <u>2,140,040</u>

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Fyzical, LLC and Subsidiary
Consolidating Statement of Operations
Year Ended December 31, 2014

	<u>Fyzical, LLC</u>	<u>FyzWest, LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Revenue:				
Franchise fees	\$ 605,873	\$ -	\$ -	\$ 605,873
Royalty income	287,854	-	-	287,854
Footmaxx revenue	4,100	-	-	4,100
Total revenue	<u>897,827</u>	<u>-</u>	<u>-</u>	<u>897,827</u>
Operating Expenses:				
Advertising	369,543	9,850	-	379,393
Amortization	4,904	-	-	4,904
Depreciation	18,059	-	-	18,059
Legal fees	98,742	-	-	98,742
Occupancy	58,682	191	-	58,873
Office expense	25,331	607	-	25,938
Professional fees	54,063	5,187	-	59,250
Salaries, wages and related	758,490	-	-	758,490
Trade shows and conventions	105,297	7,327	-	112,624
Travel expense	31,285	2,090	-	33,375
Total operating expenses	<u>1,524,396</u>	<u>25,252</u>	<u>-</u>	<u>1,549,648</u>
Other income (expense):				
Interest income	16,437	4	-	16,441
Other income	985	-	-	985
Equity loss on subsidiary	-	-	-	-
from prior operations	(28,477)	-	28,477	-
Loss on investment in subsidiary	<u>(12,624)</u>	<u>-</u>	<u>12,624</u>	<u>-</u>
Other income (expense), net	<u>(23,679)</u>	<u>4</u>	<u>41,101</u>	<u>17,426</u>
Net Loss	\$ <u>(650,248)</u>	\$ <u>(25,248)</u>	\$ <u>41,101</u>	\$ <u>(634,395)</u>

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Fyzical, LLC and Subsidiary
Consolidating Statement of Changes In Members' Equity
Years Ended December 31, 2016, 2015, 2014

	BizZoom, Inc.	Paul Revere HC, LLC	Daniel A. Deems & Rhonda O. Deems	Fyzical Palm Beach, LLC	FyzWest Partners, LLC
Balance December 31, 2013	\$ 1,025,090	\$ 341,698	\$ 341,698	\$ -	\$ (28,477)
Member Contributions	37,144	-	-	750,000	-
Transfer of equity interest	(28,477)	-	-	-	28,477
Net Loss	<u>(331,246)</u>	<u>(106,207)</u>	<u>(106,207)</u>	<u>(119,212)</u>	<u>-</u>
Balance December 31, 2014	<u>702,511</u>	<u>235,491</u>	<u>235,491</u>	<u>630,788</u>	<u>-</u>
Distribution	(605,000)	(160,000)	(160,000)	(200,000)	-
Net Gain	<u>1,235,935</u>	<u>278,186</u>	<u>278,186</u>	<u>347,733</u>	<u>-</u>
Balance December 31, 2015	<u>1,333,446</u>	<u>353,677</u>	<u>353,677</u>	<u>778,521</u>	<u>-</u>
Transfer of equity interest	(298,874)	-	(117,053)	-	-
Member Contributions	72,419	-	-	-	-
Distribution	(1,850,702)	(536,618)	(395,487)	(735,469)	-
Net Gain	<u>1,907,394</u>	<u>353,288</u>	<u>456,146</u>	<u>756,314</u>	<u>-</u>
Balance December 31, 2016	<u>\$ 1,163,683</u>	<u>\$ 170,347</u>	<u>\$ 297,283</u>	<u>\$ 799,366</u>	<u>\$ -</u>

<u>Brian K. Werner</u>	<u>B & A O'Malley Family Ltd.</u>	<u>O'Malley IRA</u>	<u>Fyzical, LLC</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ (28,477)	\$ -	\$ 1,651,532
-	-	-	37,144	(37,144)	787,144
-	-	-	-	-	-
-	-	-	(12,624)	41,101	(634,395)
-	-	-	(3,957)	3,957	1,804,281
-	-	-	(125,000)	125,000	(1,125,000)
-	-	-	401,376	(401,376)	2,140,040
-	-	-	272,419	(272,419)	2,819,321
26,455	83,001	34,052	272,419	(272,419)	(272,419)
-	-	-	-	-	72,419
(36,086)	(138,725)	(56,913)	(145,000)	145,000	(3,750,000)
32,396	107,558	44,126	-	-	3,657,222
<u>\$ 22,765</u>	<u>\$ 51,834</u>	<u>\$ 21,265</u>	<u>\$ 399,838</u>	<u>\$ (399,838)</u>	<u>\$ 2,526,543</u>

See independent auditor's report

~~THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.
PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED
THAT NO CERTIFIED PUBLIC ACCOUNTANT AUDITED THESE FIGURES OR
EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.~~

EXHIBIT C TO THE DISCLOSURE DOCUMENT

CONVERSION ADDENDUM TO FRANCHISE AGREEMENT

FYZICAL, LLC
CONVERSION ADDENDUM TO FRANCHISE AGREEMENT

THIS CONVERSION ADDENDUM TO THE FRANCHISE AGREEMENT (this "**Addendum**") is effective as of _____, 20____ (the "**Effective Date**"), regardless of the actual date of signature, by and between **FYZICAL, LLC**, a Florida limited liability company, having its principal place of business at 505 South Orange Avenue, Suite 101, Sarasota, Florida 34236 ("**Franchisor**") and _____, an individual/partnership/corporation/limited liability company (circle one), established in the state of _____, and whose principal address is _____ ("**Franchisee**"). This Addendum supplements the Franchise Agreement of even date herewith (the "**Agreement**") by and between the parties.

1. **Incorporation and Precedence.** This Addendum is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Addendum governs, controls and supersedes any inconsistent or conflicting terms of the Agreement. Terms not otherwise defined in this Addendum have the meanings as defined in the Agreement.

2. **Conversion Program.** The Franchisee has applied to become a FYZICAL® Center franchisee under the Franchisor's conversion program, and the Franchisor has agreed to award a franchise to the Franchisee. Since the conversion program differs (as detailed in this Addendum) from the standard franchise program, the parties are signing this Addendum to properly detail the features of the conversion program and how the relationship between the parties differs from the standard FYZICAL® franchise agreement. Prior to acquiring the franchise, Franchisee operated, and continues to operate, a physical therapy business or fitness center known as _____ (the "**Existing Business**"). The Existing Business is located at _____ (the "**Existing Premises**"). Franchisee desires to operate the FYZICAL® Center franchise (the "**Franchised Business**") in conjunction with the continued operation of the Existing Business. The Franchised Business will be operated from the same location as the Existing Business, and the Existing Business will be consolidated into the Franchised Business so that from the Effective Date going forward, the Existing Business and the Franchised Business will be operated and accounted for as one.

3. **Approved Location / Site.** Franchisor approves the existing location of the Existing Business for the operation of the Franchised Business.

4. **Initial Term; Optional Exit Payment.** Although the initial term of the Agreement consists of a period of 10 years from the Effective Date, the Franchisee may, commencing with the 5th anniversary of the Effective Date, terminate the Agreement any time prior to expiration of the initial term upon 90 days' prior written notice to Franchisor and the payment to Franchisor of the Exit Payment (as defined below). The "**Exit Payment**" means an amount equal to the aggregate Royalty fees for Franchisee's Center for the trailing 24-month period preceding the date of the termination. Such termination will not be effective unless and until: (a) Franchisor receives payment in full of the Exit Payment; and (b) Franchisee and its owners have signed and delivered to Franchisor a general release substantially in form attached as an exhibit to the Franchisor's Franchise Disclosure Document.

5. **Renewal.** The Franchisee may renew the Agreement in accordance with Section 4.2 of the Agreement. However, upon renewal, this Addendum will automatically end and the terms and conditions of the parties' relationship will be governed by the successor franchise agreement then entered into between the Franchisee and the Franchisor.

6. **Use of Existing Equipment and Systems.** As a special accommodation to Franchisee, Franchisor agrees that Franchisee will utilize various information systems, software systems, accounting, billing and collection systems, procedures and equipment currently in use by the Existing Business (the "Existing Equipment and Systems") provided that:

(a) Franchisee's use of the Existing Equipment and Systems does not unreasonably interfere with the FYZICAL® System;

(b) Franchisee's use of the Existing Equipment and Systems continues to meet Franchisor's specifications and standards, which Franchisor may modify, change or amend from time to time; and

(c) In the event Franchisor requires Franchisee to cease, modify, change or amend Franchisee's use of the Existing Equipment and Systems, Franchisee will be permitted 30 days to comply; provided, however, if Franchisor requires Franchisee to make any such change to its use of the Existing Equipment and Systems and such change requires Franchisee to make a capital expenditure greater than \$20,000 within any 12-month period, Franchisee will be given 90 days to make such changes.

7. **Opening Date.** Notwithstanding anything to the contrary contained in the Agreement, Franchisee will open its Center to the public within 45 days from the Effective Date of the Agreement. For purposes of Section 3.3 of the Agreement (Minimum Performance Standards) and Section 13.2 of the Agreement (Royalty Commencement Date), the "Opening Date" shall mean the earlier to occur of: (a) the actual opening date of Franchisee's Center or (b) 45 days from the Effective Date of the Agreement.

8. **Rights and Duties of Parties Upon Termination.** Franchisee's obligation to immediately turn over to Franchisor all of Franchisor's confidential and proprietary information, including all copies of them, as required by Section 21 of the Agreement, will not include the client lists, files, records, agreements, disclosure statements and other business information relating solely to the Existing Business that are separate from that of the Franchised Business; provided, however, that if Franchisee has commingled such information, then all will be made available to Franchisor.

9. **Existing Client Lists.** Client lists generated by Franchisee prior to the Effective Date will remain the property of the Franchisee, except that any new or existing client lists that are generated, distilled, modified or improved in connection with the operation of the Franchised Business will be the joint property of both Franchisor and Franchisee and can be used for legitimate business purposes by them and by the Existing Business. The Franchisee will deliver copies to the Franchisor at any time, on request.

10. **Post-Term Covenant Not to Compete.** Upon expiration, termination or Transfer of the Agreement, Franchisee may, at its option, pay to Franchisor an amount equal to the aggregate Royalty fees for Franchisee's Center for the trailing 24-month period preceding the date of the expiration, termination or Transfer, in which case the post-term competitive restrictions in Section 14.4 of the Agreement will not apply and will be cancelled. The post-term competitive restrictions in Section 14.4 of the Agreement likewise will not apply if the Franchisee elects to terminate the Agreement prior to its expiration in accordance with Section 4 of this Addendum.

11. **Transfers.** If there is a transfer of the franchise and the Agreement pursuant to Section 19.2 of the Agreement, then this Addendum will automatically be cancelled and the Agreement will continue in effect without modification by this Addendum.

12. **Termination.** If for any reason the Agreement terminates or expires, all of your rights under this Addendum also end, effective as of the same date of termination or expiration of the Agreement.

Intending to be bound, the parties sign and deliver this Addendum as of the Effective Date, regardless of the actual date of signature.

FRANCHISOR:

FRANCHISEE:

FYZICAL, LLC

a Florida limited liability company

(Name of entity, if applicable)

By: _____

Print Name: _____

Title: _____

Date: _____

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT D TO THE DISCLOSURE DOCUMENT

**TABLE OF CONTENTS
OF
OPERATING MANUALS**

FYZICAL® Center OPERATIONS MANUAL
OWNER/MANAGER MANUAL
Table of Contents

OWNER/MANAGER MANUAL		
Manual Section	Beginning Page	Number of Pages
SECTION I: Philosophy	5	2
SECTION II: Pre-Opening Process	7	53
SECTION III: Basics of FYZICAL® Management	60	79
SECTION IV: The Financial Model & Business Plan	139	50
SECTION V: The Team	189	20
SECTION VI: Growth by Acquisition	209	29
SECTION VII: The FYZICAL® Store	238	11
SECTION VIII: Sample Documents	249	98
SECTION IX: Technology User Guides	347	28
SECTION X: Addendum	375	2
TOTAL NUMBER OF PAGES	-	376

<u>OFFICE MANAGER MANUAL</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>SECTION I – Philosophy</u>	<u>4</u>	<u>2</u>
<u>SECTION II -Office Manager Overview</u>	<u>6</u>	<u>7</u>
<u>SECTION III - Operations</u>	<u>13</u>	<u>11</u>
<u>SECTION IV - Professional Development</u>	<u>24</u>	<u>2</u>
<u>SECTION V - Sample Documents/Instructions</u>	<u>26</u>	<u>85</u>
<u>SECTION VI - Technology User Guide</u>	<u>111</u>	<u>39</u>
<u>TOTAL NUMBER OF PAGES</u>	-	<u>150</u>

<u>CLIENT CARE SPECIALIST</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Philosophy</u>	<u>4</u>	<u>0.5</u>
<u>Three Keys to Success</u>	<u>4</u>	<u>2</u>
<u>Behaviors of a High Performance Team</u>	<u>6</u>	<u>10</u>
<u>Reception Area</u>	<u>16</u>	<u>1</u>
<u>Greeting Clients/Walk Ins</u>	<u>17</u>	<u>22</u>
<u>Four Keys to Optimal Patient PMT Collections</u>	<u>39</u>	<u>6</u>
<u>Educate Your Existing Clients to Increase Your Arrival Rate</u>	<u>45</u>	<u>5</u>
<u>Documentation for Successful Client Management</u>	<u>50</u>	<u>8</u>
<u>Management</u>	<u>58</u>	<u>2</u>
<u>Scripted Answers for the Client Care Specialist</u>	<u>60</u>	<u>17</u>
<u>Roles and Responsibilities by Position</u>	<u>77</u>	<u>7</u>
<u>Phone System/ Voicemail/Technology</u>	<u>84</u>	<u>15</u>
<u>Appointment Reminder System</u>	<u>99</u>	<u>2</u>
<u>APPENDICES</u>	<u>101</u>	<u>19</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>120</u>

<u>WORLD CLASS BILLING & COLLECTIONS</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Part 1: Intro & Overview</u>	<u>1</u>	<u>7</u>
<u>Part 2: Nine Key Steps to an Effective Billing Process</u>	<u>8</u>	<u>27</u>
<u>Part 3: Four Key Steps to Optimal Patient Payment Collections</u>	<u>35</u>	<u>9</u>
<u>Part 4: Seven Key Steps to Successful 3rd Party Payer Collections</u>	<u>44</u>	<u>12</u>
<u>Part 5: Management</u>	<u>56</u>	<u>13</u>
<u>Part 6: Roles & Responsibilities by Position</u>	<u>69</u>	<u>10</u>
<u>Appendix</u>	<u>79</u>	<u>65</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>144</u>

BALANCE MADE SIMPLE		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>1. Introduction</u>	<u>5</u>	<u>1</u>
<u>2. Lobby</u>	<u>6</u>	<u>4</u>
<u>3. History of Dizziness</u>	<u>10</u>	<u>5</u>
<u>4. Diagnostic Balance & Vestibular Testing Algorithm</u>	<u>15</u>	<u>24</u>
<u>5. Assessment</u>	<u>39</u>	<u>4</u>
<u>6. Functional Testing</u>	<u>43</u>	<u>5</u>
<u>7. Treatment</u>	<u>48</u>	<u>17</u>
<u>8. Case Studies</u>	<u>65</u>	<u>9</u>
<u>9. Balance Theories</u>	<u>74</u>	<u>12</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>86</u>

ACQUISITIONS		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Introduction</u>	<u>1</u>	<u>13</u>
<u>Step 1:</u>	<u>14</u>	<u>7</u>
<u>Step 2:</u>	<u>21</u>	<u>2</u>
<u>Step 3:</u>	<u>23</u>	<u>1</u>
<u>Step 4:</u>	<u>24</u>	<u>2</u>
<u>Step 5:</u>	<u>26</u>	<u>6</u>
<u>Step 6:</u>	<u>32</u>	<u>5</u>
<u>Step 7:</u>	<u>37</u>	<u>0.5</u>
<u>Step 8:</u>	<u>37</u>	<u>2</u>
<u>Step 9:</u>	<u>39</u>	<u>3</u>
<u>Step 10:</u>	<u>42</u>	<u>1</u>
<u>Begin Transformation Process</u>	<u>43</u>	<u>5</u>
<u>Appendices</u>	<u>48</u>	<u>70</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>118</u>

<u>ARRIVAL RATE MANUAL</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Step 1</u>	<u>1</u>	<u>3</u>
<u>Step 2</u>	<u>4</u>	<u>3</u>
<u>Step 3</u>	<u>7</u>	<u>11</u>
<u>Step 4</u>	<u>18</u>	<u>1</u>
<u>Step 5</u>	<u>19</u>	<u>1</u>
<u>Step 6</u>	<u>20</u>	<u>2</u>
<u>Step 7</u>	<u>22</u>	<u>1</u>
<u>Step 8</u>	<u>23</u>	<u>2</u>
<u>Step 9</u>	<u>25</u>	<u>1</u>
<u>Step 10</u>	<u>26</u>	<u>1</u>
<u>10 Easy Steps Training Checklist</u>	<u>27</u>	<u>1</u>
<u>Appendices</u>	<u>28</u>	<u>76</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>104</u>

PHYSICAL THERAPIST (PT) &
PHYSICAL THERAPIST ASSISTANT (PTA) MANUAL

MARKETING MANUAL		
Manual Section	Beginning Page	Number of Pages
SECTION I: Overview	9	23
SECTION II: Brand Identity Guidelines	32	40
SECTION III: Marketing Elements	72	18
SECTION IV: Pre-Opening Marketing	90	53
SECTION V: Sales Professional and the Healthcare Referral Network	143	110
SECTION VI: Ongoing Marketing	253	88
SECTION VII: Marketing Management	341	6
SECTION VIII: Research and Education	347	36
SECTION IX: Samples/Examples	383	30
TOTAL NUMBER OF PAGES		413

**PHYSICAL THERAPIST (PT) &
PHYSICAL THERAPIST ASSISTANT (PTA) MANUAL**

Manual Section	Beginning Page	Number of Pages
SECTION I – Philosophy	3	2
SECTION II - General Overview	5	8
SECTION III – Operations	13	77
SECTION IV - Professional Development	90	3
SECTION V - Daily Checklist & Sample Documents	93	17
SECTION VI – Technology	110	28
TOTAL NUMBER OF PAGES	=	138

REHAB AIDE/TECH MANUAL

Manual Section	Beginning Page	Number of Pages
SECTION I – Philosophy	3	2
SECTION II - General Overview	5	5
SECTION III - Operations	10	7
SECTION IV - Professional Development	17	1
SECTION V - Equipment Care	18	14
SECTION VI - Technology User Guide	32	28 <u>52</u>
TOTAL NUMBER OF PAGES	=	60 <u>84</u>

REFERRAL CONVERSION MANUAL

OFFICE MANAGER MANUAL

Manual Section	Beginning Page	Number of Pages
SECTION I—Philosophy	4	2
SECTION II—Office Manager Overview	6	7
SECTION III—Operations	13	11
SECTION IV—Professional Development	24	2
SECTION V—Sample Documents/Instructions	26	85
SECTION VI—Technology User Guide	111	39
TOTAL NUMBER OF PAGES		150

RECEPTIONIST MANUAL

Manual Section	Beginning Page	Number of Pages
SECTION I—Philosophy PT 1: Introduction	4 1	2 9
SECTION II—Client Process PT 2: Referral to Scheduled Conversion	6 10	3 10
SECTION III—Operations	3 7	2 4
SECTION IV—Professional Development	6 1	2 2
SECTION V—New PT 3: Client Paperwork Care Specialist Conversion Training	6 3 20	3 3 18
PT 4: Scheduled to Arrival Conversion Process	3 8	6
PT 5: Hiring & Recruiting	4 4	4
SECTION VI—Checklists PT 6: Manage Your Way to Optimal Profitability	9 6 48	2 2
Appendices	5 0	2 2
TOTAL NUMBER OF PAGES	=	7 2

PROFITWARE IMPLEMENTATION

Manual Section	Beginning Page	Number of Pages
Timeline	4	2
Clinical Documentation	6	16
Appendices	2 2	2 2
TOTAL NUMBER OF PAGES	=	4 4

RECEPTIONIST MANUAL

<u>PILLARS OF SUCCESS</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Success Pillars Overview</u>	<u>1</u>	<u>17</u>
<u>Vital Statistics Overview</u>	<u>18</u>	<u>27</u>
<u>Achieving the Pillars of Success</u>	<u>45</u>	<u>7</u>
TOTAL NUMBER OF PAGES	=	<u>52</u>

<u>PHYSICIAN PURPOSE MARKETING</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Introduction</u>	<u>1</u>	<u>2</u>
<u>Why Do We Need Purpose?</u>	<u>3</u>	<u>1</u>
<u>Physician Purpose: Build Strong Relationships</u>	<u>4</u>	<u>2</u>
<u>Relationship Building Questions</u>	<u>6</u>	<u>0.5</u>
<u>Physician Purpose: Driven Through Service</u>	<u>6</u>	<u>1</u>
<u>Primary Care Provider Question Pool</u>	<u>7</u>	<u>0.5</u>
<u>Specialist Question Pool</u>	<u>7</u>	<u>2</u>
<u>Becoming a Part of the Team</u>	<u>9</u>	<u>3</u>
SECTION VII – Technology User Guides <u>Creating Purpose</u>	98 <u>12</u>	12 <u>15</u>
APPENDIX <u>Physician Purpose</u>	110 <u>27</u>	4 <u>8</u>
TOTAL NUMBER OF PAGES	=	113<u>35</u>

OTOLARYNGOLOGY MANUAL

BILLING-SPECIALIST-MANUAL

Manual Section	Beginning Page	Number of Pages
SECTION I: Philosophy	4	2
SECTION II: General <u>Part 1: Introduction & Overview</u>	6 <u>1</u>	6 <u>12</u>
SECTION III: Billing Specialist Operations	12	15
SECTION IV: Professional Development <u>Part 2: Events to Attend</u>	27 <u>13</u>	28

BILLING SPECIALIST MANUAL		
SECTION V: Sample Documents / Directions <u>Part 3: Planning</u>	29 <u>21</u>	190 <u>4</u>
SECTION VI: Technology User Guides <u>Part 4: 14 Steps to Opening</u>	219 <u>25</u>	183 <u>7</u>
<u>Part 5: Operating Your Center</u>	<u>62</u>	<u>22</u>
<u>Vestibular Testing</u>	<u>84</u>	<u>4</u>
<u>Treatment</u>	<u>88</u>	<u>3</u>
<u>FAQs</u>	<u>91</u>	<u>5</u>
TOTAL NUMBER OF PAGES	=	236<u>96</u>

FYZICIAN LIAISON MANUAL

BALANCE MANUAL		
Manual Section	Beginning Page	Number of Pages
<u>Introduction</u>	<u>4</u>	<u>4</u>
<u>FYZICIAN Liaison</u>	<u>8</u>	<u>6</u>
<u>Recruiting a FYZICIAN Liaison</u>	<u>14</u>	<u>4</u>
<u>The Interview Process</u>	<u>18</u>	<u>5</u>
<u>Non-compete and confidentiality agreements</u>	<u>23</u>	<u>12</u>
<u>FYZICIAN Liaison Compensation</u>	<u>35</u>	<u>3</u>
<u>Managing the FYZICIAN Liaison</u>	<u>38</u>	<u>6</u>
<u>FYZICIAN Liaison Sales Meetings</u>	<u>44</u>	<u>3</u>
<u>Addendum</u>	<u>47</u>	<u>9</u>
TOTAL NUMBER OF PAGES	=	<u>56</u>

<u>FYZICIAN LIAISON - FIRST 90 DAYS</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Part 1</u>	<u>1</u>	<u>7</u>
<u>Part 2</u>	<u>8</u>	<u>19</u>
<u>Part 3</u>	<u>27</u>	<u>8</u>
<u>Part 4</u>	<u>35</u>	<u>7</u>

BALANCE MANUAL		
Part 5	42	1
Part 6	43	6
Part 7	49	1
Appendices	50	42
TOTAL NUMBER OF PAGES	=	92

FYZICAL CAREERS		
Manual Section	Beginning Page	Number of Pages
Introduction to Recruiting & Hiring	2	2
PT Job Posting	4	1
FYZICAL Careers Site	5	6
Offer of Employment	11	0.5
Tools for Success	11	2
Getting Started: The New Hire Process	13	11
TOTAL NUMBER OF PAGES	=	24

CREDENTIALING MANUAL		
Manual Section	Beginning Page	Number of Pages
Introduction	1	5
How to Get Insurance Contracts for Your New Center	6	7
What Do I Need to Properly Credential a New Center?	13	17
How to Credential Your Practitioners	30	7
Appendices	37	18
TOTAL NUMBER OF PAGES	=	55

CLINICAL PRODUCTIVITY
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BALANCE MANUAL

<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>President's Letter</u>	<u>1</u>	<u>2</u>
<u>Introduction</u>	<u>3</u>	<u>4</u>
<u>Calculating Cost of Labor</u>	<u>7</u>	<u>6</u>
<u>Planning & Determining Your Productivity Expectations</u>	<u>13</u>	<u>2</u>
<u>Determining Your Staffing Model</u>	<u>15</u>	<u>3</u>
<u>Required Infrastructure</u>	<u>18</u>	<u>2</u>
<u>Coding</u>	<u>20</u>	<u>14</u>
<u>How to Use the Practice Analyzer and Practice Optimizer Effectively</u>	<u>34</u>	<u>1</u>
<u>Determining Your Scheduling Model</u>	<u>35</u>	<u>15</u>
<u>Instructions</u>	<u>50</u>	<u>13</u>
<u>Scenarios</u>	<u>63</u>	<u>25</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>88</u>

CALL TRACKING MANUAL

<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Who's Calling?</u>	<u>1</u>	<u>0.5</u>
<u>What is Call Tracking?</u>	<u>1</u>	<u>0.5</u>
<u>What Can Call Tracking Do for Me?</u>	<u>2</u>	<u>3</u>
<u>Is Call Tracking Really That Important for My Practice?</u>	<u>5</u>	<u>0.5</u>
<u>Where Do I Start?</u>	<u>5</u>	<u>1</u>
<u>What are My Next Steps?</u>	<u>6</u>	<u>2</u>
<u>What Should I Expect When I'm Ready to start call tracking?</u>	<u>8</u>	<u>0.5</u>
<u>How Do I Determine My Call Tracking Conversion?</u>	<u>8</u>	<u>1</u>
<u>How Much is Using Call Tracking Going to Cost Me?</u>	<u>9</u>	<u>1</u>
<u>What If I Have Even More Questions?</u>	<u>10</u>	<u>0.5</u>
<u>Can You Give Me Any Tips for My First Package Purchase?</u>	<u>10</u>	<u>1</u>
<u>Do I Own the Number?</u>	<u>11</u>	<u>0.5</u>
<u>How Do I Get More Phone Numbers?</u>	<u>11</u>	<u>0.5</u>
<u>How Can I Use Call Tracking to Increase Sales?</u>	<u>11</u>	<u>1</u>
<u>Can I Control Where a Call Goes?</u>	<u>12</u>	<u>0.5</u>

BALANCE MANUAL		
<u>Can You Tell Me Once More How Call Tracking Will Benefit My Practice?</u>	<u>12</u>	<u>1</u>
<u>Is Call Tracking Right for Every Practice?</u>	<u>13</u>	<u>14</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>27</u>

BOOK OF SCRIPTS		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Part I</u>	<u>1</u>	<u>2</u>
<u>Part II</u>	<u>3</u>	<u>31</u>
<u>Part III</u>	<u>34</u>	<u>7</u>
<u>Part IV</u>	<u>41</u>	<u>11</u>
<u>Part V</u>	<u>52</u>	<u>20</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>72</u>

DIRECT MAIL BALANCE		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Introduction</u>	<u>5</u>	<u>7</u>
<u>FYZICAL Direct</u>	<u>12</u>	<u>1</u>
<u>Develop a call tracking program</u>	<u>13</u>	<u>3</u>
<u>Procedure</u>	<u>16</u>	<u>28</u>
<u>Ordering Your 12-Month 'Change Your Life' Campaign</u>	<u>44</u>	<u>1</u>
<u>Recommended Order of Medical Moments</u>	<u>45</u>	<u>22</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>67</u>

DIRECT MAIL ORTHO		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Introduction</u>	<u>4</u>	<u>4</u>
<u>Procedures</u>	<u>8</u>	<u>19</u>
<u>Ordering the 12 Month Campaign</u>	<u>27</u>	<u>1</u>

BALANCE MANUAL		
<u>Recommended Monthly Medical Moments</u>	<u>27</u>	<u>3</u>
<u>Quantitative Analysis</u>	<u>30</u>	<u>20</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>50</u>

<u>INTERIOR & EXTERIOR MANUAL</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Introduction</u>	<u>1</u>	<u>8</u>
<u>Brand Identity Guidelines</u>	<u>9</u>	<u>42</u>
<u>Notes</u>	<u>51</u>	<u>12</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>=</u>	<u>63</u>

<u>QUALITY ASSURANCE & PERFORMANCE IMPROVEMENT MANUAL</u>		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Introduction</u>	<u>n/a</u>	<u>n/a</u>
<u>Part I</u>	<u>n/a</u>	<u>n/a</u>
<u>Part II</u>	<u>n/a</u>	<u>n/a</u>
<u>Part III</u>	<u>n/a</u>	<u>n/a</u>
<u>Part IV</u>	<u>n/a</u>	<u>n/a</u>
<u>Part V</u>	<u>n/a</u>	<u>n/a</u>
<u>Part VI</u>	<u>n/a</u>	<u>n/a</u>
<u>Part VII</u>	<u>n/a</u>	<u>n/a</u>
<u>Part VIII</u>	<u>n/a</u>	<u>n/a</u>
<u>Part IX</u>	<u>n/a</u>	<u>n/a</u>
<u>Part X</u>	<u>n/a</u>	<u>n/a</u>
<u>TOTAL NUMBER OF PAGES</u>	<u>n/a</u>	<u>526</u>

BALANCE MANUAL

THE BUSINESS OF BALANCE		
Manual Section	Beginning Page	Number of Pages
Introduction	2	2
SECTION I: Business of Balance Intro Algorithm	14	91
SECTION II: Converting Existing FYZICAL Patients into Balance Patients	105	2544
SECTION III: Direct Referrals for Balance Patients to FYZICAL	3549	2816
SECTION IV: Consumer Directly Seeks Balance Services	6365	4011
Appendices	76	16
TOTAL NUMBER OF PAGES	=	92

THE BUSINESS OF BODYQ		
Manual Section	Beginning Page	Number of Pages
Introduction	1	3
BodyQ is the Future of Health & Fitness	4	3
The FYZICAL Vision and Tole of BodyQ	7	2
Getting Started with BodyQ	9	16
Everyone on the Team Plays a Role	25	7
Recruiting and Hiring a BodyQ Ambassador	32	4
Determining Need with the Client Needs Screen	36	3
Effectively Communicating the Value of BodyQ	39	12
Internal Marketing of BodyQ	51	10
Measuring Results	61	3
Financial Results of Adding BodyQ to Your Service Mix	64	3
Management Basics	67	1

BALANCE MANUAL		
<u>Conclusion</u>	<u>68</u>	<u>12</u>
<u>TOTAL NUMBER OF PAGES</u>	=	<u>80</u>

TRANSFORMATION TIMELINE		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Welcome and Overview</u>	<u>1</u>	<u>10</u>
<u>Part I</u>	<u>11</u>	<u>10</u>
<u>Part II</u>	<u>21</u>	<u>64</u>
<u>Part III</u>	<u>85</u>	<u>7</u>
<u>Part IV</u>	<u>92</u>	<u>23</u>
<u>Part V</u>	<u>115</u>	<u>2</u>
<u>Part VI</u>	<u>117</u>	<u>44</u>
<u>TOTAL NUMBER OF PAGES</u>	=	<u>161</u>

BodyQ User Manual		
<u>Manual Section</u>	<u>Beginning Page</u>	<u>Number of Pages</u>
<u>Definition of Terms</u>	<u>5</u>	<u>1</u>
<u>Client Care Specialist Responsibilities</u>	<u>6</u>	<u>4</u>
<u>Hardware Issues</u>	<u>10</u>	<u>4</u>
SECTION V: Clinical Balance <u>Tool List</u>	103 <u>14</u>	70 <u>3</u>
<u>List of Tests Sequentially Ordered in the BodyQ</u>	<u>17</u>	<u>4</u>
<u>BodyQ Application Domain Descriptions</u>	<u>21</u>	<u>37</u>
<u>FAQs</u>	<u>58</u>	<u>4</u>
TOTAL NUMBER OF PAGES	=	172 <u>62</u>

EXHIBIT E TO THE DISCLOSURE DOCUMENT

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

Our registered agent for service of process in Florida is:

Cross Street Corporate Services, Inc.
200 South Orange Avenue
Sarasota, Florida 34236

If a state is not listed below, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed below.

STATE	AGENCY	PROCESS, IF DIFFERENT
California	<p>Department of Business Oversight 1-800-ASK-CORP (275-2677)</p> <p><i>Los Angeles</i> 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500</p> <p><i>Sacramento</i> 1515 K Street South Suite 200 Sacramento, CA 95813-4052 (916) 445-7205</p> <p><i>San Diego</i> 1350 Front Street Room 2034 San Diego, CA 92101-3697 (619) 525-4233</p> <p><i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565</p>	
Hawaii	<p>Department of Commerce and Consumer Affairs Business Registration Division P.O. Box 40 Honolulu, HI 96810 (808) 586-2727</p>	<p>Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813</p>
Illinois	<p>Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	
Indiana	<p>Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p>Administrative Office of the Secretary of State 201 State House Indianapolis, IN 46204</p>

STATE	AGENCY	PROCESS, IF DIFFERENT
Maryland	Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2021
Michigan	Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General G. Mennen Williams Bldg. 525 W. Ottawa Street, 6 th Floor Lansing, MI 48909 (517) 373-7117	
Minnesota	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328	
New York	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211 FAX: (212) 416-8816	Secretary of State State of New York 41 State Street Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner 600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, ND 58505-0510
Oregon	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4140	
Rhode Island	Division of Securities 1511 Pontiac Avenue John O. Pastore Complex, Building 69-1 Cranston, RI 02920 (401) 462-9500	
South Dakota	Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	

STATE	AGENCY	PROCESS, IF DIFFERENT
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
Washington	Department of Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501 (360) 902-8760	
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	

EXHIBIT F TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA AND RIDERS

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
FYZICAL, LLC
STATE OF CALIFORNIA**

The following paragraphs are added to the Disclosure Document:

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.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

The following is added at the end of Item 1 of the Disclosure Document:

Pursuant to the Home Care Services Consumer Protection Act of 2013 (the "**Act**"), you will conform to the Licensure and Certificate requirements of the Home Care Services Bureau ("**HCSB**") effective January 1, 2016. The Act will apply to California agencies that provide home care services to consumers. Home care services related to this Act include nonmedical services and assistance provided by a registered home care aide to a client who, perhaps because of advanced age or physical or mental disability, cannot perform these services. These services enable the client to remain in his or her residence and include, but are not limited to, assistance with the following: bathing, dressing, shopping, eating, exercising and personal hygiene and grooming.

For further information about the Home Care Services Consumer Protection Act, please visit the following website: <http://www.cc.ld.ca.gov/PG3654.htm>.

The following paragraphs are added at the end of Item 17 of the Disclosure Document pursuant to regulations promulgated under the California Franchise Investment Law:

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

Post-Termination Noncompetition Covenants. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the respective agreement. These provisions may not be enforceable under California law.

Applicable Law. The Franchise Agreement requires application of the laws of the State of Florida with certain exceptions. These provisions may not be enforceable under California law.

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

CALIFORNIA LAWS APPLICABLE TO THE OPERATION OF A PHYSICAL THERAPY CENTER:

- **California Business and Profession Code Chapter 5.7, ("Physical Therapy Practice Act")**
 - The Act restricts the practice of physical therapists. For example, the Act provides that a licensed physical therapist may apply topical medications as part of the practice of physical therapy only if he or she complies with applicable regulations. Furthermore, physical therapists are prohibited from diagnosing diseases, using roentgen rays and radioactive materials, and from using electricity for surgical purposes. The act also prohibits physical therapists from prescribing medications or practicing medicine, surgery, or any other form of healing except as specifically authorized.
- **California Code of Regulations Title 16 Division 13.2 ("Physical Therapy Regulations")**
 - The Regulations require compliance with certain formalities. For example, every applicant and licensee will comply with specific registration requirements such as providing an address of record and email address. Physical therapists will also comply with advertising restrictions and record keeping procedures. In addition, the Regulations restrict the tasks physical therapy aids may perform, authorize discipline for unprofessional conduct, provide continuing education requirements, and much more.

THE FOLLOWING STATUTES APPLY TO PHYSICAL THERAPISTS AS WELL AS OTHER LICENSED PROFESSIONALS:

- **California Business and Profession Code:**
 - Division 1: Department of Consumer Affairs:
 - Chapter 1 The Department
 - The Physical Therapy Board of California is included in the Department of Consumer Affairs. Thus, this chapter governs physical therapists, too.
 - Chapter 1.5 Unlicensed Activity
 - The Department of Consumer Affairs regulates unlicensed activity, such as the practice of unlicensed physical therapists.
 - Chapter 3 Funds of the Department
 - Chapter 4 Consumer Affairs
 - The purpose of this chapter is to promote and protect the interests of the people as consumers.
 - Article 1 General Provisions and Definitions
 - Article 3 Powers and Duties
 - Article 3.6 Uniform Standards Regarding Substance – Abusing Healing Arts Licenses

- Article 4 Representation of Consumers
 - Article 5 Consumer Complaints
 - Article 6 Information
- Chapter 6 Public Members
 - Chapter 6 provides certain requirements for public members of the state boards, including the Physical Therapy Board of California.
- Chapter 7 Licensee
 - Chapter 7 governs the licensing of professionals, including physical therapists.
- Division 1.5: Denial, Suspension and Revocation of Licenses
 - Chapter 1 General Provisions
 - Chapter 1 provides general definitions and the grounds for licensure denial.
 - Chapter 2 Denial of Licensure
 - Chapter two more fully explains the procedure for licensure denial.
 - Chapter 3 Suspension and Revocation of Licenses
 - Chapter 3 provides grounds for the suspension or revocation of licensure.
 - Chapter 4 Public Reprovals
 - Chapter 4 authorizes issuers of licenses to publicly reprove a licensee or certificate holder, for any act that would constitute grounds to suspend or revoke a license or certificate.
 - Chapter 5 Examination Security
 - Chapter 5 governs fraudulent licenses.
- Division 2: Healing Arts
 - Chapter 1 General Provisions
 - Chapter 1 provides the general requirements for professions in the healing arts.
 - Article 1 Records
 - Article 1.5 Advocacy for Appropriate Health Care
 - Article 4 Frauds of Medical Records
 - Article 5 Illegal Advertising
 - Article 6 Unearned Rebates, Refunds and Discounts
 - Article 7.5 Health Care Practitioners
 - Article 9 Inactive License
 - Article 10 Federal Personnel and Tribal Health Programs
 - Article 10.5 Unprofessional Conduct
 - Article 11 Professional Reporting
 - Article 12 Insurance Fraud
 - Article 12.5 Mental Illness or Physical Illness
 - Chapter 1.5 Exemption from Licensure
 - Chapter 1.5 provides for when licensure is not required.
 - Chapter 1.6 Health Care Professionals Disaster Response Act

- Chapter 1.6 authorizes practitioners with expired licenses in the healing arts to practice in a time of national emergency.
- **Health and Safety Code**
 - Division 2 Licensing Provisions
 - Chapter 2.2 Health Care Services Plans
 - The Knox-Keene Health Care Service Plan Act of 1975 regulates managed care plans.
 - Article 2 Administration
 - Division 106 Personal Health Care
 - Part 1 General Administration
 - Chapter 1 Patient Access to Health Records
 - Chapter 1 requires physical therapy organizations and other health care providers to ensure patient access to records so that every person has the ultimate responsibility for decisions respecting his or her own health care.

**CALIFORNIA RIDER TO THE
FYZICAL, LLC
FRANCHISE AGREEMENT**

THIS RIDER (the “Rider”) is effective as of _____, 20____ (the “Agreement Date”), and amends the Franchise Agreement dated _____, 20____ (the “Agreement”), between FYZICAL, LLC (“we,” “us,” “our” or the “Franchisor”) and _____ (“you,” “your” or the “Franchisee”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Medical Staff.** The Franchise Agreement will not interfere, affect, or limit the independent exercise of medical judgment by the medical staff.

3. **Effective Date.** This Rider is effective on the Agreement Date regardless of the actual date of signature.

Intending to be bound, the parties sign and deliver this Rider to each other as shown below.

Us:

FYZICAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

You:

By: _____

Name: _____

Title: _____

Date: _____

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
FYZICAL, LLC
STATE OF ILLINOIS**

The following is added to Item 1:

In Illinois, the practice of physical therapy is governed by the Illinois Physical Therapy Act, 225 ILCS 90/ (West 2010), and the Rules promulgated thereunder at 68 Ill.Adm.Code 1340.

The following is added to Item 17:

The conditions under which your Franchise Agreement can be terminated, and your rights upon nonrenewal of the Franchise Agreement are set forth in the Illinois Franchise Disclosure Act, Section 19 and 20. See 815 ILCS 705/19, 20 (West 2010)

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

Any condition of the franchise agreement that designates litigation, jurisdiction or venue in a forum outside of Illinois is void as to any cause of action that otherwise is enforceable in Illinois provided the franchise agreement may provide for arbitration in a forum outside of Illinois.

Be advised that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. No person may be prevented from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise Disclosure Act, nor shall arbitration of any claim pursuant to the provisions of Title 9 of the United States Code be prevented.

**RIDER TO
FYZICAL, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider is entered into this _____, 20____ (the “**Effective Date**”), between **FYZICAL, LLC**, a limited liability company (“**we**” or “**us**” or “**our**” or “**Fyzical**”) and _____, a(n) _____ (“**you**” or “**your**”) and amends the Franchise Agreement between the parties dated as of the Effective Date (the “**Agreement**”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Termination.** The following is added to Section 20 of the Agreement:

The conditions under which your Franchise Agreement can be terminated, and your rights upon nonrenewal of the Franchise Agreement are set forth in the Illinois Franchise Disclosure Act, Section 19 and 20. See 815 ILCS 705/19, 20 (West 2010)

3. **Limitation of Claims.** The following is added to Section 22 of the Agreement:

No action can be maintained to enforce any liability created by the Illinois Franchise Disclosure Law (the “**Illinois Act**”) unless brought before the earlier of (i) the expiration of 3 years from the act or transaction constituting the violation upon which such action is based; (ii) the expiration of 1 year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Illinois Act; or (iii) 90 days after delivery to you of a written notice disclosing the violation.

4. **Governing Law and Jurisdiction.** Sections 22 and 24.1 of the Agreement are amended by adding the following:

All matters coming under the Illinois Act will be governed by the Illinois Act. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois for all matters coming under the Illinois Act.

5. **Waiver of Jury Trial.** Section 22 of the Agreement is amended to delete any reference to a waiver of jury trial.

6. **Waivers.** The following is added to Section 24.4 of the Agreement:

Be advised that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. No person may be prevented from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise Disclosure Act, nor shall arbitration of any claim pursuant to the provisions of Title 9 of the United States Code be prevented.

7. **Illinois Physical Therapy Act.** In Illinois, the practice of physical therapy is governed by the Illinois Physical Therapy Act, 225 ILCS 90/ (West 2010), and the Rules promulgated thereunder at 68 Ill.Adm.Code 1340.

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

FRANCHISOR:

FYZICAL, LLC

a Florida limited liability company

FRANCHISEE:

[Business Entity Name]

By: _____
Print Name: _____
Title: _____
Date: _____

By: _____
Print Name: _____
Title: _____
Date: _____

(If Individual(s)):

Sign: _____
Print Name: _____
Date: _____

Sign: _____
Print Name: _____
Date: _____

**ADDENDUM TO THE
FYZICAL, LLC
MARYLAND DISCLOSURE DOCUMENT**

1. Item 17 is amended by adding the following language after the table:

- (a) You may sue in Maryland for claims arising under the Maryland franchise registration and disclosure law (the “**Maryland Law**”). Any claims arising under the Maryland law must be brought within 3 years after the grant of the franchise.
- (b) The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under Federal Bankruptcy Law (11 U.S.C. Section 1010 et seq.)
- (c) Pursuant to COMAR 02.02.08.16L, any General Release required as a condition of renewal, sale and/or transfer does not apply to any liability

**RIDER TO
FYZICAL, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

This Rider is entered into this _____, 20____ (the “**Effective Date**”), between **FYZICAL, LLC**, a limited liability company (“**we**” or “**us**” or “**our**” or “**Fyzical**”) and _____, a(n) _____ (“**you**” or “**your**”) and amends the Franchise Agreement between the parties dated as of the Effective Date, (the “**Agreement**”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **No Release, Estoppel or Waiver of State Law.** Nothing in this Agreement is intended to nor will it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law (“**Maryland Law**”).

3. **Jurisdiction.** Any litigation arising on claims under Maryland Law may be brought by the Franchisee in Maryland.

4. **Limitation on Claims.** Nothing in this Agreement will reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under Maryland Law. All claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise.

5. **General Release.** No general release required as a condition of renewal, sale and/or assignment or transfer will apply to any liability arising under Maryland Law.

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

FRANCHISOR:

FYZICAL, LLC

a Florida limited liability company

FRANCHISEE:

[Business Entity Name]

By: _____
Print Name: _____
Title: _____
Date: _____

By: _____
Print Name: _____
Title: _____
Date: _____

(If Individual(s)):

Sign: _____
Print Name: _____
Date: _____

Sign: _____
Print Name: _____
Date: _____

**RIDER TO
FYZICAL, LLC
FRANCHISE COMPLIANCE CERTIFICATION
FOR USE IN MARYLAND**

The following is added to the Franchise Compliance Certification:

My disclaiming the occurrence and/or acknowledgment of the non-occurrence of acts that would constitute a violation of the franchise law in order to purchase the franchise are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE APPLICANT:

Dated: _____, 20__

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
FYZICAL, LLC
FOR USE IN MINNESOTA**

1. Item 17, summary column for (f) is amended to add the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure).

2. Item 17, summary column for (m) is amended to add the following:

Any release signed as a condition of transfer will not apply to any claims you may have under the Minnesota Franchise Act.

3. Item 17, summary columns for (v) and (w) are amended to add the following:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
FYZICAL, LLC
FOR USE IN NEW YORK**

~~Add the~~ 1. The following language to is added at the end of Item 3:

Except as ~~Neither provided above, with regard to~~ the franchisor, ~~nor any its~~ predecessor, ~~or a~~ person identified in ~~item~~ Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. ~~Has~~ 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. ~~In addition, include~~
- 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. ~~If so, disclose the names of the parties, the forum, nature, and current status of the pending action. Franchisor may include a summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion is included as part of this offering circular.~~
- ~~B.~~ ~~Has~~ C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ~~ten~~ 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. ~~If so, disclose the names of the parties, the forum and date of conviction or date judgment was entered; penalty or damages assessed, and/or terms of settlement.~~
- ~~C.~~ ~~Is~~ 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 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. ~~If so, disclose the name of the person; the public agency, association, or exchange; the court, or other forum; a summary of the allegations or facts found by the agency, association, exchange or court; and the date, nature, terms and conditions of the order or decree.~~

~~Add the~~ 2. The following language is added to Item the end of 4:

Neither the franchisor, its affiliate, any 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 the officer or general partner of the franchisor held this position in the company or partnership. ~~If so, disclose the name of the person and/or company that was the debtor under the Bankruptcy Code, the date of the action and the material facts.~~

~~Add the~~3. The following language is added to Item 5:

The fee will be used to provide to provide our services to a franchisee prior to such franchisee's business opening, including required training to a franchisee (or its Operating Principal) and its Clinical Director as well as ~~option~~optional training to its lead physical therapist, lead physical therapy assistant, office manager and billing specialist.

~~Add the~~4. 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.

5. The following language ~~to replaces~~ the ~~Remarks Column~~ "Summary" section of Item 17, ~~provision (d)-~~, titled "Termination by franchisee":

The franchisee may terminate the agreement upon any grounds available by law.

6. The following language replaces 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.

7. The following is added to the end of the "Summary" section 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.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
FYZICAL, LLC
NORTH DAKOTA DISCLOSURE DOCUMENT**

1. The Summary column of Item 17 paragraph (c) of this disclosure document is modified to read as follows:

"You agree to: (1) not be in default; (2) give us timely notice; (3) enter into our then-current form of franchise agreement and related documents (e.g., personal guaranty, noncompetition agreement, etc.); (4) enter into a general release (except for matters coming under the North Dakota Franchise Investment Law (the "**ND Law**")); (5) pay successor franchise fee; (6) remodel or upgrade your Center to comply with our then-current standards and specifications; and (7) maintain possession of your Center under your lease. If you renew, you may be required to enter into an agreement with materially different terms and conditions than the original agreement."

2. The Summary column of Item 17 paragraph (r) of this disclosure document is modified by adding the following at the end of the sentence:

"Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

3. The Summary column of Item 17 paragraph (u) of this disclosure document is amended by to read as follows:

"Except that matters coming under the ND Law, all disputes will be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants."

4. The Summary column of Item 17 paragraph (v) of this disclosure document is amended to read as follows:

Except for matters coming under the ND Law, all mediation and litigation will take place in county where we maintain our principal place of business (currently, Sarasota County, Florida) at the time the dispute arises.

5. The Summary column of Item 17 paragraph (w) of this disclosure document is amended to read as follows:

Except for matters coming under the ND Law, Florida law applies.

**RIDER TO
FYZICAL, LLC
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

This Rider is entered into this _____, 20____ (the “**Effective Date**”), between **FYZICAL, LLC**, a limited liability company (“**we**” or “**us**” or “**our**” or “**Fyzical**”) and _____, a(n) (“**you**” or “**your**”) and amends the Franchise Agreement between the parties dated as of the Effective Date, (the “**Agreement**”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Renewal Requirements.** You are not required to sign a general release as to any matters coming under the North Dakota Franchise Investment Law (the “**ND Law**”).

3. **Restrictive Covenants.** Covenants not to compete, such as those mentioned in this section, are generally unenforceable in the State of North Dakota.

4. **Agreement to Arbitrate.** All matters coming under North Dakota Law will be submitted to arbitration at a mutually agreeable location and may not be remote from your place of business.

5. **Jurisdiction.** All matters coming under the ND Law may be brought in the courts of North Dakota.

6. **Governing Law.** This Agreement will be governed by North Dakota law.

7. **Dispute Resolution.** The portion of Section 22 waiving trial by jury is deleted. Section 22 is also revised to read that the statute of limitations under North Dakota law will apply.

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

FRANCHISOR:

FYZICAL, LLC

a Florida limited liability company

FRANCHISEE:

[Business Entity Name]

By: _____
Print Name: _____
Title: _____
Date: _____

By: _____
Print Name: _____
Title: _____
Date: _____

(If Individual(s)):

Sign: _____
Print Name: _____
Date: _____

Sign: _____
Print Name: _____
Date: _____

**ADDENDUM TO THE
FYZICAL, LLC
RHODE ISLAND DISCLOSURE DOCUMENT**

The following sentence is added to Item 17 (v) and (w): A provision in a franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

**ADDENDUM TO THE
FYZICAL, LLC
VIRGINIA DISCLOSURE DOCUMENT**

In recognition of the restrictions contained in Section 13.1-564 of the Act, the following is added to Item 17.h:

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

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
FYZICAL, LLC
STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the “Act”), Chapter 19.100 RCW, prevails.

Section RCW 19.100.180 of the Act, may supersede the Franchise Agreement in your relationship with us, including the area of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with us including the area of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will either be in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

A release or waiver of rights signed by you will not include rights under the Act except when signed pursuant to a negotiated settlement after the agreement(s) are 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees may be collected to the extent that they reflect our reasonable estimated or actual costs in effectuating a transfer.

The collection of the initial franchise fee will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

**WASHINGTON RIDER TO
FYZICAL, LLC
FRANCHISE AGREEMENT**

THIS RIDER (the “**Rider**”) is effective as of _____, 20____ (the “**Agreement Date**”), and amends the Franchise Agreement dated _____, 20____ (the “**Agreement**”), between **FYZICAL, LLC** (“**we**,” “**us**,” “**our**” or the “**Franchisor**”) and _____ (“**you**,” “**your**” or the “**Franchisee**”).

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Washington Franchise Investment Protection Act.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the “**Act**”), Chapter 19.100 RCW, prevail

3. **Relationship.** Section RCW 19.100.180 of the Act may supersede this Agreement in your relationship with us, including the area of termination and renewal of your franchise. There may also be court decisions which may supersede this Agreement in your relationship with us including the area of termination and renewal of your franchise.

4. **Arbitration.** In any arbitration involving a franchise purchased in Washington, the arbitration site will either be in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

5. **Waiver of Rights.** A release or waiver of rights signed by you will not include rights under the Act except when signed pursuant to a negotiated settlement after the agreement(s) are 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

6. **Transfer Fees.** Transfer fees may be collected to the extent that they reflect our reasonable estimated or actual costs in effectuating a transfer.

7. **Initial Franchise Fee.** The collection of the initial franchise fee will be deferred until we have fulfilled our initial pre-opening obligations and you are open for business.

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

Us:

You:

FYZICAL, LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT G TO THE DISCLOSURE DOCUMENT

GENERAL RELEASE

WAIVER AND RELEASE OF CLAIMS

THIS WAIVER AND RELEASE OF CLAIMS (the “**Release**”) is made as of _____, 20____ by _____, a(n) _____ (“**Franchisee**”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “**Releasor**”) in favor of FYZICAL, LLC, a Florida limited liability company (“**Franchisor**,” and together with Releasor, the “**Parties**”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the “**Agreement**”) pursuant to which Franchisee was granted the right to own and operate a FYZICAL® Center franchise;

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, [enter into a successor franchise agreement] and Franchisor has consented to such transfer [agreed to enter into a successor franchise agreement]; and

WHEREAS, as a condition to Franchisor’s consent to the transfer [Franchisee’s ability to enter into a successor franchise agreement], Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent to the transfer [Franchisor entering into a successor franchise agreement], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. Releasor represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “**Released Parties**”), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except for any claims arising from representations made in the Franchise Disclosure Document furnished to Franchisee prior to entering into the Agreement..

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their Center or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Florida.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

By: _____

Name: _____

Its: _____

RELEASOR/FRANCHISEE'S OWNERS:

Date _____

Typed or Printed Name

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public
My commission expires:

Date _____

Typed or Printed Name

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public
My commission expires:

Date _____

Typed or Printed Name

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public
My commission expires:

EXHIBIT H TO THE DISCLOSURE DOCUMENT

**~~FORM OF PROMISSORY NOTE, SECURITY AGREEMENT
AND UCC-1 FINANCING STATEMENT~~**

PROMISSORY NOTE

U.S. \$ _____

Effective Date: _____

Executed at: _____

FOR VALUE RECEIVED, _____, a(n) _____, whose principal business address is _____ (the "Franchisee") promises to pay to the order of FYZICAL, LLC, a Florida limited liability company (the "Franchisor"), at its offices at 505 South Orange Avenue, Suite 101, Sarasota, Florida 34236 (or at such other place or places as the Franchisor or the holder of this Note may designate in writing, from time to time), the principal sum of _____ DOLLARS (U.S. \$ _____) (the "Loan"), or such lesser sum outstanding at the time when payment is due under this Note, in lawful money of the United States of America, together with interest accruing thereon from the date of this Note at the rate and time later provided, on the balance from time to time remaining unpaid. The Loan represented by this Note is subject to the terms and conditions of that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") between Franchisee and Franchisor. All capitalized terms not defined herein shall have the same meaning as contained in the Franchise Agreement.

1. Interest Rates and Payments. Interest will accrue on the unpaid principal balance at the rate of _____ percent (____%) per annum. Monthly payments of principal plus accrued and unpaid interest in the amount of \$ _____ will be due and payable on the 5th day of each month commencing _____, 20____ until fully paid. All payments received by Franchisor will be applied first to accrued and unpaid interest and then to the then outstanding principal balance.

2. Security. This Note is secured by that certain Security Agreement of even date herewith, executed by Franchisee in favor of Franchisor.

3. Definition of Event of Default. For purposes of this Note, an "Event of Default" is: (a) any failure to pay any sums when due to Franchisor or its affiliates under this Note, the Franchise Agreement or any other agreement between the Franchisee and Franchisor or its affiliates and failure to cure such default within five (5) days after receiving notice thereof; or (b) any breach of the provisions of the Franchise Agreement or any other agreement between Franchisee and Franchisor or its affiliates not cured within the applicable cure period.

4. Late Charges; Default Interest Rate. A late charge equal to five percent (5%) of any installments of interest or principal which is not paid within ten (10) days of the date when the same becomes due and payable will be included with any such late payment. At any time or times during which an Event of Default then exists or upon the maturity of this Note, the interest rate under this Note will be equal to the lesser of: (i) eighteen percent (18%) per annum; or (ii) the maximum rate of interest permitted by applicable law (the "Default Interest Rate"), and shall be due and payable **ON DEMAND**.

5. Acceleration of Maturity. In the event of the continuation of any default in the payment of any interest or principal under this Note for a period of five (5) days after notice is received from Franchisor or upon the occurrence of any other Event of Default, Franchisor or the holder of this Note may elect to declare and may declare the entire unpaid principal amount outstanding under this Note, together with interest accrued thereon, immediately due and payable and/or may increase the interest rate under this Note up to the Default Interest Rate.

6. Waivers. Franchisee, its successors and assigns, and all other endorsers and guarantors of this Note waive any defense by reason of any extension of time for reason of nonpayment. Franchisee, its

~~successors and assigns, and all endorsers and guarantors of this Note waive demand, presentment, notice of non-payment, dishonor and protest.~~

7. ~~**Attorneys' Fees.** In case suit is brought for the collection of this Note, or if it is necessary to place the same in the hands of an attorney for collection, Franchisee and all endorsers and guarantors of this Note agree to pay reasonable attorneys' fees for making such collection, including all fees and costs incident to any appellate, post-judgment, and bankruptcy proceedings that may result, whether the holder of this note is obligated thereof or not.~~

8. ~~**Maximum Interest.** Despite any other provision of this Note, in no event will the amount of interest due or payable under this Note exceed the maximum contract rate of interest allowed by applicable law, as amended from time to time. If any payment is made by Franchisee or received by Franchisor that exceeds the maximum contract rate of interest, such excess sum will be credited as a payment of principal, unless Franchisee notifies Franchisor that it elects to have the excess sum returned.~~

9. ~~**Payment of Indebtedness.** All payments received from Franchisee may be applied to outstanding principal or accrued interest as Franchisor designates.~~

10. ~~**Negotiability.** This Note is fully negotiable by Franchisor.~~

11. ~~**Consideration.** Franchisee acknowledges and agrees that this Note has been signed and delivered to Franchisor in exchange for valuable consideration. The valuable consideration relates to amounts that are due and owing to Franchisor, without any defense or setoff.~~

12. ~~**Venue.** Franchisee agrees that Sarasota County, Florida, is the proper venue for any and all legal proceedings arising out of this Note.~~

13. ~~**Governing Law.** The provisions of this Note and the Franchise Agreement will be construed according to the laws of the State of Florida.~~

14. ~~**Consent to Changes.** All parties liable for the payment of this Note consent and agree that the granting to Franchisee or any other party of any extension of time for the payment of any sums due under this Note, or for the performance of any covenant or stipulation in this Note or in any document securing the Loan or the release of Franchisee or any other party, or the agreement of the Franchisor not to sue the Franchisee or any other party, or the discharge of Franchisee or any other party, or the taking or releasing of other or additional security, will not in any way release or affect the liability of the Franchisee and/or of the endorsers or guarantors of this Note, all rights against such parties being expressly reserved.~~

15. ~~**Amendment.** This Note may not be amended or modified, nor will any waiver of any provisions of this Note be effective, except by an instrument in writing signed by the holder of this Note. The Franchisee has signed this Note as principal and not as surety or accommodation party.~~

16. ~~**Prepayment.** This Note may be prepaid, in whole or in part, at any time without penalty, provided that any partial payment shall be applied against the principal amount outstanding in inverse order of maturity and shall not postpone the due date of any subsequent payment unless the Franchisor shall otherwise agree in writing in its sole discretion.~~

17. ~~**Nonassumability.** This Note is not assumable without Franchisor's prior written consent. Such assumption may be granted at the Franchisor's sole discretion and may be denied without regard to a showing of an impairment of the Franchisor's security or an evaluation of the creditworthiness of the~~

~~proposed assuming party and regardless of whether the Franchisor consents to a transfer of the Franchise Agreement.~~

~~18. **WAIVER OF JURY TRIAL.** THE FRANCHISEE, BY SIGNING THIS NOTE, AND THE FRANCHISOR, BY ACCEPTANCE OF THIS NOTE, MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY AND ALL CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE, INCLUDING ANY AND ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSSCLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS WHETHER ARISING FROM OR RELATED TO THE NEGOTIATION, SIGNING AND PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS NOTE RELATES.~~

"FRANCHISEE"

By: _____

Name: _____

Title: _____

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made and entered into as of _____, 20____, by and among FYZICAL, LLC, a Florida limited liability company whose principal business address is 505 South Orange Avenue, Suite 101, Sarasota, Florida 34236 ("Secured Party"), and _____, a(n) _____, whose principal business address is _____ ("Debtor").

A. _____ Secured Party is providing financing to Debtor in the amount of \$_____ (the "Franchise Fee"), representing a portion of the initial franchise fee due under that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement") between Secured Party, as franchisor, and Debtor, as franchisee. All capitalized terms not defined herein shall have the same meaning as contained in the Franchise Agreement.

B. _____ Debtor is granting to Secured Party a security interest in the Collateral (as defined below) in order to secure Debtor's unconditional obligation to pay the Franchise Fee to Secured Party.

ACCORDINGLY, for good and valuable consideration, the parties hereby agree as follows:

1. _____ Security Interest. In order to secure payment and performance in full of the obligation of Debtor for (i) payment of the Franchise Fee and all other obligations of Debtor to Secured Party, arising, under or in respect of the Franchise Agreement and this Agreement, including but not limited to any extensions, modifications, substitutions, increases or renewals thereof; (ii) payment of all amounts advanced or incurred by Secured Party to preserve, protect, defend, and enforce its rights under this Agreement, the Franchise Agreement, and with respect to the Collateral; and (iii) payment of all fees, costs and expenses incurred by Secured Party in connection therewith (the "Commitments"), Debtor hereby grants to Secured Party a continuing, valid, and unavoidable security interest in and lien on, all of Debtor's right, title, and interest in and to all of the following property, wherever located, whether now owned or hereafter acquired or arising (collectively, the "Collateral"):

All furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, general intangibles, and all other assets, including, without limitation, the Equipment and customer contracts, used in the operation of the FYZICAL® Center franchised business located at _____; all additions, attachments, accessories, accessions, parts, fittings, and special tools now and hereafter affixed thereto and/or used in connection therewith, and all replacements thereof, and all substitutions and exchanges therefor; and all proceeds, including all cash proceeds and all noncash proceeds, including without limitation, proceeds of any and all insurance covering any of the foregoing, and all products of any and all of the foregoing.

2. _____ Representations; Warranties. Debtor represents and warrants to Secured Party as follows: Debtor has good title to the Collateral, free from any right or claim of any security interest, lien, claim or encumbrance (collectively, a "Lien"), except for the permitted Liens listed in Exhibit A. Debtor has full corporate power and authority to enter into, execute, and deliver this Agreement and to perform its Commitments under this Agreement, and to incur and perform the Commitments, all of which have been duly authorized by all necessary corporate action. This Agreement constitutes the valid and legally binding commitment of Debtor, enforceable against it in accordance with its terms. Bankruptcy proceedings have not been commenced by or against Debtor under any federal bankruptcy law or other federal or state law.

3. ~~**Insurance.** Debtor shall at all times bear the entire risk of any loss, theft, damage to, or destruction of, any of the Collateral from any cause whatsoever. Debtor shall keep the Collateral insured against loss or damage by fire and extended coverage perils, theft, burglary, and against all such other risks, casualties, and contingencies as Secured Party may reasonably require. Such insurance shall be payable to Secured Party as loss payee under a standard loss payee clause.~~

4. ~~**Notices.** Debtor shall provide Secured Party at least 30 days written notice prior to (i) any change in Debtor's name; (ii) any change in the jurisdiction of incorporation or organization of Debtor; or (iii) any of the Collateral being lost, stolen, missing, destroyed, materially damaged, or worn out.~~

5. ~~**Authorization to File Financing Statements.** Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements, including a UCC financing statement substantially in the form attached as Exhibit B, and amendments thereto that (i) describe the Collateral; and/or (ii) provide any other information required by Article 9 of the Uniform Commercial Code of the State of Florida or such other jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment. Debtor agrees to furnish such information to Secured Party promptly upon Secured Party's request.~~

6. ~~**Events of Default.** Each of the following shall constitute an event of default ("**Event of Default**") under this Agreement:~~

6.1 ~~Failure by Debtor to make payment of any amount of the Commitments when due and to correct such failure within 5 days after receiving written notice thereof;~~

6.2 ~~Failure by Debtor to duly perform or observe any other term, covenant or agreement contained in this Agreement, which failure shall have continued unremedied for a period of 10 days after written notice thereof from Secured Party to Debtor;~~

6.3 ~~Any representation or warranty made by Debtor in this Agreement, any financial statement, or any statement or representation made in any other report or other document delivered in connection with this Agreement or the Franchise Agreement proves to have been incorrect or misleading in any material respect when made;~~

6.4 ~~Debtor makes an assignment for the benefit of creditors, offers a composition or extension to creditors, or makes or sends notice of an intended bulk sale of any of the Collateral;~~

6.5 ~~Debtor (i) files a petition in bankruptcy, (ii) is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver of or any trustee for itself, any of the Collateral, or any substantial part of its property, (iii) commences any proceeding relating to itself under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or any such proceeding is commenced against Debtor, including but not limited to, the filing of an involuntary petition against Debtor under the United States Bankruptcy Code, (iv) by any act indicates its consent to, approval of, or acquiescence in, any such proceeding or the appointment of any receiver of or any trustee for Debtor or any substantial part of its property, or (v) admits in writing its inability to pay its debts as they become due;~~

6.6 ~~Debtor, or any other affiliate of Debtor, shall challenge or contest, in any action, suit or proceeding, the validity or enforceability of this Agreement, or any related documents, the legality or the~~

~~enforceability of any of the Commitments or the perfection or priority of any Lien granted to Secured Party; or~~

~~6.7 — There shall be any material adverse change in the financial condition of Debtor or any other event shall occur that, as determined by Secured Party in good faith, materially impairs the ability of the Debtor to pay the Commitments.~~

~~7. — **Remedies Upon Event of Default.** Upon the occurrence of any Event of Default, the Commitments under the Note shall become immediately due and payable upon declaration to that effect delivered by Secured Party to Debtor; provided, however, that upon the happening of any event specified in Section 6.5 above, the Note shall be immediately due and payable without declaration or other notice to Debtor. Upon the occurrence of and during the continuance of an Event of Default under this Agreement, Secured Party, in addition to all other rights, options, and remedies granted to Secured Party under this Agreement, shall have all rights, options and remedies available to it under the Uniform Commercial Code, as adopted under the internal laws of the State of Florida from time to time, at law, or in equity. Debtor agrees that a notice received by it at least 5 days before the time of any intended public sale, or the time after which any private sale or other disposition of the Collateral or any portion thereof is to be made, shall be deemed to be reasonable notice of such sale or other disposition.~~

~~8. — **Nature of Remedies.** All rights and remedies granted Secured Party under this Agreement and under any other related documents, or otherwise available at law or in equity, shall be deemed concurrent and cumulative.~~

~~9. — **General.**~~

~~9.1 — **Amendment.** This Agreement can be waived, amended, terminated or discharged, and the security interest and Liens of Secured Party can be released, only explicitly in a writing signed by Secured Party, and, in the case of amendment, in a writing signed by Debtor and Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given.~~

~~9.2 — **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns (except that Debtor may not assign its obligations under or rights in this Agreement without the prior written consent of Secured Party, which consent may be withheld in Secured Party's sole discretion) and shall take effect when signed by Debtor and delivered to Secured Party, and Debtor waives notice of Secured Party's acceptance of this Agreement.~~

~~9.3 — **Venue.** The Debtor agrees that Sarasota County, Florida, is the proper venue for any and all legal proceedings arising out of this Agreement.~~

~~9.4 — **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without regard to choice of law principles.~~

~~9.5 — **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but which counterparts together shall constitute but one and the same instrument. Fax or other electronically imaged signatures shall constitute binding and original signatures for all purposes.~~

~~9.6 — **Notice.** Any notice or other communication required or permitted under this Agreement shall be in writing and personally delivered, mailed by registered or certified mail (return receipt~~

~~requested and postage prepaid), sent by facsimile (with a confirming copy sent by regular mail), sent by e-mail, or sent by prepaid overnight courier service, and addressed to the relevant party at its address set forth below, or at such other address as such party may, by written notice, designate as its address for purposes of notice under this Agreement. If mailed, notice shall be deemed to be given 3 days after being sent, and if sent by personal delivery, facsimile, prepaid courier, or e-mail, notice shall be deemed to be given when delivered.~~

10. ~~**Waiver of Jury Trial.** DEBTOR HEREBY UNCONDITIONALLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, OR ANY RELATED DOCUMENTS.~~

~~IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.~~

~~“SECURED PARTY”~~

FYZICAL, LLC, a Florida limited liability company

By: _____

Name: _____

Title: _____

Address for notices:

505 South Orange Avenue, Suite 101
Sarasota, FL 34236

~~“DEBTOR”~~

a(n) _____

By: _____

Name: _____

Title: _____

Address for Notices:

EXHIBIT A TO SECURITY AGREEMENT
PERMITTED LIENS

EXHIBIT B TO SECURITY AGREEMENT

UCC-1 FINANCING STATEMENT

(Attached)

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME				
OR				
1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR				
2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME				
OR				
3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

4. COLLATERAL: This financing statement covers the following collateral:

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:

☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:

☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:

~~EXHIBIT I TO THE DISCLOSURE DOCUMENT~~

FRANCHISE COMPLIANCE CERTIFICATE

FRANCHISE COMPLIANCE CERTIFICATE

As you know FYZICAL, LLC (“we” or “us” or “our”), and you are preparing to enter into a Franchise Agreement for the operation of a FYZICAL® CENTER franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you will sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- | | | | |
|-------|------|-----|---|
| Yes__ | No__ | 1. | Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it? |
| Yes__ | No__ | 2. | Did you receive the Franchise Agreement and each ancillary agreement, containing all material terms, at least 7 calendar days before signing any binding agreement with us or an affiliate? (This does not include any mutually agreed upon changes to any agreement.) |
| Yes__ | No__ | 3. | Have you received and personally reviewed the Franchise Disclosure Document we provided? |
| Yes__ | No__ | 4. | Did you receive the Franchise Disclosure Document at least 14 calendar days before signing the Franchise Agreement, this Questionnaire, or any related agreement, or before paying any funds to us or an affiliate related to the franchise sale? |
| Yes__ | No__ | 5. | Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? |
| Yes__ | No__ | 6. | Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement? |
| Yes__ | No__ | 7. | Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor? |
| Yes__ | No__ | 8. | Have you discussed the benefits and risks of developing and operating a FYZICAL® Center franchise with an existing FYZICAL® Center franchisee? |
| Yes__ | No__ | 9. | Do you understand the risks of developing and operating a FYZICAL® Center franchise? |
| Yes__ | No__ | 10. | Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors? |
| Yes__ | No__ | 11. | Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement will be mediated in Florida, if not resolved informally? |
| Yes__ | No__ | 12. | Do you understand that you will satisfactorily complete the initial training course before we will allow your franchised Center to open or consent to a transfer? |
| Yes__ | No__ | 13. | Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a FYZICAL® Center franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document? |
| Yes__ | No__ | 14. | Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document? |

Yes__ No__ 15. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a FYZICAL® Center franchise will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes__ No__ 16. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the FYZICAL® Center, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Franchise Applicant

Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

Franchise Applicant

Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

EXHIBIT ~~J~~I TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

LIST OF FRANCHISEE OUTLETS⁽¹⁾
AS OF DECEMBER 31, ~~2015~~2016

State	Franchisee Name	Address	City	State	Zip	Telephone No.
Alabama	**Carl Stephenson	1300 McFarland Blvd NE #150	Tuscaloosa	AL	35406	205.758.9041
Arizona	Kevin & Jill Willmore	3550 North Lane, Suite 100	Bullhead City	AZ	86443	928.763.0807
Arizona	Sandi Salazar	18404 N. Tatum Blvd., Suite 200	Phoenix	AZ	85032	602.404.8012
Arkansas	Stewart Ong	1801 Forest Hills Blvd, Suite 205	Bella Vista	AR	72715	479.855.9348
California	Sandy Deryke	201 E. Hamilton Ave	Campbell	CA	95008	408.376.0900
California	Darryl Lopez	39180 Farwell Drive Suite 101	Fremont	CA	94538	510.438.0294
California	Jane Mead	1809 Verdugo Blvd Suite 160	Glendale	CA	91208	818.952.8707
California	+Damon Anderson	980 Cass St. #A	Monterey	CA	93940	831.624.7689
California	+Damon Anderson	12 Upper Ragsdale Drive	Monterey	CA	93940	831.624.7689
California	Dale Little	987 Mission De Oro Dr. #B	Redding	CA	96003	530.205.6587
California	Dave Bhachu	1301 Hilltop Mall Road	Richmond	CA	94806	510.222.8080
California	Dr. Peter Erickson	2251 Country Club Ln	Selma	CA	93662	559.896.6565
California	Robert Pettis	16100 Sand Canyon Avenue, Suite 310	Irvine	CA	92618	949-769-2547
California	Holly Pack	24582 Del Prado #C	Dana Point	CA	92629	949.443.0713
California	Darrin Yee / Melissa Walls	23121 Antonio Pkwy # 100	Rancho Santa Margarita	CA	92688	949.713.6445
California	Ruth Kurihara / Dwight Kelsey	3500 Lomita Blvd # M100	Torrance	CA	90505	310.325.7404
Colorado	Sean Richardson	2139 N 12th Street Suite 3	Grand Junction	CO	81501	970.216.7589
Colorado	Shari Ritzmann	12207 Pecos Street Suite 600	Westminster	CO	80234	303.561.0447
Connecticut	+Craig Zettergren	72 Pine Street	Bristol	CT	06010	860.841.8271
Connecticut	+Craig Zettergren	1090 Meriden Waterbury Turnpike	Plantsville	CT	06479	860.841.8271
Florida	+Frank Dieckman/Melanie Scott	5211 Manatee Ave West	Bradenton	FL	34209	941.749.1734
Florida	Dexter McDonald	502 5th Avenue Drive E	Bradenton	FL	34208	941.747.5847
Florida	Sanjeev Joseph	5860 Ranch Lake Boulevard Suite B	Bradenton	FL	34202	203.671.8506
Florida	** +Tara Schwartz (opened 1/21/16)	13830 58th Street North	Clearwater	FL	33760	727.532-1900
Florida	+Frank Dieckman/Melanie Scott	2990 US Hwy 301 N	Ellenton	FL	34222	941.721.1854
Florida	+Gina Reuillon	702 NE Jensen Beach Blvd	Jensen Beach	FL	34957	772.225.8908
Florida	Brian & Melinda Sganga	404 NW Hall of Fame Drive	Lake City	FL	32055	386.755.3164

State	Franchisee Name	Address	City	State	Zip	Telephone No.
Florida	** +Tara Schwartz (opened 1/21/16)	14280 Walsingham Road	Largo	FL	33774	727.596.2101
Florida	Marcela Belmana	7332 W. Atlantic Blvd.,	Margate	FL	33063	954.979.1077
Florida	+Alex Matz	300 Arthur Godfrey Rd Suite 205	Miami Beach	FL	33140	305.672.0614
Florida	+Bruce Meert	12840 Tamiami Trail N Suite 200	Naples	FL	34110	239.592.5500
Florida	+Bruce Meert	661 Goodlette Rd N Suite 101	Naples	FL	34102	239.261.4592
Florida	Mike Willet	9051 Tamiami Trl N # 104	Naples	FL	34108	239.591.4711
Florida	+Alex Matz	2238 NE 123rd Street	North Miami	FL	33181	305.866.5050
Florida	+Wayne Goffin	14880 Tamiami Trail, Unit C-107	North Port	FL	34287	941.423/5668
Florida	Idler Bonhomme	6388 Silver Star Rd 1-E	Orlando	FL	32818	321.369.9133
Florida	+Wayne Goffin	17751 Murdock Cir	Port Charlotte	FL	33948	941.743.8700
Florida	** Joseph Lipana	900 Tamiami Trail Unit 111	Punta Gorda	FL	33955 33950	941. 286-6068 347.3650
Florida	+Donald Olsen	4301 Sanibel Captiva Road	Sanibel Island	FL	33957	262.376.9130
Florida	Keefe Fugleberg	1599 Main Street	Sarasota	FL	34236	941.951.0170
Florida	Maurice (Chip) Fisher	5922 Cattlemen Ln #100	Sarasota	FL	34232	941.378.8977
Florida	John & Randi Allocco	6119 Deltona Blvd.	Spring Hill	FL	34606	352.592.9559
Florida	Steven & Patricia Trinke	419 Pasadena Ave South	St. Petersburg	FL	33707	727.384.4600
Florida	+Gina Reuillon	4287 SE Federal Hwy	Stuart	FL	34997	772.223.3440
Florida	Rene Luna/Rene Manzo	1818 Miccosukee Commons Dr. Ste #3	Tallahassee	FL	32301	850.656.3163
Florida	Rudy Paul	8905 Regents Park Drive Suite 250	Tampa	FL	33647	813.368.0398
Florida	** Miguel Rivera / Chris Danner	1139 Nikki View Drive	Tampa	FL	33511	
Florida	** Barry Kang	133 Benmore Drive , Suite 100	Winter Park	FL	32792	407-493-8338
Florida	+Ruth Jenkins	728 N Ferdon Blvd	Crestview	FL	32536	850-758-0254
Florida	+Gina Reuillon+Ruth Jenkins	3213 NW Federal 4554 E Hwy 20	Treasure Coast/Niceville	FL	3495732578	772.692.1528850-758-0255
Florida	+Ruth Jenkins	1846B US Hwy 60	Defuniak	FL	32486	850-758-0256
Georgia	+Michael Shiver	2405 Osler Ct., Suite 200	Albany	GA	31707	229.883.4009
Georgia	+Michael Shiver	130 E Broad Street	Camilla	GA	31730	229.336.1115
Georgia	+Janice Souto	686 South 8th Street	Griffin	GA	30224	770.228.8353
Georgia	+Janice Souto	6555 Professional Place, Ste A	Riverdale	GA	30274	770.994.5500
Georgia	+Janice Souto	153 North Park Trl.	Stockbridge	GA	30281	770.474.8800
Georgia	Philip Suess	401 Preston Street	Waycross	GA	31501	912.283.7342

State	Franchisee Name	Address	City	State	Zip	Telephone No.
Georgia	**Burt & Brian Stevens (opened 1/21/16)	6884 Hickory Flay Highway <u>Flat Hwy</u>	Woodstock	GA	30188	770.704.8244
Georgia	<u>Bridget & Stacy Hathcock</u>	<u>1107B Greer Street</u>	<u>Cordele</u>	<u>GA</u>	<u>31015</u>	<u>229.273.9445</u>
Georgia	<u>Herbert Silver</u>	<u>32 Irby Avenue NW</u>	<u>Atlanta</u>	<u>GA</u>	<u>30305</u>	<u>404-427-7415</u>
Illinois	<u>+Cindy Flosi / Jeanne Cleary</u>	<u>1683 Elk Boulevard</u>	<u>Des Plaines</u>	<u>IL</u>	<u>60016</u>	<u>847-390-0999</u>
Illinois	<u>+Cindy Flosi / Jeanne Cleary</u>	<u>1135 Milwaukee Ave</u>	<u>Riverwoods</u>	<u>IL</u>	<u>60015</u>	<u>847-520-9038</u>
Illinois	+Amy Zornow	1447 Merchant Drive	Algonquin	IL	60102	847.658.1117
Illinois	Harshada Kumar	5625 West 79th Street	Burbank	IL	60459	630.674.1187
Illinois	Clementina (Tina) Solola	1402 W 103rd Street	Chicago	IL	60643	773.233.7800
Illinois	Dan O'Connor	6921 W Archer Ave	Chicago	IL	60638	773.586.2768
Illinois	Tina Morocco-Collins	11113 S Western Ave	Chicago	IL	60643	773.233.8600
Illinois	Ronnie Day	3815 N Vermilion Street	Danville	IL	61832	217.446.7878
Illinois	Mark Slaughter	219 2nd Ave Suite C	Edwardsville	IL	62025	618.686.5433
Illinois	+Amy Zornow	750 Fletcher Ave. Suite 105	Elgin	IL	60123	847.931.9800
Illinois	+Amy Zornow	10719 Dundee Road	Huntley	IL	60142	847.515.3366
Illinois	+Richard Kruckeberg	100 Professional Plaza #A	Mattoon	IL	61938	217.235.1245
Illinois	Mary Rachford	1240 Iroquois Ave., Suite 400	Naperville	IL	60563	630.369.1015
Illinois	Thomas Kolacki/G. Cachares	9735 Southwest Highway	Oak Lawn	IL	60453	708.499.4497
Illinois	Ed O'Malley	448 A North Weber Road	Romeoville	IL	60446	630.291.6214
Illinois	+Amy Zornow	1035 West Main Street	Sleepy Hollow	IL	60118	847.428.9900
Illinois	+Richard Kruckeberg	18 W Harrison St	Sullivan	IL	61951	217.345.1253
Indiana	Eileen Burns	5841 Thunderbird Rd. Suite I	Indianapolis	IN	46236	317.723.6089
Indiana	<u>+Roy Adams</u>	<u>111 W. North Street</u>	<u>Portland</u>	<u>IN</u>	<u>47371</u>	<u>260.726.6828</u>
Indiana	<u>+Roy Adams</u>	<u>910 E Washington St., Suite #3</u>	<u>Winchester</u>	<u>IN</u>	<u>47394</u>	<u>765.584.3665</u>
Indiana	**Tom Logan Sr.	<u>1020 Professional Blvd</u>	<u>Evansville</u>	<u>IN</u>	<u>47713</u>	<u>812.499.9948</u>
Indiana	<u>Robert Amico</u>	<u>418 W Cleveland Road</u>	<u>Granger</u>	<u>IN</u>	<u>46530</u>	<u>584.271.8424</u>
Iowa	Todd Hirsch	2915 147th Street	Urbandale	IA	50323	708.576.8049
Kentucky	Glenn Decker	474 Whirlaway Drive	Danville	KY	40422	859.238.4160
Louisiana <u>Kentucky</u>	Joyce Hedare <u>**Tom Logan</u>	1121 N Lobdell Ave <u>2841 New Hartford Rd</u>	Baton Rouge <u>Owenboro</u>	LA <u>KY</u>	70806 <u>2303</u>	225.926.2645 <u>517.332.0100</u>
Louisiana	+Jerry Yarborough	900 Pershing Hwy	Jonesboro	LA	71251	318.259.9899
Louisiana	Floyd Saltzman	4080 Nelson Rd #500	Lake Charles	LA	70605	337.884.6172
Louisiana	+Laura & Jesse Wied	1901 Roselawn Ave. Ste A	Monroe	LA	71201	318.322.7050
Louisiana	+Laura & Jesse Wied	105 Blanchard St.	Monroe	LA	71291	318.322.7050
Louisiana	+Laura & Jesse Wied	1907 E. Madison St.	Monroe	LA	71220	318.322.7050

State	Franchisee Name	Address	City	State	Zip	Telephone No.
Louisiana	Anthony Macaluso	714 Dublin Street	New Orleans	LA	70118	504.861.4693
Louisiana	+Jerry Yarborough	730 Celebrity Dr	Ruston	LA	71270	318.224.8994
Maryland	+Scott Gardner	11204 Racetrack Rd, Suite 101	Berlin	MD	21811	410.208.1525
Maryland	+Scott Gardner	740 Stevenson Rd	Severn	MD	21144	410.969.7580
Maryland	Bill Rolle	15201 Shady Grave rd Rd, Suite 106	Rockville	MD	20850	301.948.4395
Maryland	Dr. Mike Siegel	15235 Shady Grove Rd. Suite 100	Rockville	MD	20850	240.361.9000
Massachusetts	+James VanLam	425 Pleasant Street	Brockton	MA	02301 ² 301	508.510.5720
Massachusetts	+James VanLam **Prerak Shah	199 Shirley Avenue 198 Massachusetts	Revere North Andover	MA	02151 ⁰ 1845	718.629.7110 978.390.2698
Massachusetts	David Abelow	251 West Central St Suite 30	Natick	MA	01760	508.650.0050
Massachusetts	Thomas Lomonaco	44 Rivulet Street	Uxbridge	MA	01569 ¹ 569	508.278.2002
Michigan	+Mirza Baig	3055 Hallmark CT, Suite 2	Saginaw	MI	48603	989.790.3769
Michigan	+Mirza Baig	3720 Katalin Ct	Bay City	MI	48706	989.667.6932
Michigan	+Rex & Jill Holden	1226 Garfield Ave.	Traverse City	MI	49686	231.932.9014
Michigan	+Rex & Jill Holden	4000 Eastern Sky Drive, #6	Traverse City	MI	49684	231.932.9014
Minnesota	Jan Hanson	2145 Woodland Drive Suite 102	Woodbury	MN	55125	651.501.2010
Missouri	+Neil Yust	4030 E 32nd Street	Joplin	MO	64804	407.781.0087
Missouri	+Neil Yust	320 E. Austin	Nevada	MO	64772	417.667.6673
Missouri	+Neil Yust	1010 S. Madison Ave	Webb City	MO	64875	417.673.0600
Missouri	Tawana Spann	950 Francis Place Suite 205	St Louis	MO	63105	314.363.4078
Nebraska	+Eric Bjorkman	2130 S 17th Street #200	Lincoln	NE	68502	402.476.6575
Nebraska	+Eric Bjorkman	3201 Pioneers Blvd #107	Lincoln	NE	68502	402.476.6575
Nebraska	+Risa Hofmeister	3876 Farnam St	Omaha	NE	68131	402.330.3211
Nebraska	+Risa Hofmeister	13336 Industrial Road Suite 105	Omaha	NE	68137	402.763.1888
Nebraska	+Risa Hofmeister	4626 South 132nd Street	Omaha	NE	68137	402.330.7891
Nebraska	+Risa Hofmeister	15664 West Maple Road	Omaha	NE	68116	402.614.2634
Nebraska	+Risa Hofmeister	17725 Welch Plaza, Suite A	Omaha	NE	68135	402.991.8933
Nebraska	+Risa Hofmeister	545 Fortune Drive, Suite 100	Omaha	NE	68046	402.991.1110
Nebraska	+Risa Hofmeister	1910 South 72nd St., Ste 303	Omaha	NE	68124	402.991.8959
Nebraska	+Risa Hofmeister	9202 W. Dodge Road, Suite 110	Omaha	NE	68114	402.991.0333
New Jersey	Mitchell Hackerman	650 Town Bank Road	Cape May	NJ	08204	609.884.9800
New Jersey	+Kalpana Iyer	15 Brant Ave St #1	Clark	NJ	07066	732.382.7288
New Jersey	Donna Singer	116 Oceanport Avenue	Little Silver	NJ	07739	732.758.0002
New Jersey	Ed Engle	300 Water Street	Toms River	NJ	08753	732.349.0300

State	Franchisee Name	Address	City	State	Zip	Telephone No.
New Jersey	+Kalpana Iyer <u>**Stephen Kupferberg / Peters</u>	5428 Amboy 54 Bey Lea Rd Staten Island # 3	Staten Island Toms River	NY <u>NJ</u>	103120 <u>8753</u>	732.382.7288 <u>674-0689</u>
<u>New York</u>	<u>**Srinivas Kaza / Jay Yates</u>	<u>229 Parrish Street</u>	<u>Canandaigua</u>	<u>NY</u>	<u>14424</u>	<u>585.394.8800</u>
<u>New York</u>	<u>**James Chmiel</u>	<u>3950 East Robinson Road, Suite 107</u>	<u>Amherst</u>	<u>NY</u>	<u>14228</u>	<u>716.541.0949</u>
<u>New York</u>	<u>Cecilia & Daniel Kim</u>	<u>164-10 Northern Blvd #201</u>	<u>Flushing</u>	<u>NY</u>	<u>11358</u>	<u>646-331-3734</u>
New York	Attilio Pensavalle	287 Northern Blvd Suite 104	Great Neck	NY	11021	516.482.0100
New York	Shelly Kraetz	796 West Genesee Street Road	Skaneateles	NY	13152	315.291.7042
New York	Michael Flowers	219-10 South Conduit Ave	Springfield Gardens	NY	11413	718.525.8109
New York	Adrian Ferreira	2051 Baldwin Rd.	Yorktown Heights	NY	11413	718.525.8109
<u>New York</u>	<u>+Kalpana Iyer</u>	<u>5428 Amboy Rd Staten Island</u>	<u>Staten Island</u>	<u>NY</u>	<u>10312</u>	<u>732.382.7288</u>
North Carolina	Yonica Rodio	4214 N Roxboro Street, Suite 100	Durham	NC	27704	919.479.9001
North Carolina	Andrew Ready	111 Hyannis Drive	Holly Springs	NC	27540	919.303.9199
<u>North Carolina</u>	<u>**Marci Lait</u>	<u>718 CEDAR POINT BLVD</u>	<u>Monteo</u>	<u>NC</u>	<u>28584</u>	<u>508-954-8551</u>
<u>North Carolina</u>	<u>+Dawn Rouse</u>	<u>260 Merrimon #100</u>	<u>Asheville</u>	<u>NC</u>	<u>28801</u>	<u>828-785-4700</u>
<u>North Carolina</u>	<u>+Dawn Rouse</u>	<u>61 North Merrimon #107</u>	<u>Asheville</u>	<u>NC</u>	<u>28804</u>	<u>828-484-8398</u>
<u>North Carolina</u>	<u>+Dawn Rouse</u>	<u>59 Oakdale Street</u>	<u>Brevard</u>	<u>NC</u>	<u>28712</u>	<u>828-966-9036</u>
Ohio	Michael Olmstead/Deb Mauk	1090 W.S Boundary St. Suite 200	Perrysburg	OH	43551	419.872.1914
<u>Ohio</u>	<u>Shanti Mukherjee</u>	<u>4440 Glen Este Withamsville Rd #1500</u>	<u>Cincinnati</u>	<u>OH</u>	<u>45245</u>	<u>513-886-5637</u>
Oklahoma	+Mike & Genie Strakal	10512 North 110th East Avenue #150	Owasso	OK	74117	918.609.1300
Oklahoma	+Mike & Genie Strakal	9175 South Yale #120	Tulsa	OK	74137	918.488.9991
Pennsylvania	Edward Welch	100 Meadow Lane #2	DuBois	PA	015011 <u>501</u>	814.375.6830
Pennsylvania	Ting & Kathie Oh	1324 N. Church Street, Suite 4	Hazle Township	PA	18202	570.501.1808
Pennsylvania	John Reynolds	18 Green Street	Souderton	PA	18964	215.723.9069
<u>Pennsylvania</u>	<u>**Mike Rairigh</u>	<u>1951 Shenango Valley Fwy Ste 1SW</u>	<u>Hermitage</u>	<u>PA</u>	<u>16148</u>	<u>240-416-3732</u>
<u>Pennsylvania</u>	<u>Lorri Lankiewicz</u>	<u>601 A Pittsburg Rd Suite 100</u>	<u>Butler</u>	<u>PA</u>	<u>16002</u>	<u>724-481-1141</u>
<u>Pennsylvania</u>	<u>Chris Bailey</u>	<u>512 E Columbus Ave</u>	<u>Corry</u>	<u>PA</u>	<u>16407</u>	<u>814-663-0169</u>

State	Franchisee Name	Address	City	State	Zip	Telephone No.
South Carolina	+Duane Dufrene/Steve Frisch Brett Russell	60 Oak Forest Road 600 N Hwy 25	Bluffton Travelers Rest	SC	299102 9690	504.201.5729 86 4-834-4995
South Carolina	+Duane Dufrene/Steve Frisch Bob Carpenter	800 Fording Island Rd. 364 Long Pond Rd. Suite H	Bluffton Lexington	SC	299102 9073	504.201.5729 80 3-608-9475
South Carolina Dakota	+Duane Dufrene/Steve Frisch +Ruth Kerns Scott	35 Beach City Rd. 101 East Cedar Street	Hilton Head Bareford	SC SD	299265 7004	943.726.1817 60 5-321-2208
South Dakota	+Ruth Kerns Scott	1407 East Cherry Street	Vermillion	SD	57069	605-321-2209
South Dakota	+Ruth Kerns Scott	801 Summitt Street	Yankton	SD	57078	605-321-2210
South Dakota	Sarah Powell	101 Tower Road Suite 120	Dakota Dunes	SD	57049	504.201.5729
Tennessee	+Danny Long	520 Cook St # D	Madisonville	TN	37354	423.442.1440
Tennessee	+Danny Long	665 New Highway 68 #F	Sweetwater	TN	37874	423.337.7897
Texas	**Mark Brown	11762 Jollyville Rd	Austin	TX	78759	505-980-4858
Texas	**Jay Chavda	7737 Southwest Fwy # 300	Houston	TX	77074	713.774.2090
Texas	**Greg Hyde	1116 N University Dr	Nacogdoches	TX	75961	936.560.2600
Texas	+Vicki Rodriguez Rodriguez	1714 Boca Chica Blvd	Brownsville	TX	78520	956.544.2401
Texas	+Vicki Rodriguez Rodriguez	1090 E Alton Gloor Street	Brownsville	TX	78526	956.544.2401
Texas	Teena Petree	17817 Davenport Rd, Suite 230	Dallas	TX	75252	972.732.7797
Texas	+Scott McGough	4145 S Interstate 35 E, #107	Denton	TX	76210	940.270.8485
Texas	Vicki Rodriguez	1714 Boca Chica Blvd.	Houston	TX	77380	956.544.2401
Texas	+Scott McGough	724 West Main, #180	Lewisville	TX	75067	940.270.8485
Texas	David Roberson	1580 Highway 287 N	Mansfield	TX	76063	817.473.4684
Texas	+Jeff Pottenger	21708 Hardy Oak Suite 105	San Antonio	TX	78258	210.625.4186
Texas	+Jeff Pottenger	2406 Commercial Suite I	San Antonio	TX	78221	210.921.1599
Utah	Russ Gatenby	1184 E 80 N #F	American Fork	UT	84003	801.756.7777
Utah	Rick Bowser	2121 N. 1700 W. Suite A	Layton	UT	84041	801.773.1350
Utah	Rogan, Lynda, Kimball Taylor	3303 N. University Ave.	Provo	UT	84604	801.373.7438
Utah	Rogan, Lynda, Kimball Taylor	3401 N. Center St. Suite 200	Lehi	UT	84043	385.309.1951
Utah	Frank Romney	1221 East 5800 South	South Ogden	UT	84405	801.476.2000
Utah	Steve Robbins	12198 South State St. #3	Draper	UT	84020	801.571.6600
Washington	Eric D. Miller	2075 Barkley Blvd. Suite 200	Bellingham	WA	98226	360.733.4008
Washington	Jason Wilwert	500 W Fir Street	Sequim	WA	98382	360.683.0632
Washington	Lisa Scheuffele	10119 Highway 12 SW	Rochester	WA	98579	360.273.4747
Wisconsin	+Donald Olsen	4922 Columbia Road	Cedarbury	WI	53012	262.478.0920
Wisconsin	+Donald Olsen	140 South Main St.	Thiensville	WI	53092	414.841.8871

State	Franchisee Name	Address	City	State	Zip	Telephone No.
Wyoming	+Douglas Wilson	1217 A South Greeley Hwy	Cheyenne	WY	82007	307.772.0955
Wyoming	+Douglas Wilson	322 N Main St	Pine Bluffs	WY	82082	307.772.0955

- (1) Outlets refer to the number of open Clinics. Multiple Clinics may be operated under a single franchise agreement.
- ** These outlets are not yet open.
- + Franchisee who are subject to a Development Agreement

EXHIBIT ~~K~~J TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

The following is a list of the name, city and state and current business telephone number, of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

2015	2016
Alex Matz Bay Harbor Islands, Florida (305) 866-5050 (2016)	Dexter, McDonald Bradenton, Florida (941) 747-5847
Mohammed Sabbahi Houston, Texas (713) 522-6004	Lex Gonzales Jacksonville, Florida (904) 683-2558
Clark & Josee Williams Galax, Virginia (276) 238-8900 Opened and Closed during 2015	Janice Souto <u>(3 Clinics)</u> Griffin, Georgia (770) 229-5068
Clark & Josee Williams Hillsville, Virginia (276) 728-7280 Opened and Closed during 2015	Amrendra Kumar Burbank, Illinois (630) 674-1187
	Joyce Iledare Louisiana (225) 926-2645
	James Lam Revere, Massachusetts (781) 629-7110
	Kent Powell Clinton, Oklahoma (580) 323-1682
	Duane Dufrence, Shawn Dufrence and Steven Frisch Ridgeland, South Carolina (504) 201-5729
	Pam Bercutt Houston, Texas

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	(713) 360-0300
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If you buy this franchise, your contact information may be disclosed to other buyers if you leave the franchise system.

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EXHIBIT ~~L~~K TO THE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT #1

(This copy is for the prospective franchise owner and should not be detached)

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 FYZICAL, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If FYZICAL, LLC does not deliver this disclosure document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in Exhibit "E" to this disclosure document.

The name, principal business address, and telephone number of the franchise seller(s) involved with the sale of this franchise is/are:

Name			Principal Business Address	Telephone Number
James Abrams Michael Graves Bruce White Tim Richardson Dr. Dan Deems Dr. Rhonda Deems	Cameron Deems Constance Mattis Kevin Mercier Matthew DiMauro Allison Purcell Bruce White Corey J. Jones	Christopher Hincker Molly Dennehy Brian J. Sganga Aaron Santas Dr. Bert O'Malley Dr. Michael B. Siegel	505 South Orange Avenue Suite 101 Sarasota, FL 48381	(941) 227-4122
UTAH ONLY: Rogan L. Taylor	Lynda S. Taylor Kimball Taylor	Kevin Claiborne Massie, Jr.	1087 Bretonwoods Lane Orem, Utah 84087	(801) 373-7438
ALABAMA ONLY: Dr. Lee Loftin	Dr. Gary Lake III Dr. Carlisle Stephenson III	Dr. David Rosenstiel Dr. James Shotts, Jr. Dustin M. Clary	1300 McFarland Blvd. N.E. Tuscaloosa, Alabama 35406	(205) 758-9041

We authorize the respective state agencies identified on Exhibit "E" to receive service of process for us if we are registered
Issuance Date: February ~~12, 9, 2017~~2016, ~~as amended November 14, 2016~~.

I have received the FYZICAL® Franchise Disclosure Document dated February ~~12, 9, 2017~~2016, ~~as amended November 14, 2016~~, that included the following Exhibits:

Exhibit "A"	Franchise Agreement	<u>Exhibit "G"</u>	<u>General Release</u>
Exhibit "B"	Financial Statements	Exhibit "H"	Form of Promissory Note, Security
Exhibit "C"	Form of Conversion Addendum		Agreement and UCC-1 Financing
Exhibit "D"	Table of Contents of Manuals		Statement
Exhibit "E"	List of State Agencies/Agents for Service of Process	Exhibit "I"	Franchise Compliance Certificate
Exhibit "F"	State Specific Addenda and Riders	<u>Exhibit "I"</u>	<u>List of Franchisees</u>
Exhibit "G"	General Release	Exhibit "J"	List of Franchisees
		Exhibit "K"	List of Franchisees who have Left the System
		Exhibit " L <u>K</u> "	Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(Your Copy)

RECEIPT #2

(This copy must be signed by the prospective franchise owner and returned to Fyzical, LLC)

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 FYZICAL, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If FYZICAL, LLC does not deliver this disclosure document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in Exhibit "E" to this disclosure document.

The name, principal business address, and telephone number of the franchise seller(s) involved with the sale of this franchise is/are:

Name			Principal Business Address	Telephone Number
James Abrams Michael Graves Bruce White Tim Richardson Dr. Dan Deems Dr. Rhonda Deems	Cameron Deems Constance Mattis Kevin Mercier Matthew DiMauro Allison Purcell Bruce White Corey J. Jones	Christopher Hincker Molly Dennehy Brian J. Sganga Aaron Santas Dr. Bert O'Malley Dr. Michael B. Siegel	505 South Orange Avenue Suite 101 Sarasota, FL 48381	(941) 227-4122
UTAH ONLY: Rogan L. Taylor	Lynda S. Taylor Kimball Taylor	Kevin Claiborne Massie, Jr.	1087 Bretonwoods Lane Orem, Utah 84087	(801) 373-7438
ALABAMA ONLY: Dr. Lee Loftin	Dr. Gary Lake III Dr. Carlisle Stephenson III	Dr. David Rosenstiel Dr. James Shotts, Jr. Dustin M. Clary	1300 McFarland Blvd. N.E. Tuscaloosa, Alabama 35406	(205) 758-9041

We authorize the respective state agencies identified on Exhibit "E" to receive service of process for us if we are registered in the particular state.

Issuance Date: February ~~12, 9, 2017~~2016, as amended November 14 2016

I have received the FYZICAL® Franchise Disclosure Document dated February ~~12, 9, 2017~~2016, as amended November 14, 2016, that included the following Exhibits:

Exhibit "A"	Franchise Agreement	Exhibit "G"	General Release
Exhibit "B"	Financial Statements	Exhibit "H"	Form of Promissory Note, Security
Exhibit "C"	Form of Conversion Addendum	Agreement and UCC-1 Financing	Statement
Exhibit "D"	Table of Contents of Manuals	Exhibit "I"	Franchise Compliance Certificate
Exhibit "E"	List of State Agencies/Agents for Service of Process	Exhibit "J"	List of Franchisees
Exhibit "F"	State Specific Addenda and Riders	Exhibit "K"	List of Franchisees who have Left the System
Exhibit "G"	General Release	Exhibit " L <u>K</u> "	Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(Our Copy – Return this Copy to Us):

**FYZICAL, LLC
505 South Orange Avenue, Suite 101, Sarasota, Florida 34236
Attn: Matthew DiMauro**

