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Department of
Business Oversight



FRANCHISE DISCLOSURE DOCUMENT

CITY ACUPUNCTURE, LLC
A Delaware Limited Liability Company
139 Fulton Street, Suite 208
New York, New York 10038
862-596-9224
Email: franchise@cityacu.net
Website: www.cityacu.net

The franchise offered is to operate business offering acupuncture services, massage therapy services, holistic health services featuring herbal medicine, and such other products and services as are designated or approved by City Acupuncture, LLC under the *City Acupuncture of New York*TM name and/or other trademarks.

The total investment necessary to begin operation of a **City Acupuncture of New York**TM business is between \$54,800 to \$133,800. This includes \$6,500 due to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Robert Benhuri, CEO, at 139 Fulton Street, Suite 208, New York, NY 10038 and 862-596-9224 or email franchise@cityacu.net.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also

visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Date of Issuance: October 17, 2016

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 THE DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A 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 BUSINESS. 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 DISPUTES WITH US BE SUBMITTED TO ARBITRATION IN NEW YORK, NEW YORK. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN NEW YORK THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT PROVIDES THAT NEW YORK LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOU MUST MAKE MINIMUM ROYALTY PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.
4. THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE COULD BE A HIGHER

RISK INVESTMENT THAN A SYSTEM WITH A LONGER OPERATING HISTORY.

5. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$54,800 TO \$133,800. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF JUNE 20, 2016, WHICH IS \$30,000.
6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

The effective date for this Franchise Disclosure Document in the states with franchise registration laws in which we have sought registration appear on the following page.

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.

City Acupuncture, LLC
STATE EFFECTIVE DATES - 2016

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
New York	Pending

In states without franchise registration laws, the effective date of this Franchise Disclosure Document is the issuance date of October 17, 2016.

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2. BUSINESS EXPERIENCE	5
ITEM 3. LITIGATION.....	5
ITEM 4. BANKRUPTCY	5
ITEM 5. INITIAL FEES	5
ITEM 6. OTHER FEES.....	7
ITEM 7. ESTIMATED INITIAL INVESTMENT.....	12
ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS	17
ITEM 9. FRANCHISEE'S OBLIGATIONS	22
ITEM 10. FINANCING.....	24
ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	24
ITEM 12. TERRITORY	34
ITEM 13. TRADEMARKS	35
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	38
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION	39
OF THE FRANCHISED BUSINESS	39
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	40
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	55
ITEM 18. PUBLIC FIGURES.....	45
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS	46
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION	46
ITEM 21. FINANCIAL STATEMENTS.....	49
ITEM 22. CONTRACTS.....	50
ITEM 23. RECEIPTS	50

EXHIBITS

- A. LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
- C. CURRENT FRANCHISEES
- D. FORMER FRANCHISEES
- E. FINANCIAL STATEMENTS
- F. SAMPLE RELEASE AGREEMENT
- G. STATE SPECIFIC ADDENDA
- H. RECEIPT

ITEM 1.

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor is City Acupuncture, LLC, which will be referred to as “CA”, “we,” “our,” or “us.” The terms “you,” and “your,” refer to the person, corporation, limited liability company, partnership or other legal entity that is granted a franchise. If you are a corporation, limited liability company, partnership or other legal entity, each of your owners must sign our Personal Guaranty and Subordination Agreement. This means that all of the provisions of the Franchise Agreement (Exhibit B) also will apply to your owners.

The Franchisor

We are a Delaware limited liability company formed on May 19, 2016. Our principal place of business is located at 139 Fulton Street, Suite 208, New York, NY 10038 and 862-596-9224. We conduct business as City Acupuncture of New York Franchising or City Acupuncture. We began offering franchises in October 2016. We have not conducted business in any other line of business and we have not offered franchises in any other line of business. We do not operate any businesses of the type being franchised under this disclosure document directly, however our affiliate operates a business of the type being franchised in New York, New York. In addition to the Company-Owned outlet, there are two additional independently owned and operated acupuncture clinics operating under the mark *City Acupuncture* in New York, New York. We currently anticipate that these locations will join the System as Franchised Clinics in the future.

Our Parents, Predecessors and Affiliates

We do not have any (a) parent companies, (b) predecessors, or (c) affiliates that offer franchises in any line of business, or that offer, sell or provide products or services to our franchisees.

The Franchised Business

We grant franchises for businesses identified by the Marks (defined below) that currently offer acupuncture services, massage therapy services, holistic health services featuring herbal medicine, and such other products and services as are designated or approved by us (each a “Clinic”) to licensed acupuncturists. The Clinics operate under the trademarks, service marks and other commercial symbols that we periodically designate, including the **City Acupuncture of New York™** service mark (the “Marks”). We have the right to change, modify or supplement the Marks at any time, in our sole discretion.

You must sign a Franchise Agreement for each Clinic you develop and open. The Franchise Agreement grants you the right to operate a Clinic at a specific location and licenses you the right to use the Marks. As a Franchisee you will operate a Clinic in accordance with the Franchise Agreement and our standards and specifications. As disclosed above, we are currently only offering franchise opportunities to licensed acupuncturists.

We may periodically make changes to the system, including changes to services and products offered, acupuncture supplies and equipment, standards and facility, signage, trademarks, service marks, furniture and fixture requirements. You may have to make additional investments in the franchised business periodically during the term of the franchise if those kinds of changes are made, or if your Clinic's equipment or facilities wear out or become obsolete, or for other reasons, including changes in the system standards. All Clinics must be developed and operated to our specifications and standards and in compliance with all applicable laws, rules and regulations. Uniformity of services and products sold in the Clinic is important and you may have no discretion in the services or products you sell. We reserve the right to permit certain franchisees to offer ancillary services approved in advance by us that you may not be permitted to offer. The franchise operates using our standards, methods, procedures and specifications, called our "System."

System Clinics are to feature our standards, specifications and procedures for business operations; exterior and interior design, signage, decor, color scheme, fixtures and furnishings; designated equipment and supplies; methods and techniques regarding the provision of acupuncture services (subject to restrictions imposed under applicable law); training; and marketing programs (subject to restrictions imposed under applicable law); all of which we may change, improve upon, further develop or discontinue at our discretion at any time.

We have no right to supervise, direct, control, influence or suggest to you or your employed acupuncturists the manner in which you provide or may provide medical services and patient care to your customers or otherwise influence, to the extent applicable, your exercise of professional and medical judgment, treatment protocols, employee decisions, relationships with patients or your relationships with your employees. All medical and related decisions, acts or omissions made by or in connection with any person in any way associated with you or the Franchised Clinic will be the decisions of the individual professionals involved and will not be affected by or attributed to us.

General Description of the Market and Competition

The market for acupuncture services is growing and becoming more competitive. You compete with independent, franchised, national and local businesses, including health and wellness

facilities. You will face other business risks that could have an adverse effect on your business, including pricing policies of competitors, changes to laws or regulations applicable to the operation of the business, cost of and demand for services, new technologies and competition that provide related services.

Regulations Specific to the Industry

There are numerous regulations that specifically affect businesses offering acupuncture services, including various federal and state regulations. Regulations pertaining to businesses offering acupuncture services are evolving. Certain states may consider the provision of acupuncture services as the practice of medicine, and, among other things, may require ownership of the franchised business and provision of the acupuncture services, by a licensed physician. Certain state regulations may: restrict and regulate the content of advertising and marketing relative to the provision acupuncture; prohibit claims of therapeutic or diagnostic effectiveness; require you to carry malpractice insurance; require the posting of bond; impose record keeping and maintenance requirements; impose licensing fees; impose restrictions on the ability to prescribe, dispense or administer certain drugs; impose hygiene, sterilization and cleanliness requirements; restrictions on accepting, offering or providing rebates. Acupuncture devices must be labeled according to applicable US Food and Drug Administration ("FDA") regulations and requirements. State regulations may also require you to post conspicuous notices to patients (including license postings), and to provide written notices in materials provided to patients, in connection with the provision of acupuncture. Continuing education and competency activities may be required as a condition of licensure. You must be familiar with state and federal fraud and abuse statutes, as well as limitations stated in the federal "Stark Law" as well as any other laws regarding "self-referrals," patient brokering and anti-kickback prohibitions, among others, in the state where you will perform acupuncture services. In addition, you may be subject to regulations of the federal and state 0511A laws as well as patient privacy rules and regulations including the HIPAA Privacy Rule and Security Standards, and Medicare and state billing limitations, opt-out rules and conditions of participation. **It is your responsibility to identify and comply with all laws, rules and regulations applicable to the operation of the franchised system in your state and at your approved Clinic location at all times during the term of your franchise agreement.** Without limiting this obligation, you must comply with all local, state and federal laws, rules, regulations and licensing requirements that apply to your Clinic operations at all times, including regulations set forth by the FDA, FTC, EEOC, OSHA, discrimination, employment and sexual harassment laws. The regulations and requirements concern, among other things: marketing and advertising practices; the fitness and adequacy of buildings and equipment; the appropriateness of materials and supplies; qualifications of staff members; staff training and licensing; record-keeping; health, fire and safety standards; disabilities of your employees and customers. The Americans with Disability Act of 1990 requires readily

accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. For example, you must obtain real estate permits (such as zoning permits), real estate licenses and operational licenses. You are required to investigate and comply with all applicable laws, rules and regulations, including local zoning requirements, which vary from jurisdiction to jurisdiction. **You alone are responsible for complying with all applicable laws and regulations despite any advice or information that we may give you. You are strongly encouraged to consult with an attorney concerning these and other local laws and ordinances that may affect your Clinic's construction, development and operation.**

Agents for Service of Process

Our agents for service of process are listed on Exhibit A to this Disclosure Document.

ITEM 2.

BUSINESS EXPERIENCE

Founder; Chief Executive Officer: Robert Benhuri

Our founder, Robert Benhuri, serves as our Chief Executive Officer, a position he has held since our inception in May 2016. Mr. Benhuri also owns an interest in, and participates in the operation of the City Acupuncture of New York™ Clinic located in New York, New York, which first opened for business in May 2008.

ITEM 3.

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4.

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5.

INITIAL FEES

Initial Franchise Fee

You must pay an Initial Franchise Fee of \$5,000 (the “Initial Franchise Fee”) when you sign your Franchise Agreement. The Initial Franchise Fee is due in full upon signing the Franchise Agreement. The Initial Franchise Fee is uniform and is non-refundable upon payment.

The Initial Franchise Fee is compensation to us for our efforts in offering and selling a franchise to you, for our franchise sales and marketing activities to promote the sale of a franchise to qualified franchisees, our participation in the franchise sale, our legal compliance with franchise laws and regulations, site selection assistance and guidelines, and the development and hosting of initial training programs.

Lease Review Fee

You must pay us a lease review fee of \$1,500 when you submit your proposed lease to us for our review and approval before you sign the lease for the Clinic location. The lease review fee is uniform and is not refundable upon payment.

Except as disclosed in this Item, you are not required to pay any other fees to us and/or our affiliates before you open your Clinic.

[The remainder of this page is intentionally left blank.]

ITEM 6.

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	1. \$750 per month for the first six months of operation; 2. \$1,000 per month beginning in the seventh month of operation and continuing through the end of the term.	Payable monthly on or before the 10 th day of each month	You must pay the monthly royalty fee directly to us via EFT (Note 4).
Audit	Cost of audit, plus 18% interest on the underpayment from the date of the underpayment	Immediately upon receipt of invoice.	We will have the right, at any time, to audit or to have an independent audit made of your books and records. If an inspection shows that any payments have been understated by you in any report to us, then you must pay to us the amount understated plus interest in the amount of 18% per annum, or the maximum rate permitted by law, whichever is less. Audits are conducted at our expense, however, if an audit shows an underpayment by you of 2% or more, then, in addition to repayment of monies owed, with interest, you must reimburse us for all costs and expenses we incur by for the audit, including travel, lodging and wage expenses, and reasonable accounting and legal costs.
Interest on Past Due Amounts	18% per year or the highest amount allowed by applicable law, whichever is less.	Upon invoice.	Charges will be uniformly imposed on a state-by-state basis in conformance with applicable state laws regulating interest rates.
Bank Charges and Fees	Charges and Fees assessed by banks and third parties as a result of default in EFT	When assessed	If any EFT payment is not honored by your bank for any reason, you are responsible for the dishonored payment plus any bank or other

Type of Fee	Amount	Due Date	Remarks
	payments		charges incurred by or assessed upon us.
Costs of enforcement	All costs, including total amount of attorney's fees incurred as a result of any act or omission as well as fees incurred for enforcing this agreement.	Upon invoice.	You are obligated to reimburse us for costs and attorney's fees incurred as a result of any act or omission as well as for fees incurred for enforcing this agreement.
Approval of Products or Suppliers	Approximately \$500 - \$1,500	Time of evaluation	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase.
Product, Equipment and Services Purchases	See Item 8	See Item 8	You must buy products, equipment and services from our designated and approved suppliers whose items meet our standards and specifications. We reserve the right to be the sole supplier of any product, equipment and/or service. If we exercise this right, you must purchase the designated product, equipment, and/or services from us at the prices we specify, which may include a mark-up.
Insurance Policies	Amount of unpaid premiums plus 10% of the cost of the insurance procured to reimburse us for our time and expense in obtaining the policies	Upon demand	Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Transfer Fee	\$2,500, or such greater amount as is necessary to reimburse us for our	Prior to consummation of the	Payable to us when you transfer your franchise. There is a \$1,000 charge if you submit a proposed transfer to us for our approval, but do

Type of Fee	Amount	Due Date	Remarks
	reasonable costs and expenses associated with reviewing the application to transfer, including, without limitation, legal and accounting fees.	transfer.	not affect the transfer. No charge if your franchise is transferred to an entity that you wholly own and control during the first six months of the Term. A \$750 charge if you transfer your franchise to a corporation, limited liability company or legal entity owned by you.
Successor Franchise Fee	\$1,500.00	Upon signing Successor Franchise Agreement.	Payable upon signing of your successor franchise agreement.
Local Advertising Deficiency Fee	The greater of 3% of Gross Sales*(Note 1) or \$500 per month.	Monthly expenditures required to be spent by you on local advertising.	Uniformly Imposed. If you fail to expend the local advertising requirement as directed, we have the right to require you to pay us any unexpended amounts to be used for advertising and marketing in your local area.
System Modifications	Cost of implementation, unlimited.	As required	If we make changes to our System, you must adapt your business to conform to the changes. Some examples of changes include new equipment, fixtures, software or incorporation of new Marks.
Additional Hourly Training Fee (Note 2)	You shall pay us our designated hourly rate and reimburse us for all out-of-pocket expenses incurred by our training instructor, including travel expenses, food, lodging and auto rental. (currently \$125 per hour)	Additional Training – as incurred before beginning of program.	Members of your Franchisee Training Team in excess of those we require to attend must pay our then-current training fees. You are responsible for all travel and living expenses for you and your Franchisee Training Team. We may require you to attend or undergo additional training during the term of your franchise and we may charge you additional training fees for this additional training.
Temporary Management Assistance	Currently, \$600 per day, plus our expenses and costs	Each day that it applies	If you breach the Franchise Agreement or following the death or incapacity of an owner of the franchise, we may temporarily manage your franchised Clinic.
Indemnification	All costs including actual attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the franchised Clinic. We also

Type of Fee	Amount	Due Date	Remarks
			provide indemnification to you for any lawsuits or claims arising from your authorized use of the Marks.
Liquidated Damages	\$1,000 multiplied by the number of months remaining in the term.	Upon termination	If the Franchise Agreement is terminated as a result of your default prior to the expiration of the Term, you must pay us liquidated damages equal to the amount that is \$1,000 multiplied by the number of months remaining in the term.
Taxes (Note 3)	Amount of tax or fee	When assessed	If any tax or fee (other than federal or state income tax) is imposed on us by any government or governmental agency due to our receipt of fees you pay to us under the Franchise Agreement, you must pay us the amount of such tax or fee as an additional franchise fee.

NOTES

GENERAL NOTE: Unless otherwise stated, all fees imposed by, paid to and collected by us are non-refundable. Except as otherwise disclosed in this Item, for all franchises offered pursuant to this disclosure document, all fees described in this Item 6 are uniformly imposed, however, in some circumstances under which we deem appropriate, we reserve the right to waive or reduce some or all of these fees for a particular franchisee. We require that all fees payable to us be paid through an electronic fund transfer, including automatic debits from your bank account(s), unless we specify otherwise.

Note 1: "Gross Sales" shall mean all revenue derived from the sale of any and all products and services and all other income of every kind and nature related in any way to the Franchised Clinic and all revenue derived from the sale any and all products and services at the premises from which the Franchised Clinic is located, whether for cash, check or credit (and regardless of collection in the case of credit) or debit card, and whether or not such sales are made at or by the Franchised Business, including but not limited to corporate gifts; *provided, however*, that you may deduct any sales taxes which were collected by you as required by law. You are not

permitted to offer any services other than services we designate or approve from the Franchised Clinic premises. If we authorize you to perform additional services in connection with the operation of the Franchised Clinic, all revenue derived in connection with the provision of the additional services will be included in the calculation of Gross Sales unless we approve otherwise in writing.

We reserve the right to, in writing, approve granting franchises with lower royalty fees in certain limited circumstances. Before varying from standard fees, we will take into account many factors, including prior experience and financial capabilities. We may offer incentives in new or developing markets. Incentives may be offered to new and/or existing franchisees. We anticipate that any reduced fees will only apply to franchisees who are in compliance with all of our agreements and requirements. We are not currently offering an incentive program, but may do so in the future. We reserve the right to cancel or modify any future incentive program we may offer. You will not be entitled to receive the benefits of any such incentive programs unless agreed by us in writing.

Note 2: You must pay all personal expenses incurred by your Franchise Training Team in attending and providing the Initial Training Program, and for you and your employees in connection with attendance at additional training programs or sessions, including costs and expenses of transportation, lodging, meals, wages and employee benefits. We will not charge for the attendance of your Franchise Training Team at the initial training program. Additional attendees and additional training programs are at your cost and expense.

Note 3: If your state, or any governmental body in your state, charges a tax on the royalty we receive from you, then you are required to pay an additional earned service fee equal to the amount of this tax. This does not apply to any federal or income taxes we have to pay.

Note 4: We currently require you to pay all fees and sums due to us by electronic funds transfer (EFT). You must provide us all of the bank and other forms we need to set up or change EFT authorization. We will also require you to report your Gross Sales to us electronically over the Internet via e-mail. You must have computer equipment capable to accessing and using the electronic form. We reserve the right to withdraw the electronic payment form at any time and designate another form and payment procedure that you will be required to follow.

ITEM 7.

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (Note 1)	\$5,000	Lump Sum	At the Signing of the Franchise Agreement	Us
Lease Review Fee	\$1,500	Lump Sum	Before Opening	Us
Leasehold Improvements (Note 2)	\$0 to \$10,000	As Arranged	Before Beginning Operations	Vendors/Designated Suppliers/Service Providers
Real Estate Rental Fees (Security Deposit plus first 3 months) (Note 2)	\$9,000 to \$24,000	Lump Sum	As Incurred	Lessor
Furniture & Equipment (Note 3) massage table and screen; baskets; lights – lamp per table;	\$5,000 to \$15,000	As Arranged	Before Beginning Operations	Suppliers
Initial Inventory/Supplies (Note 4)	\$1,000 to \$3,000	As Arranged	Before Beginning Operations	Suppliers
Signage (Note 5)	\$500	As Arranged	Before Beginning Operations	Designated Suppliers
Travel and Living Expenses for Initial Training (Note 6)	\$0 to \$2,000	As Incurred	Before and During Training	Airlines, Hotels, Clinics, Restaurants Etc.

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Grand Opening Advertising –	\$1,000	As Incurred	As Incurred/Three Month Period Before Opening	Vendors/Designated Service Providers
Legal & Accounting Expenses	\$5,500	As Incurred	Before Opening	Attorneys, Accountants
Pre-paid Insurance Premiums (Note 7)	\$1,300	As Incurred	Before Opening	Third Parties
Additional Funds (first 3 months) (Note 8)	\$25,000 to \$65,000	As Arranged	As Incurred	Employees; Utilities; Lessor Suppliers; Third Parties
TOTAL (Note 9)	\$54,800 to \$133,800			

NOTES

GENERAL NOTE: The above charts list **estimates** of the initial investment funds necessary to open a Clinic. These are estimates only, as most costs are not within our control and may change at frequent intervals. We cannot, and do not, guarantee that your costs will fall within the stated ranges. These estimated ranges are based on market research and our affiliate's experience in developing the affiliate-owned Clinic. These estimates are likely to vary based on a number of factors, including your specific location and market. Costs are constantly changing and your costs may be higher. **We anticipate that franchise opportunities will only be offered to licensed acupuncturists. The estimates in the above table do not include costs or expenses associated with obtaining a license to perform acupuncture services.** You are strongly advised to diligently investigate all potential costs with a qualified business advisor before proceeding with this investment to gain a better understanding of your expected individual costs and expenses.

Note 1. The Initial Franchise Fee for a Clinic is \$5,000. The Initial Franchise Fee is due and payable in full when you sign the Franchise Agreement and is non-refundable under any circumstances.

Note 2. The construction, leasehold improvements and real estate rental fees vary depending on a number of factors including the size, location, existing leasehold improvements and costs of construction in the area of the Clinic. Your location must conform to our specifications. The low range applies to conversion franchisees. Conversion franchisees are prospects who elect to convert an operational acupuncture clinic to a franchised Clinic. Costs are influenced by many factors, including local building standards and labor rates. If the premises are leased, the lessor's contribution toward the cost of construction, if any, may be a factor that will affect initial costs as well as on-going rent. These costs will vary based on building size, configuration and condition of the premises, material costs, construction costs, labor costs, installation costs, geographic location, requirements imposed by government and distance from suppliers. Payments for building or leasehold improvements are made to third party contractors and suppliers not related to us. Payments to these contractors and suppliers are typically made as the services are received or when the stages of work are completed. These payments are usually not refundable. Real estate/space development costs vary considerably. Your costs can be higher depending on the site and code requirements, and other factors.

Note 3. You are required to equip your Clinic with a minimum of eight acupuncture stations. Each station includes a massage table, privacy screen, supply basket and a needle station (one needle station is required for every two tables). The figures in the above table reflect the estimated costs associated with purchasing these items.

Note 4. The range includes an estimate of costs for your initial supply of inventory which includes the following: legally compliant FDA approved needles, cotton balls, sharps containers for proper needle disposal, alcohol and alcohol dispensers, disposable face cradle covers, sheets, pillow cases, pillows, Mylar blankets, including assorted liniment products (including creams and oils).

Note 5. We will list any designated suppliers for the design of your signage in the Operations Manual. Our estimate for the signage includes on the baseline signage we require for your Clinic. You may choose to purchase enhanced or upgraded signage for your Clinic (provided that we approve the signage), which will increase the cost estimate displayed in the chart.

Note 6. We describe training in Item 11. The range in the chart is an estimate of the out-of-pocket costs and expenses for up to three persons attending and participating in our initial training program. This range increases if additional persons attend the training program.

Note 7. You must obtain insurance policies protecting both yourself and us, and your and its respective officers, directors, partners, and employees, against any demand or claim for personal injury, death, or property damage, or any loss, liability, or expense arising from the operation of your Clinic. These policies must be written by a responsible carrier or carriers acceptable to us, and must include, at a minimum (unless we required additional coverage and higher policy limits), the following:

1. Comprehensive General Liability Insurance, including broad from contractual liability, broad form property damage, personal injury, completed operations and products liability, personal and advertising injury, in the amount of \$2,000,000 in the aggregate and \$1,000,000 per occurrence; and
2. Professional Malpractice Liability Insurance in the amount of \$3,000,000 in the aggregate and \$1,000,000 per occurrence. In operating the franchised business, a staff of three to five licensed acupuncturists is required. You must require and ensure that each licensed acupuncturist working at your Clinic carries and maintains (at his or her own expense) professional liability insurance with the above-coverage. Each policy must name you and the franchisor as an additional insured. You must collect and provide Certificates of Insurance to us on an annual basis demonstrating compliance with the insurance coverage and maintenance requirements.
3. "All Risks" coverage for the full cost of replacement of the Clinic and the leasehold improvements and all other property in which we have an interest, with no coinsurance clause, a replacement cost clause attached, agreed amount endorsement equal to 100% of the value of the property; and

4. Employer's Liability, Workers' Compensation and any other insurance required by statute or rule of the state or locality in which your Clinic is located; and
5. Business interruption insurance, in an amount equal to 100% of your annual Gross Sales, excluding ordinary payroll expenses, and naming us as an additional insured; and
6. You may, with our consent, have reasonable deductibles for the coverages described in sub-paragraphs 1 and 2 above. If you perform any construction, renovation, refurbishment or remodeling of your Clinic, you must also obtain Builder's All Risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us. You must provide us with a Certificate of Insurance evidencing these insurance coverages.

Note 8. The "Additional Funds" category includes estimated start up costs calculated for a period of three months, with additional operating capital to be available as may be needed during the initial phase. These expenses do not include owner's salary or draw. As stated above, this offering is only made to licensed acupuncturists. In operating your Clinic, you must establish a staff of three to seven licensed and insured acupuncturists. Applicable law may impose restrictions on the manner in which you compensate employees (including licensed acupuncturists) of your Clinic, including restrictions on your ability to structure payments based on Clinic revenues. You must consult with a qualified professional such as an employment attorney in your area to identify and guide you regarding compliance with these and other employment-related practices. We cannot and do not estimate when, or whether any franchisee will achieve a positive cash flow or profits during this period, or any period. These amounts are estimates only and specific amounts will vary.

Note 9. This chart provides estimates of your initial start-up expenses and does not include ongoing marketing and advertising expenses or percentage rent payable under the terms of your lease. We do not directly, or indirectly through an affiliate, finance any part of the initial investment. Depending on the size of the Clinic, these estimates may vary. These figures are estimates only based upon our affiliate's experience in developing and operating the affiliate Clinic. We cannot and do not guarantee that you will not have different or additional expenses starting your business. Your costs will depend on your management skill, experience and business acumen; local economic conditions; the local market for the goods and services; competition; and the sales level reached during the initial period. You are strongly advised to review these figures carefully with a business advisor before making any decision to purchase the franchise. All fees payable to us are non-refundable. The terms you negotiate with outside suppliers or third parties will govern whether those payments are refundable.

ITEM 8.

RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

We have spent considerable time, effort and financial resources to develop the *City Acupuncture of New York*™ franchise system (the "System"). We have established standards and specifications for most of the equipment, goods and services used and offered in the operation of the Clinic. The System is subject to modification, change and improvement going forward. You must conform to our System standards, including high standards of quality, safety, cleanliness, appearance and service. We anticipate that our standards will change over time. You must adhere to these changes. Our requirements are critical to assure the quality, safety and consistency of the services and goods provided by Clinics in the System, and to protect and enhance the image of the Marks.

You must, at your expense, construct, improve and operate the Clinic under the System and in accordance with our standards and specifications, as set forth in our Manual and other publications we issue from time to time. You must, at your expense, purchase or lease, install and use all fixtures, signage, equipment, furnishings, improvements, supplies, other products and items (including point of sale, computer hardware and software, security systems), decor items, related items and services we require, all of which must conform to the Manual and our standards, specifications and other publications we issue from time to time. You may have no discretion in the development of the Clinic. You may not install or permit to be installed at the Clinic any fixtures, furnishings, equipment, decor items, signs, games, vending machines or other items that do not comply with our standards without our prior written consent.

You must maintain in sufficient supply, use and sell at all times only the services, items, products, materials, supplies and goods designated by us. You may not deviate from our standards and specifications in any way without obtaining our written consent first, which we are not required to give. You must sell and offer for sale only those services, items and products that we expressly approve for sale in writing. You must offer for sale all services, programs and products we require in the manner and style we require, subject to restrictions imposed under applicable law. You must immediately discontinue offering for sale any items, products and/or services we may disapprove in writing at any time.

We have the right to, and expect to, supplement or modify the Manual and our standards, specifications and other publications we issue in our sole discretion, at any time. We will provide written notice to you of any charges.

We require you to purchase certain products, services, signs, furnishings, supplies, fixtures, inventory, computer hardware and software, and equipment from distributors we have designated or approved in writing (collectively, "suppliers"), subject to restrictions imposed under

applicable law. You must purchase certain specified goods, items and services required for the development and operation of the Clinic from our approved or designated suppliers for any given item of service. We will provide you with a list of suppliers, which list may change over time.

Currently Required Purchase from Us or our Affiliates

As of the issuance date of this Disclosure Document, you are not required to purchase any goods or services from us or our affiliates, however we reserve the right to require you to purchase any item, good or service from us, our affiliates, and/or our designated supplier, as we specify, in the future at any time. We and/or our affiliates will derive revenue and other material consideration, including through mark-ups on your purchases, on account of these and other purchases.

We may also derive revenue on account of your purchases from us, our affiliates and any other supplier without limitation (except as limited under applicable law). The amount of markup and pricing for required purchases is subject to our sole and absolute discretion.

System Modifications

We have the right to supplement, improve and otherwise change the System at any time, including in response to the opportunity to offer new services and products to customers of Clinics operating under the System, the experience of Clinics over time and other factors. We will have full control and discretion over any of these developments and you must comply with all requirements, including offering and selling new or different products or services specified by us. System modifications may be transmitted via the Internet, mail or through modifications to the Manual.

Authorized Suppliers

We provide you with a list of all then-current approved suppliers and distributors during the training program, or before you open your Clinic. We may designate additional suppliers, or remove any supplier from our approved list at any time. We reserve the right to require you to purchase items from us and/or our affiliates in the future.

Currently, you must purchase the following items and categories of items from designated suppliers: POS System (including mandated software); Mindbody software, acupuncture needles and herbal supplies.

Products/Items Bearing the Marks

If you wish to purchase any items bearing the Marks, you must submit a sample of the items bearing the Marks to us for approval before purchasing them from a third party supplier. We

reserve the right to require you to purchase these and other items from us or a designated supplier in the future.

Derived Revenue

As of the issuance date of this Disclosure Document, there were no System franchisees in operation. Accordingly, we have not derived any revenue on account of franchisee purchases.

We may derive revenue on account of your purchases of any and all products and services. We and/or affiliates may charge you markups on equipment, products and services sold to you by us and or our affiliates and there is no limitation on the amount of any such markups.

Except as disclosed in this Item, as of the issuance date of this Disclosure Document, we have not established any purchasing arrangements with designated suppliers and do not receive any payments on the basis of required franchisee purchases. We reserve the right to establish purchasing arrangements with designated suppliers and to receive payments and other consideration on the basis of required franchisee purchases at any time in the future.

Furniture, Fixtures and Equipment

You must purchase furniture, fixtures, equipment, including point of sale and computer hardware, software, security systems, inventory, signage, decor and services we require under specifications set forth in the Confidential Operations Manual (the "Manual").

You must at your expense, construct, improve and operate the Clinic under the System and in accordance with our standards and specifications as set forth in the Manual and other publications we may issue from time to time. These specifications include standards and specifications for the appearance, quality, price, performance and functionality. These standards and specifications will be based on our affiliate's experience in operating a Clinic of the type we are franchising and through research and testing. We may communicate our standards and specifications directly to suppliers who wish to supply you with furniture, fixtures, equipment, inventory and signage under specifications. We communicate our standards and specifications to you when we evaluate your proposed location for the franchised Clinic during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchise location and through the Manual (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written notices. While we have created standards and specifications for the development of your franchised Clinic, except as disclosed in this Item, as of the issuance date of this disclosure document, we have not designated any vendors and suppliers.

None of our officers or directors currently own an interest in any non-affiliated, third-party suppliers that comprise the existing supply base for the System.

New Products and Services, Review Criteria

If you would like to purchase any equipment, items, products, goods or services in establishing and operating the Clinic that we have not approved, (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and samples for us to determine whether the proposed equipment, items, products, goods or services comply with our standards and specifications or the supplier meets our approved supplier criteria. You must pay our expenses to evaluate your proposed supplier and the proposed items, products, goods or services. Costs of testing may range from \$500 to \$1,500. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the applicable item or services or from the proposed supplier. Our criteria for approving or revoking approval of suppliers include: safety; the supplier's ability to provide sufficient quantity of goods; quality of goods or services at competitive prices; production delivery and capability; and dependability and general reputation. Our decision, however, to approve or revoke approval of suppliers is subject to our sole and absolute discretion, without regard to any standard of reasonableness or other standards of care limiting our rights.

Periodically, we may review our approval of any equipment, goods, services or suppliers. We will notify you if we revoke our approval of equipment, goods, services or suppliers, and you must immediately stop purchasing disapproved equipment, goods or services, or must immediately stop purchasing from a disapproved supplier.

Additionally, we may, but are not required to, negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our suppliers. Volume discounts may not be available to franchisees located in outlying markets that a particular supplier does not serve in significant volume. Presently, there are no purchase or supply agreements in effect and no purchasing or distribution cooperatives that you must join.

We estimate that approximately 50% to 60% of your expenditures for leases and purchases in establishing your franchised Clinic will be for goods and services that must be purchased from us, our affiliates or an approved supplier. We estimate that approximately 10% to 15% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us, our affiliates or approved supplier.

We do not guarantee the availability of independent sources of supply for any particular item, product or service required to establish or operate your Clinic. We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether

you purchase through the sources we designate or approve. We have no purchasing or distribution cooperatives serving our franchise System.

We must approve your Clinic location and your lease agreement. The terms of the lease agreement which you may be required to enter into for your Clinic are described in Item 11 below.

At our request, you must sign a Security Agreement which creates a security interest for our benefit in your inventory items, fixtures and equipment and other assets owned by you and used for the operation of, or related to, your Clinic, in order to secure your obligations to us. The Security Agreement is included in Item 22 below of this Disclosure Document. You must sign a Collateral Assignment of Lease agreement assigning all of your rights under your lease agreement to us, at our option, if your Franchise Agreement is terminated or expires. The Collateral Assignment is included in Item 22 of this Disclosure Document.

You must purchase and use the computer software services and electronic cash register system designated by us from our designated supplier. See item 11 for additional disclosures relating to the POS system. We reserve the right to change our supplier of software services and electronic cash register system at any time. You must comply with all such changes at your sole cost and expense.

Insurance

You must obtain and maintain insurance, at your expense, as we require. See Item 11 for more information on insurance requirements.

Pricing and Promotion Requirements

We reserve the right, subject to restrictions imposed under applicable law, to require Clinics in the System to offer all products, items and services at prices not to exceed the prices we publish from time to time. We reserve the right to change the rules and regulations for these programs in our sole discretion at any time.

NO PROVISION OF MEDICAL SERVICES

You understand and acknowledge that we are not in the business of examining, diagnosing or treating patients. This Agreement does not give us any right or ability to control, direct, oversee or supervise you in providing medical care or services to customers of your Clinic. You are solely responsible for confirming that the systems, procedures and standardized activities required of those practices that are deemed medical practices and/or those acupuncturists you manage comply with the laws of the jurisdiction in which you operate as they may apply to the provision of acupuncture services.

Except as stated in this Item 8, there are no goods, services, supplies, equipment, computer hardware and software or real estate which you must purchase or lease from us or our designee or from suppliers approved by us.

ITEM 9.

FRANCHISEE'S OBLIGATIONS

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

OBLIGATION		SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a.	Site Selection And Acquisition/Lease	Article 2 of the Franchise Agreement	Item 7 and 11
b.	Pre-Opening Purchases/Leases	Sections 4.02, 4.03 and 8.04, 9.01 through 9.06 of the Franchise Agreement	Item 6, 7 and 8
c.	Site Development And Other Pre-Opening Requirements	Article 2, 4 and 8 of the Franchise Agreement	Items 6, 7 and 11
d.	Initial And Ongoing Training	Sections 7.01 through 7.03 of the Franchise Agreement	Item 11
e.	Opening	Sections 4.01.10 and 8.2 of the Franchise Agreement	Item 7, 8 and 11
f.	Fees	Article 5 of the Franchise Agreement	Items 5, 6 and 11
g.	Compliance With Standards And Policies/Operating Manual	Articles 8, 9 and 10 of the Franchise Agreement	Item 8, 11, 14 and 16

OBLIGATION		SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
h.	Trademarks And Proprietary Information	Article 10 of the Franchise Agreement	Items 13 and 14
i.	Restrictions On Products/Services Offered	Articles 8 and 9 of the Franchise Agreement	Item 16
j.	Warranty And Customer Service Requirements	Article 8, Section 8.02.5 of the Franchise Agreement	Item 11
k.	Territorial Development And Sales Quotas	None	Item 12
l.	Ongoing Product/ Service Purchases	Articles 8 and 9 of the Franchise Agreement	Item 8 and 16
m.	Maintenance, Appearance And Remodeling Requirements	Articles 4 and 8 (including 8.03) of the Franchise Agreement	Item 8 and 11
n.	Insurance	Article 15 of the Franchise Agreement	Items 7 and 8
o.	Advertising	Article 14 of the Franchise Agreement	Items 6 and 11
p.	Indemnification	Section 22.03 of the Franchise Agreement	Item 6
q.	Owner's participation/ Management/ Staffing	Articles 8 and 9 of the Franchise Agreement	Items 11 and 15
r.	Records/Reports	Article 13 of the Franchise Agreement	Item 6
s.	Inspections/Audits	Section 13.05 of the Franchise Agreement	Items 6 and 11

OBLIGATION		SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
t.	Transfer	Article 16 of the Franchise Agreement	Item 17
u.	Renewal	Section 3.02 of the Franchise Agreement	Item 6 and 17
v.	Post-Termination Obligations	Article 18 of the Franchise Agreement	Item 6 and 17
w.	Non-Competition Covenants	Not applicable	Item 12, 15 and 17
x.	Dispute Resolution	Article 25 of the Franchise Agreement	Item 17
y.	Security Interest	Exhibit H to the the Franchise Agreement	Item 8

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or any other obligation. We do not have any agents or affiliates who offer financing directly or indirectly to you.

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

A. Before you open your Clinic, we will do the following:

1. We will make available to you, at no charge, standard specifications for the construction of a prototypical Clinic, including exterior and interior design and layout, display requirements, fixtures, equipment and signage. You shall, at your expense, adapt the standard specifications to the Clinic. (Franchise Agreement Section 6.01.1).

2. We will provide an initial training program prior to the opening of the Franchised Business for your Initial Training Team at the places we designate, currently at our affiliate Clinics, corporate office, online and at your Clinic Location. (Franchise Agreement, Section 6.01.2, page 15).

3. We will provide to you, on loan, one copy of the Manual. (Franchise Agreement, Section 6.01.4, page 15).

4. We will give you information and the identification of source from which you may purchase certain products, signage and location collateral material. (Franchise Agreement, Section 6.01.5, page 15).

B. Although not obligated to do so, we may also:

1. Provide such other training programs, after the opening of the Clinic as we, in our sole discretion, deem appropriate. (Franchise Agreement, Section 6.2.1, page 14).

2. Provide such continuing advisory assistance to you in the operation of the Franchised Business, after the opening of the Clinic, as we, in our sole discretion, deem advisable. (Franchise Agreement, Section 6.2.2, page 14).

3. Provide to you, periodically, as we, in our sole discretion, deem appropriate, advice and written materials concerning techniques of managing and operating the Franchised Business, including new developments and improvements in Clinic operations, layout and/or design, and new developments in services and merchandising. We are not obligated to assist you in obtaining your inventory. (Franchise Agreement, section 6.2.3, page 14).

Site Selection

A. You must find an approved location and secure a lease for the Clinic within 90 days after you sign your Franchise Agreement. We do not select your site, however your location must be approved by us. In approving your site, we consider the general location, size of your proposed space, neighborhood, traffic patterns, area demographics, parking, physical characteristics and lease terms. Once you find an approved location and secure a lease for the location, you will have 180 days to open your Clinic. If you do not find a site (or if we are unable to agree on an

acceptable site) and open your Clinic within the time periods required under your Franchise Agreement, we have the right to terminate your Franchise Agreement. The Franchise Agreement requires you to open for business no later than (a) one hundred eighty (180) days after the Effective Date; or (b) ninety (90) days after the date on which you enter into a valid and binding lease agreement or purchase agreement, as applicable, for the Approved Clinic Location (Franchise Agreement, Section 4.01.10, Section 17.02.1). At your request, we may assist you in finding an approved location, however, our assistance will in no way constitute an assurance, representation or warranty of any kind as to the suitability of the location, or for any other purpose. (Franchise Agreement, Section 2.02, page 5).

B. You must negotiate and obtain a lease agreement for the approved location at your expense and sign and deliver to us a Collateral Assignment of your rights under the lease agreement in order to secure your obligations and our rights under your Franchise Agreement. You must submit to us a copy of your lease before signing and pay to us a Lease Review Fee. We will require you to include certain provisions in your lease agreement, including the provisions outlined in the Lease Rider attached to your Franchise Agreement, some of which are outlined in C below. Any assistance we may provide in negotiating your lease agreement, will in no way constitute an assurance, representation or warranty of any kind as to the suitability for the lease agreement for the operation of the Clinic or for any other purpose. (Franchise Agreement, Section 2.02, page 6).

C. We require the inclusion of the following provisions in the lease agreement: (Franchise Agreement, Section 2.02.2 pages 5-6)

1. A provision that restricts the use of the premises solely to the operation of your Franchised Clinic;

2. A provision that, if you fail to timely pay all amounts due to us, or the landlord, we have the right to charge and collect from you all resulting costs and expenses incurred by and penalties imposed on us;

3. A provision that prohibits you from subleasing or assigning all or any part of your rights or extending the term of or renewing the lease agreement without our prior consent;

4. A provision giving us the right to enter the premises to make modifications necessary to protect the Marks or the System or to cure any default under your Franchise Agreement or the lease agreement;

5. A provision reserving to us the right to receive an assignment of the leasehold interest upon the termination or expiration of the lease agreement or your Franchise

Agreement;

6. A provision requiring the landlord to provide us with written notices of any defaults issued to you under the lease; and

7. Any other provision that we believe is necessary to protect our interests or the System.

Plans and Specifications for your Clinic

We provide to you, at no charge, standard, generic, prototypical plans and specifications for the construction of your Clinic, including design and layout, display requirements, fixtures, equipment and signage. (Franchise Agreement, Section 6.01.1, page 14). You will then, at your expense, have specific plans and specifications for construction or conversion of the space for the Clinic prepared by a licensed architect. Before you may begin construction, these plans and specifications must be approved by us in writing. Any changes or modifications must also be approved by us in writing. All construction and build-out costs will be at your sole expense.

You must ensure, before opening, that your Clinic is accessible to, and useable by, persons with disabilities and meets the Standards for Accessible Design for new construction in the ADA Accessibility Guidelines ("ADAAG") as may be amended from time to time, or any more stringent accessibility standard under federal, state or local law.

You must perform all necessary construction of your Clinic, and you must purchase and install all fixtures, equipment and signs designated by us, at your expense. We are a start-up franchisor and, as of the issuance date of this Disclosure Document, we have not imposed any remodeling or refurbishment requirements. We cannot predict the range of costs and expenses associated with any remodeling or refurbishment requirements. There are no limits on the costs and expenses you may incur in complying with any remodeling or refurbishment requirements. We do not expect that your costs and expenses will exceed the cost you incur in initially building out your Clinic.

Computer System

You must use all computer hardware and software applications that meet our specifications. You must purchase our designated computer system. The current computer system includes the following components: a laptop or desktop computer for the front reception area, two laptops for practitioners, Quickbooks software, MindBody software, Google Drive, Drop Box. The estimated cost for this computer system is approximately \$5,500.

The POS software was not manufactured or produced specifically for our franchise system.

There are no contractual limitations on the frequency and cost of upgrading or updating your computer system. We estimate that you will incur approximately \$200 per month for the MindBody Accelerate Package, which currently includes support services for the POS and cash register. We do not currently require annual ongoing updates, repairs or upgrades to your computer system, but may do so in the future.

If you stream music in your Clinic, you may be required to establish an account with a service provider such as Spotify or Pandora for business. The costs relative to these services vary. We estimate that these costs will be approximately \$99 for the initial set up fee and \$30 per month thereafter. These fees are subject to increase as per the terms imposed by these suppliers.

You use the computer to, among other things, keep sales, inventory and customer information. We may independently access the information in your computer system for any purpose, including to audit your sales and/or analyze your operations. There are no contractual limitations on our rights to access your computer information.

You must make reasonable upgrades and updates to your computer system, at our request and at your expense. We need not assist you to obtain your computer hardware, software or related services, i.e. maintenance, upgrades or repairs. Except as provided by the manufacturer's warranties, neither we nor any third party has a contractual obligation to provide ongoing repairs, upgrades or updates to your hardware or software.

If we change or modify our electronic point of sale system or computer system used in Clinics, you are required to change or modify your electronic point of sale or computer system to conform to our new standards.

Operations Manual

We provide to you, on loan, one copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. (Franchise Agreement, Section 6.01.4, page 15). This Manual is confidential, contains our trade secrets and remains our property. We may modify the Manual, but the modification will not alter your status and rights under your Franchise Agreement. (Franchise Agreement, Article 11, page 28). You are permitted to view the Manual at our offices before signing the Franchise Agreement, but you must sign a confidentiality agreement before doing so.

We give you advice as to products and supplies, however, we need not assist you to obtain such products and supplies. (Franchise Agreement, Section 6, page 15) We need not provide you with any other service or assistance before you open your Clinic.

We have no obligation to develop new products or services to be offered by you to your

customers, hire or train employees, improve or develop the franchised business, establish prices, establish or use administrative, bookkeeping, accounting or inventory control procedures, or to resolve operating problems encountered by you in the operation of your Clinic. We need not provide you with any other service or assistance before you open your Clinic.

Ongoing Support

During your operation of the Clinic, we provide you with advice regarding the management and operation of your Franchise, to the extent that we deem necessary and desirable.

As we deem appropriate, we also issue updated information and revisions to the Manual as new and improved methods, systems and procedures for the operation of your Franchise are developed or adopted by us. (Franchise Agreement, Article 11, page 28).

We are under no contractual obligation to conduct advertising. As of the issuance date of this Disclosure Document, we have not established any marketing funds, including national funds, and we are under no obligation to form any such fund in the future. As of the issuance date of this Disclosure Document, there is no advertising council.

Local Marketing

You are required to expend, at a minimum, the greater of 3% of Gross Sales or \$500 each month on local advertising, marketing, sponsorships, public relations or promotions specifically identifying or featuring your Clinic (your "Local Marketing Expenditure Requirement"). We reserve the right to require you to submit to us, on a quarterly or monthly basis as we designate, a local marketing plan specifically describing how you propose to spend and /or how you have met the Local Marketing Expenditure Requirement. We reserve the right to mandate your participation in or compliance with certain specified local marketing and advertising programs and/or methods.

If you fail to meet your Local Marketing Expenditure Requirement, or if you fail to otherwise comply with your local marketing obligations, we shall have the right, in addition to any and all other rights and remedies available under the Franchise Agreement or applicable law, to (a) require you to spend the Local Advertising Deficiency in the manner designated or approved by us for local marketing purposes, or (b) require you to immediately pay the Local Advertising Deficiency to us to be expended by us or our designee directly in your Clinic's area for local marketing purposes.

Cooperative Advertising

We encourage the formation and operation of franchisee cooperative advertising associations (each a "Co-op"). If formed, each Co-op will coordinate advertising, marketing efforts and programs, and attempt to maximize the efficient use of local advertising media. If a Co-op is formed for your region, you must participate in the Co-op. You may be required to contribute an amount equal to your Local Marketing Expenditure Requirement to the Co-Op, in which event, you will receive a credit for all amounts paid into the Co-op against your Local Marketing Expenditure Requirement. Franchisor-owned outlets are not obligated to contribute to any Co-Op. In no event shall you be required to be a member of more than one Co-op. We have the right to require any Co-op to be organized and governed (a) in a form and manner approved in advance by us in writing, and (b) for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising. We anticipate that, if formed, the Co-ops will be administered by the members under procedures established by governing documents approved by us in advance. Currently, we have not created or approved any Co-op governing documents for your review. If a Co-op is developed, the fees you may be required to pay into the Co-op are not paid to us or our affiliate, but rather directly into the Co-op.

No advertising or promotional plans or materials may be used by any Co-op, or be furnished to its members, without our prior approval. We, in our sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Co-Op, and/or from the obligation to contribute thereto (including a reduction, deferral or waiver of such contribution), upon written request of such franchisee stating reasons supporting such exemption. Our decision concerning such request for exemption shall be final. As of the issuance date of this Disclosure Document, you are not required to participate in any local or regional advertising cooperatives; however, we reserve the right to require your participation in the future.

Grand Opening Advertising Campaign

You must conduct a Grand Opening Advertising Campaign for your Clinic and expend \$1,000 in the manner we specify or approve (the "Grand Opening Advertising Expenditure"). We may designate an approved supplier of local advertising and marketing services and may require you to engage that supplier's services in connection with the Grand Opening of your Clinic. We may require you to expend the Grand Opening Advertising Expenditure in accordance with any approved or designated supplier's Grand Opening advertising program. You are required to prepare and submit to us a written plan detailing the grand opening advertising campaign no later than 45 days before the Clinic's scheduled grand opening. Within four months following the date the Clinic opens for business, you must furnish us evidence as we may reasonably require to verify your compliance with the Grand Opening Expenditure requirements.

Use of Your Own Advertising Material including Electronic Media

You may develop advertising and promotional materials for your own use, however, we must approve all advertising promotional materials before you use them. If we do not approve or disapprove your proposed materials within 15 days of your submission, they will be deemed disapproved. We may require that a "tag line", stating that franchise and/or career opportunities are available, be included in any advertising.

You may not use electronic media to advertise your Clinic, including the Internet and a worldwide web page, without first obtaining our written consent and your compliance with any conditions and restrictions we wish to impose. We must first approve all use of any electronic media (including Internet) postings, including advertisements and/or promotions. You may not promote or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval, which we do not have to provide. As a condition of granting any consent, we will have the right to establish any requirement we deem appropriate, including a requirement that your only presence on the Internet will be through one or more web pages that we establish on our website.

We have the right to establish a website or other electronic system providing private and secure communications between us, our franchisees and other persons and entities that we deem appropriate. If we require, you must establish and maintain access to the extranet in the manner we designate. We may periodically prepare agreements and policies concerning use of any extranet that you must acknowledge and sign.

You are prohibited from listing, marketing, advertising, and/or promoting your Franchised Business on any social or networking website, including facebook®, Twitter®, LinkedIn®, Living Social®, Instagram®, Groupon®, or MySpace®, or any similar sites or mobile applications without our prior written consent in each instance. We may withhold our consent for any reason and we may condition our consent on your compliance with our designated methods, procedures, rules and regulations.

Estimated Opening Time Period

We expect that franchisees will typically open their Clinics within six to eight months after they sign their franchise agreements and typically four to six months after they find an approved location and secure a lease for the location. The factors that affect this time are the ability to locate a suitable site and obtain a lease, financing or building permits, zoning and local ordinances, construction schedules, obtaining licenses and permits, weather conditions, shortages, and delayed installation of equipment, fixtures and signs.

Training

As of the issuance date of this Disclosure Document, we do not have any franchised Clinics and

have not yet conducted an initial training program. Currently, most of the initial training program is provided virtually through on-line and telephone sessions. We expect to hold initial training programs on a quarterly basis, as necessary. We have the right to change the frequency of the initial training programs offered in our sole and absolute discretion. The training program we currently offer, which is subject to modification at any time, consists of the following:

We provide you an initial training program that covers material aspects of the operation of the Clinic. The topics covered are listed in the chart below. The following persons are required to attend and complete the initial training program: You (if you are an individual) or your Responsible Owner (if you are a legal entity), and your General Manager (your "Training Team"). Your Responsible Owner must be an individual that owns an interest in the franchisee entity and has been designated as the individual with responsibility to administer the operation of the Clinic on a full time, best-efforts basis. You must notify us of your Training Team members at least 30 days before your initial training program begins.

We provide the initial training program to your Training Team. Your Training Team must complete the initial training program to our satisfaction. Your Training Team must satisfactorily complete the initial training no later than seven days before the opening of the franchised Clinic. We expect that the Training Team will advance through the training program at different rates depending on a variety of factors, including background and experience. The time frames provided in the charts are only an estimate of the time it will take to complete training. We do not charge for initial training. You must pay for all travel costs, salaries (if applicable) and living expenses for the Training Team. These costs (not inclusive of salaries) are estimated in ITEM 7. If you replace your General Manager, your new General Manager must attend our training program. You may be charged fees for additional training. Our current fees for additional training are described in ITEM 6. You are responsible for training your own employees and other management personnel.

We will provide you with on-site Trainer prior to opening. We do not otherwise provide on-site assistance to in connection with Clinic opening. You must reimburse the expenses our representative incurs while providing opening assistance, such as travel, lodging and meals.

Your franchised Clinic must at all times be under the day-to-day supervision of a General manager who has satisfactorily completed our training program. After a replacement of the General manager, he or she has 60 days to complete initial training.

INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Pre-Opening Procedures		6	Virtual
Personnel		2	Virtual
Reception	12	4	Virtual
Treatment Plan Process	1		Fulton Street/Onsite
Client Service Issues	1		Virtual
Hiring and Orientation	2		Virtual/Fulton St
Our Inbound Marketing System	2		Virtual/Fulton St
			Virtual/Fulton St
Total	18	12	

The subjects taught at training will be handled by Robert Benhuri, Craig Wong and Joseph Silk. Please refer to Item 2 for Robert's relative experience. Craig Wong is a licensed acupuncturist and a clinic director for the Fulton Street Clinic. Mr. Wong has worked with City Acupuncture of New York™ at the Fulton Street location for the past six years. Joseph Silk is the office manager of the Fulton Street Clinic and has been employed in this capacity for the past four years. If circumstances require, a substitute trainer may provide training to you. We have not formally established a minimum level of experience any substitute trainer will be required to have, however we anticipate that substitute trainers will have a minimum of at least one year of experience in the subject taught. We may periodically name additional trainers if the training schedule requires it. There are no limits on our right to assign a substitute trainer to provide training.

The training will occur virtually and at our Fulton Street location (currently, New York, NY). We will inform you of the dates and location of the training.

Periodically, you and your general manager must attend refresher-training programs to be conducted at our headquarters or another location we designate. Attendance at these programs will be at your expense. You do not have to attend more than 1 of these programs in any calendar year and these programs will not exceed two days during any calendar year. We may also require you to participate in on-line, web-based refresher training at any time, in which case you will be responsible for ensuring that appropriate staff members complete the training.

We may require you to attend an annual conference and to charge you a fee to attend.

ITEM 12.

TERRITORY

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.

Relocation of Your Clinic

Under the terms of the Franchise Agreement, you do not have the right to relocate your Clinic without our prior written consent. If you are not in default under your Franchise Agreement, your limited protection will continue to apply even if you sell or transfer your Franchise. Except for this limited protection, your Franchise is non-exclusive. You are not granted any options, rights of first refusal or similar rights to acquire additional Clinics.

Non-Competition

During the Term of your Franchise Agreement, you may not operate, engage in, provide assistance to, or have any interest in any business offering acupuncture services anywhere in the United States (each a “Competitive Business”).

Reservation of Rights

We, or our affiliate(s), reserve all rights, including, without limitation, the right to: (i) establish and license others to establish Clinics under the System at any location, regardless of proximity to your Clinic; (ii) establish and license others to establish businesses under other systems, using other proprietary marks, which offer or sell similar services and/or products which are located anywhere; (iii) market, distribute and sell, directly or indirectly, or license others to market, distribute or sell, directly or indirectly, any products from any location or to any purchaser under any proprietary mark, including **City Acupuncture of New York™** through alternative channels of distribution; (iv) establish or operate and license others to establish or operate a Clinic at any location, regardless of such Clinic’s proximity to your Clinic; and (v) acquire, be acquired by, merge or affiliate with, or engage in any transaction with other businesses (whether or not those businesses are competitive).

Restrictions on Solicitations

You are not permitted to solicit customers or advertise outside of your Approved Territory without our prior written approval. We may condition our approval on your agreement to offer other System franchisees who are operating Clinics in territories encompassed by the circulation base of the proposed advertising, the opportunity to participate in, and share the expense of your solicitation and/or advertising. You are not permitted to use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales outside of your Approved Territory without our prior written approval. We have the right to condition our approval on the terms that we determine necessary, such as requiring that your domain name and home page belong to us and be licensed to you for your use during the term of your agreement.

ITEM 13.

TRADEMARKS

The Franchise Agreement licenses you the right to operate a Clinic under the Mark. We may require you to use other current or future developed trademarks to operate your Clinic. The term trademarks means trade names, trademarks, service marks and logos used to identify the Clinic. We are not restricted in the way we use these trademarks. Throughout this Disclosure Document, our trademarks, including those developed in the future and licensed to you for use in connection with the operation of your Clinic, may be referred to as the “Proprietary Marks”, or the “Marks”.

You are required to follow our rules when using our trademarks. You are not permitted to use any of our trademarks as part of a corporate, limited liability company, or other entity name, email address, electronic identifier or Internet domain name. You cannot use any of our trademarks, except for those we license to you. You may not use any of our trademarks for the sale of any unauthorized product or service, or in any manner we have not authorized in writing. The trademarks licensed to you may only be used by you for the purpose of operating a Clinic in accordance with the Franchise Agreement, Manual and System.

Our founder is the current owner of the Marks. Our founder filed an application to register the below principal marks on the Principal Register and Supplemental Register of the United States Patent and Trademark Office (“USPTO”):

Mark*	Serial Number	Application Date
City Acupuncture of New York	87132170	August 9, 2016**

	87114598	July 25, 2016
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- ***We do not have a federal registration for these principal trademarks. Therefore, these trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use either of these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses. **The application for the word mark identified in the above-chart was converted from the Principal Register to the Supplemental Register in December 2016.**

Currently, we know of no effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of any state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Mark.

In October 2016, we entered into a Trademark License Agreement (the “License Agreement”) with our founder pursuant to which our founder licensed us the right to use and sublicense use of the Marks, including in connection with the development, expansion, marketing and administration of the franchise System. The term of this License Agreement is for 20 years, with successive 10year renewals. The License Agreement may be terminated by our founder if we commit a material default that remains uncured beyond all applicable notice and cure periods. If the License Agreement is terminated, our rights and obligations under the Franchise Agreements will assigned to our founder or his designee.

Other than the above, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Mark in any manner material to the franchise.

We know of no infringing or prior superior uses that could materially affect the use of the Mark in the State of New York or in any other state in which we are offering or selling franchise opportunities. We are aware of third parties that use the word “City”, or a variation thereof, to identify businesses offering the same or substantially similar services and products. One or more of these companies may take the position they have exclusive rights to use the mark “City” in connection with the operation of a similar business. We may, at our discretion and at any time, elect to change the Mark and we have the right to require you to comply with our designated changes after providing written notice to you at your sole cost and expense.

You do not receive any rights to the Mark other than the non-exclusive right to use it in the operation of your franchised Clinic. You must follow our rules when you use the Mark. You must use the Mark as the sole trade identification of the franchised Clinic. You cannot use a name or Mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Mark by you is a breach of the Franchise Agreement and an infringement of our rights in the Mark. You must not contest the validity or ownership of the Mark, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Mark.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Mark, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Mark.

We are not required to defend you against a claim arising from your use of our Marks, and we are not required to reimburse you for any of your expenses incurred in any legal proceeding disputing your use of any Mark. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark.

As disclosed above, if we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we require you to adopt and use new or modified Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your franchised Clinic for the new or modified Marks. There is no limitation on the costs you may be required to incur in complying with any designated changes or modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued trademark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state

or foreign country, any of the Marks or a trademark or service mark that is substantially similar or confusingly similar to any of our Marks.

You may not advertise on the Internet using, or establish, create or operate an Internet site or website using any domain name containing, the word “City Acupuncture of New York” or any variation thereof without our prior written consent.

ITEM 14.

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own copyrights in the Confidential Operations Manual, textbooks, our website, our social media pages, our marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the franchised Clinic and you must stop using them if we direct you to do so. We are under no obligation to protect any material in which we claim copyright protection, and we are not required to defend you against claims arising out of your use of any copyrighted items. We may require you to discontinue or modify using the subject matter covered by any copyright protection at your sole cost and expense.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have may develop certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Clinic. We may provide our trade secrets and other confidential information to you during training, in the Confidential Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your franchised Clinic. You may only divulge trade secrets and other confidential information to employees who must have access to it to operate the franchised Clinic. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Non-disclosure and Non-

Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques or materials concerning the franchised Clinic and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Confidential Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in ITEM 17.

ITEM 15.

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

If you are an individual, we require that you personally supervise the Franchised Business. If you are a legal entity, one of your owners who has completed our initial training program to our satisfaction must be appointed to serve as the "Responsible Owner." The "Responsible Owner" must be an individual approved by us who (a) has an ownership interest in you; (b) has the authority to bind you regarding all operational decisions with respect to your Franchised Business; and (c) has completed our training program to our satisfaction. Your Responsible Owner must devote his or her full time and best efforts to the Franchised Business. Among other things, the Responsible Owner must personally supervise the Franchised Business. With our prior approval, you may designate an individual who does not have an ownership interest in the franchisee entity, but who has completed our initial training program to our satisfaction, to serve as your General Manager. We do not guarantee that you will be able to delegate your responsibility to a third party with no ownership interest in you.

You must implement procedures to prevent unauthorized use or disclosure of confidential information. These procedures include the use of non-disclosure agreements with your owners, offices, directors, managers and persons who will have access to confidential information, including those who attend our initial training program or other training program(s).

Each of the principals of your entity must sign the Franchise Agreement assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement and must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to comply with the covenants not to compete described in Item 17.

If you are a legal entity, each of your Principals must sign the Personal Guaranty and Subordination Agreement assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement. We may, if needed to satisfy our standards of creditworthiness or to secure the obligations made under the Franchise Agreement, require your spouse, and the spouse of the Principals to sign the Personal Guaranty and Subordination Agreement.

“Principal” means, for purposes of this Item 15, anyone having an ownership or beneficial interest in your entity(s).

You are an independent contractor and not our representative, partner, agent or employee. You have no authority to make any contract, agreement, warranty or representation to create any obligation binding on us. You will control the manner and means of operating your Clinic and will exercise complete control over your employees, including hiring and firing functions. You must prominently display appropriate notices, including in the form, manner and location we designate, to inform the public that you independently own and operate the Clinic under license from us and you are not our agent.

ITEM 16.

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the services, products and items we specify. You may not sell any services or products that we have not authorized and you must discontinue offering any services or products that we disapprove. We may take action, including terminating your franchise if you purchase or sell unapproved products or services, or if you make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so.

You (or your owner if you are a legal entity) must be a licensed acupuncturist and you must engage a staff of three to seven independently insured licensed acupuncturists to provide services at the Clinic. Only a licensed acupuncturist is permitted to provide acupuncture services at your Clinic. You must comply with all laws, rules and regulations applicable to the operation of the Clinic and provision of acupuncture and other approved and mandated goods and services.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

We do not place restrictions on you with respect to who may be a customer of your franchised business, however you may not provide acupuncture services to any customer that is subject to certain medical restrictions.

ITEM 17.

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreement attached to this Disclosure Document. You should refer to your state's specific addendum attached to this Disclosure Document for exceptions to this ITEM 17.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a.	Length of the Franchise Term	Section 3.01	The term is one (1) year.
b.	Renewal Or Extension Of The Term	Section 3.02	We will grant you a successor franchise agreement for a successor term of two (2) years, subject to your eligibility and compliance with certain obligations.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
c.	Requirements For You To Renew Or Extend	Sections 3.02.1 through 3.02.9	If you wish to obtain a successor franchise, you must pay a successor franchise fee equal to \$1,500, sign new agreement with materially different terms or conditions than your original contract, replace, upgrade or update equipment, sign a release, notify us in advance, not less than 120 days prior to the expiration of your then-current term of your desire to obtain a successor franchise, be in compliance with all terms and conditions of your existing franchise agreement, and complete any refresher training programs we may require.
d.	Termination By You.	Not applicable.	
e.	Termination By Us Without Cause	Not applicable.	
f.	Termination By Us With Cause	Section 17.01	We can terminate if you default.
g.	"Cause" Defined - Curable Defaults	Section 17.02, 17.03	You have a designated time period within which to cure certain defaults, i.e., non-payment of fees (10 days), non-submission of reports (5 days), default under other agreements between you and us, and other defaults under the Franchise Agreement (30 days).

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h.	"Cause" Defined - Non-Curable Defaults	Sections 17.02, 17.03	Non-curable defaults include: failure to timely obtain an approved location and all licenses, permits and approvals; failure to open the Clinic timely; failure to complete training; if you file for bankruptcy, seek reorganization, liquidation or dissolution; abandonment of your Clinic; conviction of felony, repeated defaults even if cured, loss or suspension of your business license, abandonment, trademark misuse, unapproved transfers; termination of other franchise agreements between you and us; and other defaults listed in Section 16.2.
i.	Your Obligations On Termination/Non-Renewal	Article 18	Obligations include complete de-identification and payment of all amounts due, delivery of client lists to us, compliance with post-term covenants including indemnification, and confidentiality covenants (see also r. below).
j.	Assignment Of Contract by Us	Section 16.01	There is no restriction on our right to assign.
k.	"Transfer" By You - Defined	Sections 16.02 and 16.03	Includes transfer of contract or assets or ownership change.
l.	Our Approval Of Transfer By You	Section 16.02, 16.03, 16.04	We have the right to approve all transfers but will not unreasonably withhold our approval.

	PROVISION	SECTION FRANCHISE AGREEMENT IN	SUMMARY
m.	Conditions For Our Approval Of Transfer By You	Section 16.04	New franchisee qualifies, transfer fee paid, training arranged, release signed by you and current agreement signed by new franchisee (also see r. below).
n.	Our Right Of First Refusal To Acquire Your Franchise	Section 16.05	We can match any offer for your franchise.
o.	Our Option To Purchase Your Franchise	Section 16.05 and 18.02.	We have the option to purchase your franchise upon expiration or termination of the Franchise Agreement.
p.	Your Death Or Disability	Section 16.07	Franchise must be assigned by your estate to an approved buyer within 6 months.
q.	Non-Competition Covenants During The Term Of The Franchise	Section 19.02	No involvement in a competing business.
r.	Non-Competition Covenants After The Franchise Is Terminated Or Expires	Not Applicable	Not Applicable
s.	Modification Of The Agreement	Article 26.05	No modifications to the Franchise Agreement unless the modifications are in writing and signed by both parties. We may change the Operations Manual and System Standards at any time.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
t.	Integration/ Merger Clause	Section 26.05	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.
u.	Dispute Resolution By Arbitration Or Mediation	Section 25.02 and 25.03	With the exception of actions by us under Section 25.04 of the Franchise Agreement, all claims must first be mediated prior to arbitration or litigation. Except for certain claims, all disputes must be arbitrated in New York. The arbitration will occur with each respective party paying their own costs.
v.	Choice Of Forum	Section 25.01	Litigation must be in the state or Federal courts in the State of New York. (Subject to state law. See the state specific addenda attached to this Disclosure Document)
w.	Choice Of Law	Section 25.01	New York law. (Subject to state law. See the state specific addenda attached to this Disclosure Document)

ITEM 18.

PUBLIC FIGURES

We do not presently 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 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's financial performance or the past financial performance of company-owned or franchised stores. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing Restaurant, however, we may provide you with the actual records of that business. 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 our Chief Executive Officer, Robert Benhuri, 139 Fulton Street, Suite 208, New York, NY 10038 and 862-596-9224, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20.

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2013 TO 2015				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised*	2013	0	0	0
	2014	0	0	0
	2015	0	0	0
Company- Owned**	2013	1	1	0
	2014	1	1	0
	2015	1	1	0
Total Outlets	2013	1	1	0
	2014	1	1	0
	2015	1	1	0

- We began franchising on the issuance date of this Disclosure Document. Therefore, there is no franchise operating history to report for the three-year period preceding the issuance date of this disclosure document. *The Outlet identified as “Company-Owned”, is owned and operated by our affiliate in New York, NY. In addition to the Company-Owned outlet, there are two additional acupuncture clinics operating under the mark *City Acupuncture* in New York, New York. We currently anticipate that these locations will join the System as Franchised Clinics.
- **As disclosed in Item 1, there are currently two other independently owned clinics in operation in New York, however these clinics are not currently franchised locations. We anticipate that these locations will convert to franchised locations in the future. The names, addresses and telephone numbers for these clinics are as follows:

1. Bed-Stuy Acupuncture and Massage Therapy PLLC d/b/a City Acupuncture of Bed Stuy; 1069 Bedford Ave., New York, NY 11216; Telephone: 862-252-1230
2. East Village Community Acupuncture, PLLC, d/b/a City Acupuncture of East Village; 155 E. 2nd Street, New York, New York 10009; Telephone: 917-244-4486

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2013 TO 2015		
State	Year	Number of Transfers
All States	2013	0
	2014	0
	2015	0
Total*	2013	0
	2014	0
	2015	0

- We began franchising on the issuance date of this Disclosure Document. Therefore, there is no franchise operating history to report for the three-year period preceding the issuance date of this disclosure document.

Table No. 3

STATUS OF FRANCHISE OUTLETS FOR YEARS 2013 TO 2015								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
All	2013	0	0	0	0	0	0	0

STATUS OF FRANCHISE OUTLETS FOR YEARS 2013 TO 2015

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
States	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Total*	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0

- We began franchising on the issuance date of this Disclosure Document. Therefore, there is no franchise operating history to report for the three-year period preceding the issuance date of this disclosure document.

Table No. 4

STATUS OF COMPANY-OWNED* OUTLETS FOR YEARS 2013 TO 2015

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New York	2013	1	0	0	0	0	1
	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
Total	2013	1	0	0	0	0	1
	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1

*The Outlet identified as a “Company-Owned” outlet, is owned and operated by our affiliate.

Table No. 5

PROJECTED OPENINGS AS OF 12/31/2016*

State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
New York	0	1	0

Total	0	1	0
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*In the future, we may, at our sole discretion, elect to cease offering and selling franchise opportunities. Our decision to do so will not relieve you of your obligations under the Franchise Agreement.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

As of the issuance date of this Disclosure Document, there were no System franchisees and no former franchisees. Current franchisee information, including Clinic addresses and telephone numbers, in the future will be disclosed in Exhibit C to this Disclosure Document. In the future, former franchisee information will be provided in Exhibit D. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. As disclosed above, there are no current or former franchisees. Accordingly, during the last three fiscal years, no former franchisees have signed confidentiality clauses.

As of the Issuance Date of this Disclosure Document, there were no trademark-specific franchisee organizations associated with the System that have either been created, sponsored or endorsed by us, or that have been incorporated or otherwise organized under state law and have requested us to be included in this Disclosure Document within the 60 day period following the close of our fiscal year.

ITEM 21.

FINANCIAL STATEMENTS

THE FOLLOWING FINANCIAL STATEMENTS ARE ATTACHED TO THIS DISCLOSURE DOCUMENT AS EXHIBIT E:

1. Our Audited Balance Sheet as of June 20, 2016; and
2. Our unaudited balance sheet and statement of operations at December 19, 2016.

We are a start-up franchisor and have not been in business for three years or more. Therefore, we cannot include audited financial statements for the previous three fiscal years. Our fiscal year end is December 31.

ITEM 22.
CONTRACTS

THE FOLLOWING AGREEMENTS PROPOSED FOR USE IN THIS STATE ARE ATTACHED AS EXHIBITS TO THIS DISCLOSURE DOCUMENT:

- B Franchise Agreement
- F Sample Release
- G State Specific Addenda

ITEM 23.
RECEIPTS

Exhibit H of this Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Disclosure Document with an issuance date of October 17, 2016, by you. Please note that the issuance date is not the effective date for any registration state. Please refer to the state effective dates provided at the beginning of this Disclosure Document under the page titled "State Effective Dates-2016." You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Attention: Robert Benhuri, CEO at 139 Fulton Street, Suite 208, New York, NY 10038 and 862-596-9224.

-- Last Page --

EXHIBIT A
To CITY ACUPUNCTURE, LLC
FRANCHISE DISCLOSURE DOCUMENT

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Department of Business Oversight:
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 Toll Free (866) 275-2677

1515 K Street, Suite 200
Sacramento, CA 95814
(916) 445-7205
1350 Front Street
San Diego, CA 92101
(619) 525-4233

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8565

CONNECTICUT

State of Connecticut
Department of Banking
Securities & Restaurant Investments Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230
Agent: Banking Commissioner

HAWAII

(state administrator)
Business Registration Division
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722
(agent for service of process)
Commissioner of Securities
State of Hawaii
335 Merchant Street
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

INDIANA

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

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

MARYLAND

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

(for service of process)
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

(for service of process)
Corporations Division
Bureau of Commercial Services
Department of Labor and Economic Growth
P.O. Box 30054
Lansing, Michigan 48909

MINNESOTA

(state administrator)
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-6328

(for service of process)
Minnesota Commissioner of Commerce

NEW YORK

(state administrator)
New York State Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271
(212) 416-8211

(for service of process)
Secretary of State of New York
99 Washington Avenue
Albany, New York 12231
(518) 474-4750

NORTH DAKOTA

North Dakota Securities Department
State Capitol, Fifth Floor, Dept. 414
600 East Boulevard Avenue
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

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

RHODE ISLAND

Securities Division
Department of Restaurant Regulation,
Bldg 69, First Floor
John O. Pastore Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9582

SOUTH DAKOTA

Department of Labor and Regulation

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

VIRGINIA

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

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

WASHINGTON

(state administrator)
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760
(for service of process)
Director, Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, Washington 98501

WISCONSIN

(state administrator)
Division of Securities
Department of Financial Institutions
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 266-1064

(for service of process)
Administrator, Division of Securities
Department of Financial Institutions
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

EXHIBIT B
TO CITY ACUPUNCTURE, LLC
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT



**CITY ACUPUNCTURE, LLC
FRANCHISE AGREEMENT**

THIS AGREEMENT (this "Agreement") is made and entered into this ____ day of _____ 201____, by and between CITY ACUPUNCTURE LLC, a Delaware limited liability company with its principal place of business at 139 Fulton Street, Suite 208, New York, NY 10038 ("Franchisor," "CITY ACUPUNCTURE," "we," "us," or "our"), and _____, a _____ with its principal address at _____ ("Franchisee," "you," or "your").

BACKGROUND

A. CITY ACUPUNCTURE is the franchisor of the *City Acupuncture of New York™* franchise system (the "System"), which System currently involves the establishment and operation of businesses offering acupuncture services, massage therapy services, holistic health services featuring herbal medicine, and such other products and services as are designated or approved by Franchisor (each, a "Clinic").

B. The characteristics of the System currently include: sales and operating methods; advertising and marketing methods and techniques; interior and exterior design; décor; layout; fixtures and furnishings; customer service and development techniques; standards and procedures for efficient business operations; and training and assistance, any or all of which may be changed, improved, discontinued and/or further developed from time to time by CITY ACUPUNCTURE.

C. CITY ACUPUNCTURE identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, without limitation, the marks "*City Acupuncture of New York™*", and the *City Acupuncture of New York™* logo, and/or such other different and/or additional trade names, trademarks, and service marks as are now designated and may hereafter be designated by CITY ACUPUNCTURE in writing for use in connection with the System (collectively, the "Marks").

D. CITY ACUPUNCTURE has the right to establish brand standards and specifications for various aspects of the System (as may be prescribed and/or modified by

CITY ACUPUNCTURE from time to time, the "Standards and Specifications"), including, among others, standards and specifications related to: location selection; the Clinic's physical characteristics; operating procedures; products and services offered; supplier qualifications; training; marketing; and other aspects that affect and/or relate to enhancement and protection of the brand.

E. You desire to enter into the business of operating a Clinic under the System and to obtain a franchise from CITY ACUPUNCTURE for such purpose.

F. You have had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement and have had sufficient time and opportunity to evaluate and investigate the business concept and the procedure and financial requirements associated with the business, the competitive market in which the business franchised under this Agreement shall operate, as well as all applicable laws, rules and regulations applicable to the operation of a Clinic in your area.

G. You understand and acknowledge the importance of CITY ACUPUNCTURE's high standards of quality, safety, cleanliness, appearance, and service, and the necessity of operating the business franchised under this Agreement in conformity with CITY ACUPUNCTURE's Standards and Specifications.

AGREEMENT

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

ARTICLE 1. GRANT OF LICENSE; RESERVATION OF RIGHTS

1.01 Grant of License. Subject to the terms and conditions contained in this Agreement, CITY ACUPUNCTURE hereby grants to you, and you hereby accept, the right and nonexclusive license to operate a single Clinic (the "Franchised Clinic") at the Approved Clinic Location (as such term is defined in the Contract Data Sheet attached hereto as Exhibit A (the "Contract Data Sheet")), and to use the Marks and the System solely in connection with the operation of the Franchised Clinic. You acknowledge and agree that you are obligated to operate the Franchised Clinic for the duration of the Term (as defined in Section 3.01 below) and that you shall not engage in any other business at the Approved Clinic Location during the Term. The background paragraphs A through G set forth at the beginning of this Agreement are hereby incorporated by reference as if set forth fully herein.

Notwithstanding anything contained in this Agreement to the contrary, CITY ACUPUNCTURE shall have no right to supervise, direct, control, influence or suggest to you or the acupuncturists providing acupuncture services the manner in which you provide or may provide acupuncture services or otherwise influence your exercise of professional and medical (to the extent applicable) judgment, treatment protocols, employee decisions, relationships

with clients or your relationships with your employees. All medical and related decisions, acts or omissions made by or in connection with any person in any way associated with you or the Franchised Center will be the decisions of the individual professionals involved and will not be affected by or attributed to CITY ACUPUNCTURE.

1.02 No Territorial Protection; Reservation of Rights. You expressly acknowledge that the license granted to you under this Agreement is nonexclusive and that you are not provided with any territorial protection. The rights granted to you relate solely to your use of the Marks and the System in connection with the operation of the Franchised Clinic at the Approved Clinic Location during the Term. CITY ACUPUNCTURE retains all other rights. Specifically, but not exclusively, and without limiting the generality of the foregoing, CITY ACUPUNCTURE, and/or its affiliates, has the right, without granting you any rights therein, to:

1.02.1 establish, and/or license to others the right to establish businesses offering the same or similar services using the same or other proprietary marks anywhere;

1.02.2 market, sell and distribute, directly or indirectly, or license to others the right to market, sell and distribute, directly or indirectly, any products and services, from any location or to any purchaser wherever located, using the Marks or other trademarks or service marks through alternative channels of distribution, including through the Internet;

1.02.3 advertise and promote the System anywhere;

1.02.4 establish and operate, and to license others to establish and operate, a Clinic or business at any location, notwithstanding such business's proximity to the Clinic; and

1.02.5 acquire, be acquired by, merge or affiliate with, or engage in any transaction with any other business (whether or not these businesses are competitive), including competing franchise systems with Clinics operating in close proximity to your Clinic.

1.03 Modifications to the System.

1.03.1 You understand and agree that the System may not remain static, even in the face of, among other things, unforeseen changes in technology, competitive circumstances, economic circumstances, demographics, populations, consumer trends, societal trends, regulations, and other marketplace variables. Accordingly, you expressly understand and agree that CITY ACUPUNCTURE may, in its sole and absolute discretion, supplement, improve, and otherwise modify the System at any time in the future. In the interest of preserving the integrity of the System, CITY ACUPUNCTURE shall have full control and discretion over such developments, and you shall comply with all of CITY ACUPUNCTURE's requirements in that regard, including, without limitation, offering and selling new or different products and services, participating in specific promotions, including price-point promotions, or discontinuing the sale of certain products or the

offering of certain services. Upon reasonable notice by CITY ACUPUNCTURE of any System modifications, you shall be required to comply with any such modifications within the time period specified in the notice. CITY ACUPUNCTURE shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby.

1.03.2 If you or any of your owners, if you are a Legal Entity (as defined in Section 20.01 below), or any of your employees, develop any new modification, concept, process, improvement or slogan related to the operation or promotion of the Franchised Clinic or the System, the same shall be deemed a work made for hire. You shall promptly notify CITY ACUPUNCTURE of, and provide CITY ACUPUNCTURE with all necessary information regarding, such modification, concept, process, improvement or slogan. You acknowledge that any such modification, concept, process, improvement or slogan shall become CITY ACUPUNCTURE's sole and exclusive property and that CITY ACUPUNCTURE may use, and allow other franchisees to use, the same in connection with the System and the operation of Clinics, without compensation to you.

1.04 Acknowledgments; No Additional Rights.

1.04.1 You hereby acknowledge that, as a franchisee, you are required to comply with the Standards and Specifications, which CITY ACUPUNCTURE has the right to (and expects to) change and modify over time. CITY ACUPUNCTURE's Standards and Specifications shall be communicated to you in writing through CITY ACUPUNCTURE's Operations Manual (as defined in Section 11.01 below) and in any other form that CITY ACUPUNCTURE may deem necessary or desirable from time to time. You acknowledge that complete uniformity may not be possible or practical throughout the System. You further acknowledge and agree that CITY ACUPUNCTURE is under no obligation to continue to offer or to sell franchise opportunities and may elect to cease offering and selling franchises at any time in CITY ACUPUNCTURE's sole and absolute discretion without any liability to you.

1.04.2 You acknowledge and agree that this Agreement relates solely to, and is limited to, the operation of the Franchised Clinic at the Approved Clinic Location, and affords you no right, title or interest in any additional franchises to be operated at any other location (subject to relocation of the Franchised Clinic, if authorized, in accordance with the terms and conditions of this Agreement). You shall not, without the express written permission of CITY ACUPUNCTURE, which permission may be withheld in CITY ACUPUNCTURE's sole and absolute discretion, offer or sell products or services through any other means or locations, including, without limitation, temporary locations, kiosks or trailers, or electronic means (including the Internet).

ARTICLE 2. APPROVED CLINIC LOCATION

2.01 Site Selection Process.

2.01.1 If you have not secured an Approved Clinic Location as of the Effective Date (as such term is defined in the Contract Data Sheet), you shall at your sole cost and expense: (a) find a location within the Designated Area (as such term is defined in the

Contract Data Sheet), which location shall be subject to CITY ACUPUNCTURE's prior approval in accordance with Section 2.01.2 below; (b) within sixty (60) days after signing this Agreement, enter into a binding lease agreement for the location in accordance with the terms and conditions set forth in Section 2.02 below; and (c) as soon as possible after execution of the lease agreement, begin constructing and equipping the Franchised Clinic in strict accordance with Article 9 hereof and each of CITY ACUPUNCTURE's then-current standards, procedures, plans and specifications.

2.01.2 You shall submit a proposed location for the Franchised Clinic in writing in advance to CITY ACUPUNCTURE for approval of the location, which approval may be granted or withheld in CITY ACUPUNCTURE's sole and absolute discretion. CITY ACUPUNCTURE shall approve or disapprove the proposed location within 30 days after the date that CITY ACUPUNCTURE receives all information that CITY ACUPUNCTURE requests regarding the proposed location. If CITY ACUPUNCTURE does not approve or disapprove the proposed location within this 30-day period, the proposed location shall be deemed disapproved.

2.01.3 You acknowledge that the selection, procurement and development of the site for the Franchised Clinic are your responsibility. You further acknowledge that CITY ACUPUNCTURE's approval of a site and/or rendering of assistance in the selection of any site does not constitute a representation, promise, warranty or guarantee, express or implied, by CITY ACUPUNCTURE, its officers, employees, directors or agents, as to the potential sales volume, profits, or success of the Franchised Clinic to be developed, opened and operated by you at such location. CITY ACUPUNCTURE shall not be liable to you in any way with respect to any assistance that CITY ACUPUNCTURE provided to you during the site selection process, and/or in CITY ACUPUNCTURE's recommendation or approval of any site location.

2.01.4 If you do not secure an Approved Clinic Location within 90 days after signing this Agreement, CITY ACUPUNCTURE has the right to immediately terminate this Agreement.

2.01.5 Once the location for the Franchised Clinic is secured in accordance with the terms of this Agreement, the parties shall amend the Contract Data Sheet to identify the approved location as the "Approved Clinic Location."

2.02 Lease Requirements.

2.02.1 You shall acquire or lease the Approved Clinic Location at your expense. If you lease the Approved Clinic Location, you shall obtain CITY ACUPUNCTURE's prior written approval, which may be granted or withheld in CITY ACUPUNCTURE's sole and absolute discretion, before entering into a lease agreement. Before you sign any lease agreement, you shall provide a copy of the proposed lease agreement to CITY ACUPUNCTURE and pay to CITY ACUPUNCTURE, or its designated supplier, a lease review fee of One Thousand Five Hundred Dollars (\$1,500) (the "Lease Review Fee"). The Lease Review Fee covers the expenses that CITY ACUPUNCTURE incurs to have the lease agreement reviewed on CITY ACUPUNCTURE's behalf. You are not a third party beneficiary of the lease review. You agree that CITY ACUPUNCTURE

does not guarantee that the terms, including rent, shall represent the most favorable terms available in the market. If CITY ACUPUNCTURE is required to engage in more than one lease review for the proposed franchised location (or a different proposed franchised location), you shall pay CITY ACUPUNCTURE or its designated supplier a Lease Review Fee for each lease review CITY ACUPUNCTURE undertakes. CITY ACUPUNCTURE is not required and has no obligation to negotiate the terms of your lease. You shall provide CITY ACUPUNCTURE with a copy of your fully executed lease agreement immediately after signing.

2.02.2 At a minimum, CITY ACUPUNCTURE requires the inclusion of the provisions set forth in the Lease Rider attached to this Agreement as Exhibit B.

2.03 Lease Renewal Efforts. If the term of the lease for the Franchised Clinic is shorter than the Term, you agree to use your best efforts to obtain a renewal of the existing lease of the Franchised Clinic premises, or a new lease for the Franchised Clinic premises, to enable you to continue to operate the Franchised Clinic at the Approved Clinic Location for the duration of the Term. You shall provide CITY ACUPUNCTURE with written notice of your lease expiration no later than eight (8) months prior to the expiration of your lease term.

ARTICLE 3. TERM & SUCCESSOR FRANCHISE

3.01 Initial Term. The initial term of this Agreement shall commence on the Effective Date and shall expire one (1) year from the earlier to occur of (a) the date Franchisee opens for business; or (b) the Required Opening Date, unless sooner terminated by CITY ACUPUNCTURE in accordance with the terms of this Agreement (the "Initial Term" or "Term").

3.02 Successor Franchise Agreement. Upon the expiration of the Initial Term, Franchisee shall have the option to obtain a Successor Franchise Agreement for an additional two (2)-year term (the "Successor Term"), providing that this Agreement has not yet been terminated and you comply with each of the conditions set forth below:

3.02.1 You deliver written notice to CITY ACUPUNCTURE of your desire to obtain a Successor Franchise Agreement no later than one hundred twenty (120) days prior to the expiration of the Initial Term;

3.02.2 You are not in default of any provision of this Agreement, any amendments to this Agreement, or any other agreement between you (or any of your owners, Guarantors or affiliates) and CITY ACUPUNCTURE and/or its subsidiaries and affiliates at the time you deliver the notice required under Section 3.02.1 above, or on the date that the Initial Term expires;

3.02.3 You have not received more than two (2) written notices of default of this Agreement during the Initial Term;

3.02.4 You have satisfied all monetary obligations owed by you to CITY ACUPUNCTURE and CITY ACUPUNCTURE's subsidiaries and affiliates;

3.02.5 You agree to make any renovations and improvements to the Franchised Clinic as CITY ACUPUNCTURE may deem necessary or advisable to modernize, renovate, equip and decorate the Franchised Clinic to reflect CITY ACUPUNCTURE's then-current System standards;

3.02.6 At least thirty (30) days before the Initial Term expires, you execute CITY ACUPUNCTURE's then-current form of franchise agreement (the "Successor Franchise Agreement"), which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement and may include increased fees (including an increased Royalty Fee and Advertising Fee); *provided, however,* that you shall not be required to pay another initial franchise fee;

3.02.7 You execute a general release, in a form prescribed by CITY ACUPUNCTURE, of any and all claims against CITY ACUPUNCTURE, its officers, directors, managers, employees and agents, as well as CITY ACUPUNCTURE's affiliates, parents and subsidiaries and their respective officers, directors, managers, employees and agents;

3.02.8 You comply with CITY ACUPUNCTURE's then-current qualification and training requirements; and

3.02.9 You pay to CITY ACUPUNCTURE a successor franchise fee equal to \$1,500.00.

For the avoidance of doubt, you understand and agree that the option to obtain a Successor Franchise Agreement shall be forfeited if you fail to comply with the conditions set forth in this Section 3.02.

ARTICLE 4. CONSTRUCTION AND OPENING

4.01 Construction Requirements.

4.01.1 Plans and Specifications. It shall be your sole and absolute responsibility to construct the Franchised Clinic in accordance with our standards and specifications and all applicable laws, including the Americans with Disabilities Act ("ADA") and the local laws, rules and regulations governing public accommodations.

4.01.2 Adaptation of Plans and Specifications. You shall, at your sole cost and expense, employ architects, designers, engineers or others as may be necessary to prepare plans and specifications for the construction, build-out and layout of the Clinic (the "Draft Plans and Specs"). Before any construction or build-out work commences, you shall submit the Draft Plans and Specs to CITY ACUPUNCTURE for its review and approval. CITY ACUPUNCTURE shall have the right to review such plans and specifications to determine compliance with brand standards and specifications, and shall either approve the plans and specifications, in the manner specified in Section 4.01.3 below, or disapprove them and provide comments thereon.

4.01.3 CITY ACUPUNCTURE Approval. You shall not commence construction of the Franchised Clinic until CITY ACUPUNCTURE approves, in writing, the Draft Plans and Specs and final plans and specifications to be used in constructing the Franchised Clinic. Once the final plans are approved, you shall cause the Clinic to be completed in full accordance therewith.

4.01.4 Alterations and Modifications. If CITY ACUPUNCTURE determines that the Franchised Clinic is not being built, or was not built, in full accordance with the final plans, CITY ACUPUNCTURE shall have the right to require you to cause to be made all alterations or modifications of the Franchised Clinic that CITY ACUPUNCTURE deems necessary. CITY ACUPUNCTURE may consult with you, to the extent CITY ACUPUNCTURE deems necessary, on the construction and equipping of the Franchised Clinic, but it shall be and remain your sole responsibility to diligently design, construct, equip and otherwise ready and open the Franchised Clinic.

4.01.5 Zoning and Permits. You shall be responsible, at your expense, for obtaining all zoning classifications, permits, clearances, certificates of occupancy, and Franchised Clinic clearances, which may be required by governmental authorities for the Franchised Clinic.

4.01.6 Insurance Coverage. You shall obtain and maintain in force, during the entire period of such construction, such insurance policies and for such amounts as set forth in this Agreement and as CITY ACUPUNCTURE may designate in its sole and absolute discretion, including in the Operations Manual.

4.01.7 Licensed Contractors. You shall use licensed general contractors, designers and architects to perform any and all construction work at the Franchised Clinic, including in connection with any remodeling or renovations. CITY ACUPUNCTURE expressly disclaims any warranty of the quality or merchantability of any goods or services provided by architects, contractors, or any other persons or entities to which CITY ACUPUNCTURE may refer to you. CITY ACUPUNCTURE is not responsible for delays in the construction, equipping or decoration of any Franchised Clinic or for any loss resulting from the Franchised Clinic design or construction. You acknowledge that CITY ACUPUNCTURE has no control over the landlord or any developer and numerous construction and/or any related problems that could occur and delay the opening of the Franchised Clinic.

4.01.8 CITY ACUPUNCTURE Access to Clinic and Progress Reports. CITY ACUPUNCTURE shall have access to the Franchised Clinic at all times during the Term, including while work is in progress, and shall require alterations or modifications of the construction of the Franchised Clinic as CITY ACUPUNCTURE may deem necessary or appropriate in its sole and absolute discretion.

4.01.9 Final Inspection; Approval. You shall promptly notify CITY ACUPUNCTURE of the date of completion of the construction of the Franchised Clinic and, within ten (10) days thereafter, CITY ACUPUNCTURE shall have the right to conduct a final inspection of the Franchised Clinic. You shall not open the Franchised Clinic for business without the express written authorization of CITY ACUPUNCTURE, and CITY

ACUPUNCTURE's authorization to open may be conditioned upon your strict compliance with the specifications of the approved final plans and with the standards of the System.

4.01.10 Completion and Opening Requirements. You shall complete construction of the Franchised Clinic (including all exterior and interior carpentry, electrical, plumbing, painting, and finishing work, and installation of all furniture, fixtures, equipment, and signs) in accordance with the plans approved in writing by CITY ACUPUNCTURE, at your expense, and open the Franchised Clinic no later than the earlier to occur of: (a) one hundred eighty (180) days after the Effective Date; or (b) ninety (90) days after the date on which you enter into a valid and binding lease agreement or purchase agreement, as applicable, for the Approved Clinic Location (the "Required Opening Date").

4.02 Installation of Equipment, Furnishings, Fixtures and Signs / Decor.

4.02.1 You shall install and use in and about the Franchised Clinic only such equipment, fixtures, furnishings, interior and exterior signage, and other personal property which strictly conforms to the appearance, uniform standards, specifications and procedures of CITY ACUPUNCTURE and the System, as may be revised from time to time in CITY ACUPUNCTURE's sole and absolute discretion. Such items are sometimes referred to herein collectively as the "Equipment and Furnishings". You shall purchase and install all Equipment and Furnishings only from those suppliers which CITY ACUPUNCTURE designates or approves in its sole and absolute discretion. CITY ACUPUNCTURE shall have the right to retain any rebates or incentives offered by such vendors or suppliers. CITY ACUPUNCTURE and/or its affiliates reserves the right to be one of the suppliers, or the sole supplier, of any Equipment and Furnishings and may derive revenue, benefits, or other material consideration from such purchases. CITY ACUPUNCTURE shall have the right to inspect and approve all Equipment and Furnishings and their installation to ensure your compliance with CITY ACUPUNCTURE's Standards and Specifications.

4.02.2 You agree that all décor of the Franchised Clinic shall be previously approved by CITY ACUPUNCTURE and shall comply with CITY ACUPUNCTURE's Standards and Specifications, as described in the Operations Manual, this Agreement, or in such other written communications provided to you by CITY ACUPUNCTURE, which communications may be periodically revised. CITY ACUPUNCTURE owns all intellectual property rights, including, without limitation, all copyrights, in and to all forms of art or other visual media displayed in your Franchised Clinic including pictures, drawings, photographs and all other items that CITY ACUPUNCTURE directs you to display (the "Art"). You shall not, without CITY ACUPUNCTURE's prior written consent, allow any of the Art to become a fixture of your Franchised Clinic and you shall not display or use the Art in any other business, including any Competitive Business (as defined in Section 19.02.2 below). Your failure to maintain your Franchised Clinic's décor in compliance with CITY ACUPUNCTURE's Standards and Specifications, the Operations Manual, or any other policy of CITY ACUPUNCTURE constitutes a material breach of this Agreement.

4.03 Initial Inventory Package, Equipment, Furniture and Supplies.

4.03.1 After you sign this Agreement, CITY ACUPUNCTURE shall give you a list of the start-up inventory, furniture, fixtures, software, equipment and supplies that CITY ACUPUNCTURE requires you to obtain before you open your Franchise Clinic which may include mandated software and computer requirements, massage tables, supplies (including cloths, needles, cupping sets, pillow cases, towels), herbal supplies, prescription pads, and massage oils (the "Initial Inventory Package"), together with a list of any designated or approved suppliers.

4.03.2 You shall purchase the Initial Inventory Package items from the designated or approved suppliers, which supplier may include CITY ACUPUNCTURE and/or an affiliate of CITY ACUPUNCTURE, before you open the Franchised Clinic within the time periods designated by CITY ACUPUNCTURE. CITY ACUPUNCTURE does not provide any warranty or service guaranty of any item, including, without limitation, any equipment or inventory item.

4.03.3 Unless CITY ACUPUNCTURE designates otherwise in writing, you shall establish independent commercial relationships with CITY ACUPUNCTURE's approved or designated suppliers for specific items. You shall establish independent commercial relationships with other suppliers for the goods and services for which CITY ACUPUNCTURE only provides specifications. CITY ACUPUNCTURE's list of approved suppliers and specifications for goods and services shall be set forth in the Operations Manual, the Initial Inventory Package, or in such other materials provided to you by CITY ACUPUNCTURE from time to time.

ARTICLE 5. FEES

5.01 Initial Franchise Fee. In consideration of the franchise granted under this Agreement, you shall pay to CITY ACUPUNCTURE, upon or prior to the execution of this Agreement, an initial franchise fee of Five Thousand Dollars (\$5,000) (the "Initial Franchise Fee"). The Initial Franchise Fee is deemed fully earned and non-refundable upon payment.

5.02 Royalty Fee. You shall pay to CITY ACUPUNCTURE, without offset, credit or deduction of any nature, a continuing nonrefundable royalty fee equal to: (a) \$750 per month for the first six (6) months of the Initial Term; and (b) \$1,000 per month during the period beginning in the seventh month of the Term and continuing through the remainder of the Initial Term (the "Royalty Fee"). Your obligation to pay the Royalty Fee to CITY ACUPUNCTURE shall commence on the earlier to occur of (i) the date you open the Franchised Business; or (ii) the date on which you are required to open the Franchised Business under this Agreement. The Royalty Fee shall be due and payable in accordance with Section 5.03 below.

5.03 Method of Payment. You shall pay the Royalty Fee to CITY ACUPUNCTURE in the manner and on the date designated by CITY ACUPUNCTURE. CITY ACUPUNCTURE has the right to change the date and manner through which it requires you to pay any or all amounts due to CITY ACUPUNCTURE under this Agreement upon written notice to you at any time. You shall immediately comply with all such changes and sign any and all documents and agreements necessary to implement any

such payment program or process. Unless otherwise designated by CITY ACUPUNCTURE in writing, you shall pay the Royalty Fee on a monthly basis by electronic funds transfer ("EFT"). The Royalty Fee and Advertising Fee shall be payable as follows:

5.03.1 Royalty Fee Pay Period: CITY ACUPUNCTURE shall automatically draft the Royalty Fee due based on tenth (10th) day of each month. CITY ACUPUNCTURE may, in its sole and absolute discretion, permit or require you to pay the Royalty Fee to CITY ACUPUNCTURE via check, which check shall be due on the tenth (10th) day of each month for the Royalty Fee due in connection with the immediately preceding month.

5.04 EFT.

5.04.1 You shall, upon execution of this Agreement, and at any time thereafter at CITY ACUPUNCTURE's request, sign and deliver to CITY ACUPUNCTURE the EFT form (in substantially the form attached hereto as Exhibit D, the "Electronic Funds Transfer Form") and such other documents or forms as CITY ACUPUNCTURE may require to process EFT payments initiated by CITY ACUPUNCTURE pursuant to this Agreement, including, without limitation, the Royalty Fees. In addition, from time to time at CITY ACUPUNCTURE's reasonable request, you shall sign and deliver such additional documents as CITY ACUPUNCTURE may require to enable CITY ACUPUNCTURE to draw drafts against your bank accounts for such purposes.

5.04.2 You shall report all Gross Sales to CITY ACUPUNCTURE in the form and manner designated by CITY ACUPUNCTURE.

5.04.3 Should any EFT payment not be honored by your bank for any reason, you agree that you shall be responsible for such payment plus any bank or other charges incurred by or assessed upon CITY ACUPUNCTURE, if any. You further agree that you shall at all times throughout the Term maintain a balance in your bank account against which such EFT payments are to be drawn sufficient to cover the Royalty Fees. If the Royalty Fees are not received when due, interest may be charged by CITY ACUPUNCTURE in accordance with Section 5.10.

5.04.4 Upon written notice to you, and at CITY ACUPUNCTURE's sole discretion, CITY ACUPUNCTURE may require you to pay the Royalty Fees directly to CITY ACUPUNCTURE in the form and manner designated by CITY ACUPUNCTURE, in lieu of an EFT.

5.05 Gross Sales Reporting. On or before the tenth (10th) day of each month, you shall prepare and submit to CITY ACUPUNCTURE via electronic mail to the email address designated by CITY ACUPUNCTURE, or such other delivery method specified by CITY ACUPUNCTURE, a monthly Gross Sales report reflecting all Gross Sales for the previously concluded month. You hereby acknowledge that CITY ACUPUNCTURE has the unrestricted right to access your POS System (as defined in Section 8.04 below), which may include access to daily Gross Sales information and client lists. CITY ACUPUNCTURE reserves the right to require you to prepare and submit Gross Sales reports and/or statements in the form and manner designated by CITY ACUPUNCTURE at any time, in lieu of collecting written Gross Sales reports via electronic mail. You shall

immediately comply with any and all such requirements upon your receipt of written notice from CITY ACUPUNCTURE.

5.06 "Gross Sales" Defined. As used in this Agreement, "Gross Sales" shall mean all revenue derived from the sale of any and all products and services and all other income of every kind and nature related in any way to the Franchised Clinic and all revenue derived from the sale any and all products and services at the premises from which the Franchised Clinic is located, whether for cash, check or credit (and regardless of collection in the case of credit) or debit card, and whether or not such sales are made at or by the Franchised Clinic, including, without limitation, Internet sales (or the like), sales to clubs, hotels and the like, and as corporate gifts; *provided, however*, that you may deduct any sales taxes which were collected by you as required by law. You shall retain and make available to CITY ACUPUNCTURE on ten (10) days' notice, copies of all tax reports and vendor invoices evidencing all sales tax payments.

5.07 Taxes. If any tax or fee (other than federal or state income tax) is imposed on CITY ACUPUNCTURE by any government or governmental agency due to CITY ACUPUNCTURE's receipt of fees owed to CITY ACUPUNCTURE under this Agreement, then you agree to pay CITY ACUPUNCTURE the amount of such tax as an additional franchise fee. CITY ACUPUNCTURE shall have no liability for any sales, use, excise, gross receipts, income, property or other taxes, whether levied upon you, the Franchised Clinic or its assets, in connection with the sales made, services performed or business conducted by you.

5.08 No Offset or Withholding. You shall not offset or withhold payments owed to CITY ACUPUNCTURE for amounts purportedly due to you from CITY ACUPUNCTURE or its affiliates as a result of any dispute of any nature or otherwise; rather, you shall pay all amounts owed to CITY ACUPUNCTURE and seek reimbursement thereafter.

5.09 Allocation. CITY ACUPUNCTURE shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee to CITY ACUPUNCTURE or its affiliates, despite any other allocation by Franchisee.

5.10 Interest on Late Payments. All Royalty Fees, amounts due for purchases from CITY ACUPUNCTURE or its affiliates, and all other amounts owed to CITY ACUPUNCTURE or its affiliates shall bear interest after the due date at the lesser of the highest legal rate permissible or eighteen percent (18%) per annum. Notwithstanding the foregoing, you acknowledge that this Section does not constitute an agreement by CITY ACUPUNCTURE to accept such payments after the due date or a commitment by CITY ACUPUNCTURE to extend credit to, or otherwise finance, your operation of the Franchised Clinic.

ARTICLE 6. CITY ACUPUNCTURE'S DUTIES

6.01 Pre-Opening Obligations.

6.01.1 CITY ACUPUNCTURE will review the Draft Plans and Specs submitted by you in accordance with this Agreement.

6.01.2 CITY ACUPUNCTURE shall provide your Franchisee Training Team (as defined in Section 7.01 below) with an initial training program prior to the opening of the Franchised Clinic. All initial training provided by CITY ACUPUNCTURE shall be subject to the terms and conditions set forth in this Agreement.

6.01.3 CITY ACUPUNCTURE shall provide to you such pre-opening assistance as CITY ACUPUNCTURE, in its sole and absolute discretion, deems advisable, subject to the availability of CITY ACUPUNCTURE's personnel.

6.01.4 CITY ACUPUNCTURE shall provide to you access to one copy of the confidential Operations Manual, which CITY ACUPUNCTURE may provide to you in either written or electronic format. From time to time in CITY ACUPUNCTURE's sole and absolute discretion, CITY ACUPUNCTURE shall make such modifications and additions to the Operations Manual as are necessary in order to, among other things, incorporate new developments or other changes in System standards, specifications, procedures, and techniques (including, to the fullest extent permitted by law, changes relating to the maximum, minimum, or other prices for products and services offered and sold by the Clinics). You agree to pay the then-current replacement fee established by CITY ACUPUNCTURE for the replacement of the Operations Manual or other CITY ACUPUNCTURE materials.

6.01.5 CITY ACUPUNCTURE may provide you with information and the identification of sources to purchase certain designated products, equipment, furnishings, fixtures, supplies, inventory, signage and Clinic collateral materials.

6.02 Additional Discretionary Assistance. CITY ACUPUNCTURE may, in its sole and absolute discretion, provide the following to you:

6.02.1 Additional Training (as defined in Section 7.02 below), after the opening of the Franchised Clinic, as CITY ACUPUNCTURE deems appropriate; and

6.02.2 Continuing advisory assistance in the operation of the Franchised Clinic, after the opening of the Franchised Clinic, as CITY ACUPUNCTURE deems advisable.

6.03 Conferences. CITY ACUPUNCTURE may conduct an annual conference at such place as CITY ACUPUNCTURE designates for System franchisees. CITY ACUPUNCTURE may require you to attend the annual conference or we may specify that attendance is optional. We may charge registration or similar fees for any and all conferences. You shall be responsible for the registration fees and similar fees, in addition to all costs that you and any other attendees you are permitted to bring to the conference incur in connection with attendance. The mandatory registration fees per conference will not exceed \$1,000 per person.

6.04 Outsourcing. CITY ACUPUNCTURE may, in its sole and absolute discretion, elect to outsource, and/or subcontract certain of CITY ACUPUNCTURE's obligations under this Agreement to subsidiaries, affiliates, contract employees, third-party vendors, and/or other third-party suppliers; provided that: (a) any such outsourcing and/or subcontracting shall not discharge CITY ACUPUNCTURE from its obligations under this Agreement; and (b) any such outsourced or subcontracted obligations shall be performed in accordance with the terms of this Agreement.

ARTICLE 7. TRAINING

7.01 Initial Training Program.

7.01.1 Franchisee Training Team. The "Franchisee Training Team" shall be comprised of each of the following "Franchisee Trainees": (a) Franchisee (or, if Franchisee is a Legal Entity, then at least one of Franchisee's owners) (the "Managing Owner" or "Responsible Owner"); and (b) Franchisee's general manager (the "General Manager"). The General Manager of Franchisee shall be either: (i) the Franchisee (or, if Franchisee is a Legal Entity, one of its owners), or (ii) an individual that has been approved by CITY ACUPUNCTURE. Each of the Franchisee Trainees shall attend and successfully complete, to CITY ACUPUNCTURE's satisfaction, an initial training program prescribed by CITY ACUPUNCTURE before the opening of the Franchised Clinic (the "Initial Training"). Each member of the Franchisee Training Team who successfully completes the Initial Training in accordance with the foregoing shall be deemed a "Trained Manager". The Franchised Clinic shall at all times be operated under the management and supervision of a Trained Manager. Any persons subsequently employed by Franchisee as a Managing shall be required to attend and complete the Initial Training to CITY ACUPUNCTURE's satisfaction before commencing any management duties.

7.01.2 Training Completion Deadline. The Franchisee Training Team shall complete the pre-opening components of the Initial Training at the times designated by CITY ACUPUNCTURE, and unless otherwise approved by CITY ACUPUNCTURE, no later than seven (7) days before the Franchised Clinic opens for business. Franchisee shall not be permitted to open the Franchised Clinic until the Initial Training is completed in accordance with this Agreement.

7.01.3 Responsibility for Costs & Expenses. There is no fee payable to CITY ACUPUNCTURE for the Initial Training for the Franchisee Trainees, however, you shall be responsible for all of the costs set forth in Section 7.03 below.

7.02 Additional Training.

7.02.1 Additional Training Required. Should you require additional training or retraining for any of the Franchisee Trainees any time after the Initial Training has been completed ("Franchisee-Requested Training"), CITY ACUPUNCTURE may, in its sole and absolute discretion, provide such training. Furthermore, CITY ACUPUNCTURE may require, in CITY ACUPUNCTURE's sole and absolute discretion, that one or more of the Franchisee Trainees, including any replacement trainees, attend and successfully complete a periodic refresher/retraining course ("CITY ACUPUNCTURE-Requested Training",

together with Franchisee-Requested Training, the "Additional Training"), in order to correct any problems or deficiencies that CITY ACUPUNCTURE becomes aware of in the operation of the Franchised Clinic as it relates to maintenance or protection of the brand and/or the Marks.

7.02.2 Responsibility for Costs & Expenses. Any person who is required to attend the Additional Training shall do so at your expense. You shall be responsible for all of the costs set forth in Section 7.03 below. In addition, you shall pay to CITY ACUPUNCTURE in advance a standard hourly fee that CITY ACUPUNCTURE shall establish from time to time (the "Hourly Training Fee").

7.02.3 Form of Training. CITY ACUPUNCTURE reserves the right in its sole and absolute discretion to provide elements of any training required or contemplated under this Agreement via the Internet or any online source, remotely, via audio or video conferencing, or in any other manner that may be reasonable or appropriate under the circumstances.

7.03 Location of Training; Associated Costs/Expenses of Training. All training programs shall be held at such times and places as may be designated by CITY ACUPUNCTURE. If CITY ACUPUNCTURE elects to conduct such training at the Franchised Clinic, Franchisee shall reimburse CITY ACUPUNCTURE for the reasonable out-of-pocket expenses incurred by CITY ACUPUNCTURE's training instructor(s), including, without limitation, all travel expenses, food and lodging. If CITY ACUPUNCTURE elects to provide such training at CITY ACUPUNCTURE's facilities, Franchisee shall reimburse CITY ACUPUNCTURE for all reasonable costs of attendance for CITY ACUPUNCTURE and its personnel, including, without limitation, all travel expenses, food and lodging. In addition to the foregoing, Franchisee is responsible for any and all additional costs and expenses incurred in connection with such training, including expenses related to any required courses, seminars, and/or programs.

ARTICLE 8. GENERAL OPERATING STANDARDS AND DUTIES OF FRANCHISEE

8.01 Franchisee Performance Obligations. You understand and acknowledge that every detail of the Franchised Clinic is important to you, CITY ACUPUNCTURE, and the other franchisees in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all franchisees, and to protect the reputation and goodwill of CITY ACUPUNCTURE and the System. You shall maintain CITY ACUPUNCTURE's high standards with respect to facilities, services, products, and quality. Without limiting the generality of the foregoing, you shall construct, open, maintain and operate the Franchised Clinic for the Term pursuant to and in accordance with the System, the Standards and Specifications set forth in this Agreement, the requirements of the Operations Manual, and any other written publication or policy issued by CITY ACUPUNCTURE. You agree to operate the Franchised Clinic in accordance with the System and only for the purpose(s) designated in this Agreement, the Operations Manual, and such other publications or policies issued by CITY ACUPUNCTURE from time to time.

8.02

General Obligations.

8.02.1 Quality Standards. All services and goods used or offered for sale at the Franchised Clinic shall meet CITY ACUPUNCTURE's then-current standards of safety, quality, good taste, suitability, and conformity with the System's image and consumer expectations. You shall maintain all supplies, equipment, products, and other items in the Franchised Clinic in excellent working condition. You shall replace such items with either the same or substantially the same types and kinds of equipment approved or required by CITY ACUPUNCTURE at the time replacement becomes necessary, as designated by CITY ACUPUNCTURE.

8.02.2 Hours of Operation. You shall keep the Franchised Clinic open and in normal operation for such minimum hours and days as CITY ACUPUNCTURE may specify in its sole and absolute discretion. You shall use the Approved Clinic Location solely for the operation of the Franchised Clinic and no portion of the premises may be assigned, subleased, or otherwise transferred except as part of a sale of the Franchised Clinic that is approved by CITY ACUPUNCTURE in writing. You shall refrain from using or permitting the use of the Franchised Clinic premises for any purpose or activity other than the operation of a Clinic at any time, and shall operate in strict conformity with such methods, Standards and Specifications as CITY ACUPUNCTURE may prescribe from time to time.

8.02.3 Direct Supervision. The Franchised Clinic and the provision of all acupuncture services shall always be under the direct, on-premises supervision of a licensed manager who has been properly trained. You shall have exclusive control over, and assume full responsibility for, all labor relations, including, without limitation, the recruitment, hiring, firing, and disciplining of employees, setting employee compensation, and determining employee work schedules. You shall provide conspicuous notice on all employee application forms and employment agreements that you are an independently contractor operating a franchised Clinic under license from CITY ACUPUNCTURE and that, if employed, the applicant will not be an employee of CITY ACUPUNCTURE or any of its affiliates.

8.02.4 Staff. You shall employ and maintain a competent, conscientious, and trained staff, including a licensed and insured acupuncturist. You acknowledge that it is your responsibility to ensure that all managers and employees follow CITY ACUPUNCTURE's Standards and Specifications. You shall ensure compliance with the dress code as may be prescribed by CITY ACUPUNCTURE from time to time. We do not direct or control labor or employment matters for you or your employees, or for any of our franchisees and/or their employees. We may make suggestions and may provide guidance relating to such matters, however it is entirely your responsibility to determine whether to adopt, follow and/or implement any of our suggestions or guidance. Notwithstanding anything contained in this Agreement to the contrary, mandatory specifications, standards and operating procedures, including as set forth in any manual, do not include the terms or conditions of employment for any of your employees, nor do they include mandated or required personnel policies or procedures.

8.02.5 Customer Relations. You shall take such steps as are necessary to ensure that you and your employees preserve good customer relations and render

competent, prompt, courteous and knowledgeable service. You shall handle all customer complaints, gift certificates, refunds and other adjustments in the manner prescribed in writing by CITY ACUPUNCTURE and in a manner that shall not detract from the name and goodwill of CITY ACUPUNCTURE.

8.02.6 Telephone Number. You shall maintain a telephone number for the operation of the Franchised Clinic and shall execute a conditional assignment of all telephone numbers used in connection with the Franchised Clinic (in substantially the form attached hereto as Exhibit E, the "Conditional Assignment of Telephone Numbers and Listings").

8.02.7 Inspections. In an effort to advance the protection and enhancement of the brand and the Marks, you shall permit CITY ACUPUNCTURE and its agents to enter the Franchised Clinic premises at any time for the purpose of conducting inspections of your operations and shall cooperate with CITY ACUPUNCTURE's representatives in such inspections by rendering such assistance as may reasonably be requested. Upon notice from CITY ACUPUNCTURE or its agents, and without limiting CITY ACUPUNCTURE's other rights under this Agreement, you shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should you, for any reason, fail to correct such deficiencies within a reasonable time as determined by CITY ACUPUNCTURE, CITY ACUPUNCTURE shall have the right and authority (but not the obligation), in addition to any other rights or remedies available to CITY ACUPUNCTURE under this Agreement or applicable law, to correct such deficiencies and to charge you a reasonable fee for CITY ACUPUNCTURE's expenses in so acting, payable by Franchisee upon demand.

8.03 Repairs and Maintenance of the Franchised Clinic. You shall repair and maintain the Franchised Clinic (including adjacent public areas and parking lots) in a clean, orderly condition and in good repair and in accordance with the System standards, the Operations Manual and this Agreement.

8.04 Computer System. You shall purchase and maintain the computer and point of sale system designated by CITY ACUPUNCTURE (the "POS System"), which shall be used in the operation of the Franchised Clinic and for reporting purposes and purchased from a supplier designed by CITY ACUPUNCTURE. You shall comply with the following provisions relating to the POS System:

8.04.1 You shall update and upgrade the POS System as designated by CITY ACUPUNCTURE. CITY ACUPUNCTURE may require you to enter into a separate maintenance and/or support agreement for your POS System at any time, at your sole cost and expense.

8.04.2 You shall record all sales at or from the Franchised Clinic at the time of sale on the POS System, in accordance with CITY ACUPUNCTURE's procedures.

8.04.3 You shall comply with such requirements determined by CITY ACUPUNCTURE from time to time regarding maintenance, training, storage and safeguarding of data, records, reports and other matters relative to the POS System.

8.04.4 CITY ACUPUNCTURE has the right to independently access any and all information on your POS System at any time without prior notice to you. Without limiting the generality of the foregoing, you shall, at your sole cost and expense, permit CITY ACUPUNCTURE immediate access to your POS System, electronically or otherwise, at all times. CITY ACUPUNCTURE shall have the right to use the information accessed on the POS System in any manner that CITY ACUPUNCTURE determines, including using any and all such information in CITY ACUPUNCTURE's Franchise Disclosure Document and/or sharing your financial statements, including profit and loss statements, with other System franchisees.

8.05 Pricing and Promotional Programs.

8.05.1 Pricing. CITY ACUPUNCTURE reserves the right, subject to compliance with applicable laws, to require you to offer all services and products at prices not to exceed the prices CITY ACUPUNCTURE publishes from time to time, effective upon written notice to you. CITY ACUPUNCTURE reserves the right to prohibit you from charging prices lower than CITY ACUPUNCTURE's published prices for any item, to the maximum extent allowed by applicable law. You shall have sole discretion as to the prices to be charged to customers with respect to the offer and sale of all other goods and services.

8.05.2 Gift Card & Loyalty Programs. You shall participate in and comply with all of the terms and conditions of any gift card and/or loyalty program designated by CITY ACUPUNCTURE. CITY ACUPUNCTURE or its designee shall have the right to retain any and all funds and overages for unclaimed gift cards (whether in part or in whole) and/or loyalty programs. In connection with any such program(s), you may be required to, among other things: (a) enter into a gift card terms and conditions agreement with a designated supplier; (b) purchase card processing machines and a specified quantity of gift cards; (c) pay a transaction processing fee; and/or (d) pay an ongoing maintenance and/or service fee. In addition to the other indemnification obligations set forth in this Agreement, you shall indemnify and hold CITY ACUPUNCTURE harmless from any and all damages, claims, demands, actions, suits, proceedings or judgments of any kind or nature, by reason of any claimed act or omission related to gift cards issued by you in connection with the operation of the Franchised Clinic.

8.05.3 Promotional Programs. You shall participate in all of the national, regional or local advertising and promotional activities that CITY ACUPUNCTURE requires. You understand that CITY ACUPUNCTURE may frequently implement promotions such as discount coupons, frequent customer cards, special service promotions and other activities intended to enhance customer awareness and build traffic at Clinics on a national, regional or local level. You understand that your participation in these programs is essential to the success of such advertising and promotional programs and that such participation may entail some cost to you. You agree that CITY ACUPUNCTURE has no obligation to reimburse you for any costs you incur due to your mandatory participation in these special promotional programs.

8.05.4 Data Security; Credit Cards & Debit Cards.

(1) You shall use your best efforts to protect your customers against any data breach or cyber-event, including, without limitation, identity theft or theft of personal information (a "Data Security Breach"). If a Data Security Breach occurs, in the interest of protecting the goodwill associated with the *City Acupuncture of New York™* brand and franchise system, we reserve the right to perform and / or control any and all aspects of the response to such event, including, without limitation, the investigation, containment and resolution of the event and all communications with the franchise system, vendors and suppliers, customers, law enforcement agencies, regulatory authorities and the general public. You hereby acknowledge and agree that, if we elect to exercise this right, our actions and control of the response may potentially affect or interrupt operations of the Clinic. You shall have no right to pursue or recover any damages against us or any of our affiliates in connection with any action taken in response to any Data Security Breach.

(2) You shall at all times be compliant with Payment Card Industry Data Security Standards (and its successors), any and all requirements imposed by all applicable payment processors and networks, including credit card and debit card processors, and any and all state and federal laws, rules and regulations relating to data privacy, data security and security breaches. You hereby acknowledge and agree that if we engage or designate a third party service provider to administer a data security program, you will be required to comply with the requirements of such service provider. It is your responsibility to ensure that you operate your Clinic at all times in compliance with all aforementioned laws, rules, regulations and requirements and you are strongly encouraged to engage legal and data security professionals to ensure your full compliance.

(3) You shall maintain, at all times, credit-card relationships with the credit and debit-card issuers or sponsors, check or credit verification services, financial-Clinic services, merchant service providers, companies that provide services for electronic payment, and electronic-funds-transfer systems that we designate or authorize (each a "Payment Card Vendor"). We may require, as a condition of approval of any Payment Card Vendor, that each such Payment Card Vendor comply with our reporting standards. We may revoke approval of any previously authorized Payment Card Vendor at any time. You shall comply with all of our policies regarding acceptance of payment by credit cards, debit cards or other electronic forms of payment.

ARTICLE 9. REQUIRED PURCHASES; RESTRICTIONS ON EQUIPMENT, PRODUCTS, SERVICES AND SOURCES OF SUPPLY

9.01 Equipment, Fixtures and Furnishings. You shall, at your expense, purchase or lease, install and use in connection with the Franchised Clinic only such Equipment and Furnishings which CITY ACUPUNCTURE designates, requires or approves, all of which shall conform to the Operations Manual, CITY ACUPUNCTURE's Standards and Specifications, and such other publications and policies issued by CITY ACUPUNCTURE from time to time. You shall not install or permit to be installed at the Franchised Clinic any item that is not specifically approved or designated by CITY ACUPUNCTURE. CITY ACUPUNCTURE shall have the right to inspect and approve all Equipment and Furnishings and their installation to ensure your compliance with this Agreement and CITY ACUPUNCTURE's Standards and Specifications. You shall not install or permit to be installed at the Franchised Clinic:

9.01.1 any games, vending machines, entertainment devices, computer terminals, or other similar items, unless specifically approved or designated by CITY ACUPUNCTURE; or

9.01.2 any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items that do not comply with CITY ACUPUNCTURE's standards, unless CITY ACUPUNCTURE has provided its prior written consent.

9.02 Products and Services. You shall offer for sale, or otherwise use in the Franchised Clinic, all products, materials, packaging, supplies, goods, merchandise and items (collectively, the "Products") that CITY ACUPUNCTURE requires and approves, in its sole and absolute discretion, in the manner and style that CITY ACUPUNCTURE requires and in accordance with Section 8.01 of this Agreement. You shall offer, sell and provide the acupuncture and related services and such other services that CITY ACUPUNCTURE designates (collectively, the "Services") in accordance with CITY ACUPUNCTURE's Standards and Specifications at the Clinic. You shall not offer for sale any Products or Services that are not specifically approved by CITY ACUPUNCTURE, or that are disapproved for sale at or from the Franchised Clinic in CITY ACUPUNCTURE's sole and absolute discretion. You may not deviate from CITY ACUPUNCTURE's Standards and Specifications in any way without obtaining CITY ACUPUNCTURE's prior written consent, which may be granted or withheld in CITY ACUPUNCTURE's sole and absolute discretion. **NEITHER CITY ACUPUNCTURE NOR ANY OF ITS AFFILIATES MAKE ANY EXPRESS OR IMPLIED WARRANTIES REGARDING THE EQUIPMENT, GOODS OR SERVICES THAT YOU MUST PURCHASE, AND CITY ACUPUNCTURE AND ITS AFFILIATES EXCLUDE (AND EXPRESSLY DISCLAIM) ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE,** except as set forth in a particular written warranty, if any, provided in connection with a particular Product or Service. **Notwithstanding anything contained in this Agreement to the contrary, CITY ACUPUNCTURE shall have no right to supervise, direct, control, influence or suggest to you or the acupuncturists providing acupuncture services the manner in which you provide or may provide acupuncture services or otherwise influence your exercise of professional and medical (to the extent applicable) judgment, treatment protocols, employee decisions, relationships with clients or your relationships with your employees. All medical and related decisions, acts or omissions made by or in connection with any person in any way associated with you or the Franchised Center will be the decisions of the individual professionals involved and will not be affected by or attributed to CITY ACUPUNCTURE.**

9.03 Supply of Designated or Approved Items. You shall maintain in sufficient supply the Products, and Equipment and Furnishings, as designated or approved by CITY ACUPUNCTURE, so as to be able to meet your obligations under this Agreement and the needs of your customers.

9.04 Approved Suppliers.

9.04.1 Approved and Designated Suppliers. You shall purchase all services and items, including, without limitation, Products, inventory, services, signs, Equipment and Furnishings, fixtures, and supplies only from distributors and suppliers that CITY ACUPUNCTURE has designated or otherwise approved in writing. CITY ACUPUNCTURE shall provide you with a list of any designated suppliers, which CITY ACUPUNCTURE has the right to change at any time in its sole and absolute discretion. CITY ACUPUNCTURE has the right to revoke its approval of any approved or designated supplier at any time, in which event, you shall immediately cease from purchasing or acquiring any items from any such disapproved supplier. CITY ACUPUNCTURE reserves the right to become an approved vendor, or the only approved vendor for any item, product or service in the future.

9.04.2 Supplier Contracts. CITY ACUPUNCTURE may require you to enter into, and strictly comply with the terms of agreements and contractual arrangements directly with System suppliers in the form(s) designated by CITY ACUPUNCTURE (each a "Supplier Contract"), and you hereby agree to immediately sign and comply with all such requirements. You acknowledge that the Supplier Contracts may change over time and new Supplier Contracts may be designated in the future.

9.04.3 Proposal of Additional Suppliers. If you wish to purchase any items, Products, Equipment and Furnishings, or other supplies from a supplier or distributor who is not on CITY ACUPUNCTURE's approved list, you may request CITY ACUPUNCTURE's approval of the supplier or distributor. The following procedures shall apply in the event that you wish to propose an alternate supplier or distributor:

(1) In order for such supplier or distributor to be approved: (a) the product or service offered by the proposed supplier or distributor shall conform in every respect to CITY ACUPUNCTURE's Standards and Specifications; (b) the proposed supplier or distributor shall have a good business reputation and be able and willing to provide sufficient quantities of the product or service to you; (c) the proposed supplier or distributor shall provide CITY ACUPUNCTURE with any information that CITY ACUPUNCTURE requests in order to analyze the supplier's or distributor's suitability, and the composition and conformity of the product or service to CITY ACUPUNCTURE's Standards and Specifications; and (d) the proposed supplier or distributor shall agree that, if approved, it shall provide CITY ACUPUNCTURE with reports concerning all purchases by you and other franchisees. This evaluation may include a sampling of the product or service at the supplier/distributor's place of business or CITY ACUPUNCTURE's place of business, as CITY ACUPUNCTURE may designate. CITY ACUPUNCTURE expects that the cost of testing shall range from Five Hundred Dollars to Fifteen Hundred Dollars (\$500 to \$1,500) depending on the complexity of the particular product or service. You or the supplier/distributor shall be responsible for all costs and expenses incurred by CITY ACUPUNCTURE in the evaluation process.

(2) CITY ACUPUNCTURE cannot predict with any certainty how long CITY ACUPUNCTURE's evaluation process shall take; however, CITY ACUPUNCTURE shall attempt to complete the evaluation within a reasonable time, generally not to exceed thirty (30) days. Upon the completion of the evaluation, CITY ACUPUNCTURE shall inform you of CITY ACUPUNCTURE's approval or disapproval of your request for an alternate supplier or distributor. If CITY ACUPUNCTURE approves the supplier or distributor, the supplier or distributor shall be added to CITY ACUPUNCTURE's approved

list, however, CITY ACUPUNCTURE's approval of a supplier or distributor shall relate only to the item or product line evaluated and specifically approved by CITY ACUPUNCTURE.

(3) CITY ACUPUNCTURE's Standards and Specifications and other criteria for supplier or distributor approval have been developed by CITY ACUPUNCTURE through the expenditure of extensive work and time and shall therefore be considered Confidential Information (as defined in Section 12.01 below). Therefore, CITY ACUPUNCTURE has no obligation whatsoever to make its Standards and Specifications or other criteria for supplier or distributor approval available to Franchisee or any proposed or approved suppliers.

9.05 CITY ACUPUNCTURE's Right to Derive Revenue & Consideration. You acknowledge and agree that, subject to restrictions imposed under applicable law, CITY ACUPUNCTURE and/or its affiliates reserve the right to derive income, consideration, payments and other material benefits on account of your purchase and/or lease, and any System franchisee's purchase and/or lease, of any item and/or service, including, without limitation, Equipment and Furnishings, Products, Services and other items from CITY ACUPUNCTURE or any supplier/distributor, including approved suppliers/distributors and/or designated suppliers/distributors. This income may be derived in any form, including as a rebate from any supplier or distributor based on the quantity of System franchisee purchases. CITY ACUPUNCTURE may use these benefits for any purpose that CITY ACUPUNCTURE deems appropriate. CITY ACUPUNCTURE is not obligated to remit any benefits to you and reserves the right to retain all such benefits. CITY ACUPUNCTURE does not guarantee the availability of independent sources of supply for any particular item, Equipment or Furnishings, Product or Service required to establish or operate the Franchised Clinic.

9.06 Purchasing Programs. CITY ACUPUNCTURE shall have the right, in its discretion, to designate any geographical area for purposes of establishing a purchasing program ("Purchasing Program"). If a Purchasing Program applicable to the Franchised Clinic has been established at the time Franchisee commence operations, or is established during the Term, you shall immediately participate in the Purchasing Program, unless prohibited by applicable state and/or federal laws, rules or regulations.

ARTICLE 10. MARKS

10.01 Ownership. The Marks are currently owned by Robert Benhuri, CITY ACUPUNCTURE's principal.

10.02 Use of the Marks. With respect to your licensed use of the Marks and the trade dress of the Franchised Clinic (the "Trade Dress") pursuant to this Agreement, you agree that:

10.02.1 You shall use only the Marks designated by CITY ACUPUNCTURE in connection with the operation of the Franchised Clinic, and shall use them only in the manner authorized and permitted by CITY ACUPUNCTURE. Any unauthorized use thereof shall constitute an infringement of CITY ACUPUNCTURE's rights and trademark infringement.

10.02.2 You shall have the right to use the Marks and the Trade Dress only: (a) at the Franchised Clinic and in connection with the operation of the Franchised Clinic in strict accordance with the terms of this Agreement, the Operations Manual and CITY ACUPUNCTURE's Standards and Specifications; and (b) in connection with the advertising and/or promotion of the Franchised Clinic, in strict accordance with the terms of this Agreement, the Operations Manual and CITY ACUPUNCTURE's Standards and Specifications.

10.02.3 You acknowledge that this Agreement does not grant you the right to offer or sell products or services from any other location or by any other means, including, without limitation, catalog or mail order sales, Internet sales (or the like), sales to Clinics, clubs, hotels and the like, and as corporate gifts, without CITY ACUPUNCTURE's prior written consent, which may be granted or withheld by CITY ACUPUNCTURE in its sole and absolute discretion. You further acknowledge that you are not permitted to offer any services at or from the Clinic or the premises from which you operate the Clinic other than those services designated or approved in writing by CITY ACUPUNCTURE.

10.02.4 You shall not, without CITY ACUPUNCTURE's prior written consent: (a) develop, create, generate, own, license, lease or use, in any manner, any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, web page, domain name, bulletin board, newsgroup or other Internet-related medium or activity) that in any way uses or displays, in whole or in part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto; or (b) use electronic media, including, without limitation, the Internet or any social media sites (such as Facebook, Twitter, LinkedIn, Living Social, Instagram, Groupon, MySpace, Pinterest, YouTube, Foursquare, Yelp, Google, Yahoo, or any other similar or comparable social media platform), in a manner that uses or displays, in whole or in part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto. If CITY ACUPUNCTURE's consent to any of the foregoing activities is granted, you shall in all instances comply with any conditions and restrictions that CITY ACUPUNCTURE imposes, including the Standards and Specifications and such other policies and procedures as CITY ACUPUNCTURE may establish from time to time. And, if such consent is granted, CITY ACUPUNCTURE reserves the right to revoke such consent effective upon written notice to you.

10.02.5 You shall execute any documents deemed necessary or advisable by CITY ACUPUNCTURE and/or CITY ACUPUNCTURE's counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.

10.02.6 You shall not, directly or indirectly, contest the validity of the Marks, or CITY ACUPUNCTURE's ownership of the Marks.

10.02.7 In the event that litigation involving the Marks is instituted or threatened against you, you shall promptly notify CITY ACUPUNCTURE and shall cooperate fully in defending or settling such litigation.

10.02.8 Without limiting the generality of the foregoing restrictions, you shall not use the Marks on any employment applications, employment agreements, paychecks, or third-party agreements.

10.03 Infringement. You shall promptly notify CITY ACUPUNCTURE of any infringement of, or challenge to, the Marks, and CITY ACUPUNCTURE shall, in its sole and absolute discretion, take such action as CITY ACUPUNCTURE deems necessary or appropriate. If CITY ACUPUNCTURE undertakes the defense or prosecution of any litigation pertaining to any of the Marks, you shall execute any and all documents and do such acts and things as may, in the opinion of CITY ACUPUNCTURE's counsel, be necessary or advisable to carry out such defense or prosecution. CITY ACUPUNCTURE has the right to require, in its sole and absolute discretion, that you discontinue your use of the Marks and/or modify or substitute any of the Marks in connection with any pending or threatened litigation involving your use of such Marks.

10.04 Acknowledgments. You expressly understand and acknowledge that:

10.04.1 CITY ACUPUNCTURE or its affiliate is the owner of all right, title and interest in and to the Marks and the goodwill associated therewith and symbolized thereby.

10.04.2 Your use of the Marks pursuant to this Agreement does not give you any ownership interest or other interest in or to the Marks, except the license granted by this Agreement. Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to CITY ACUPUNCTURE's benefit, and upon expiration of termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the System or the Marks.

10.04.3 CITY ACUPUNCTURE has the right, at any time, by giving notice to you, to completely change, add to, delete from, and/or make changes in the Marks in CITY ACUPUNCTURE's unrestricted discretion. You shall, at your expense, adopt and use any additions, deletions and changes to the Marks that CITY ACUPUNCTURE requires. If CITY ACUPUNCTURE decides at any time in its sole and absolute discretion to modify or discontinue the use of any Mark or use of additional or substitute Marks, you shall comply with CITY ACUPUNCTURE's directions within a reasonable time after CITY ACUPUNCTURE gives you notice. CITY ACUPUNCTURE has no obligation to reimburse you for any expenses you incur in connection with CITY ACUPUNCTURE's modification or discontinuance of any Marks, including your direct costs of changing signs, loss of revenue or costs of promoting any new or modified Mark.

ARTICLE 11. OPERATIONS MANUAL

11.01 Compliance with Operations Manual. In order to protect the reputation and goodwill of CITY ACUPUNCTURE and to maintain high brand standards of operation under CITY ACUPUNCTURE's Marks, you shall conduct your business in accordance with the Standards and Specifications and other standards, methods, policies, and procedures specified in the Operations Manual, one copy of which you acknowledge having received on loan from CITY ACUPUNCTURE for the Term. The "Operations Manual" shall mean CITY ACUPUNCTURE's confidential operations manual(s), including any Operating Amendments thereto (as defined below in Section 11.02), which Operation Manual may consist of computerized documents of software, printed operations manuals, and all information provided through the Internet, extranet, audiotapes, videotapes and/or any other medium used from time to time by the System and designated as part of the Operations Manual. The Operations Manual may contain information and specifications concerning the Standards and Specifications and such other information concerning the System that CITY ACUPUNCTURE provides periodically to System franchisees.

11.02 Modifications, Revisions, Additions. CITY ACUPUNCTURE may, from time to time, revise, modify or make additions to the contents of the Operations Manual, and you expressly agree to comply with each new or changed standard and/or specification. Without limiting the generality of the foregoing, CITY ACUPUNCTURE may update and change the Operations Manual periodically ("Operating Amendments") in order to reflect changes in the Standards and Specifications. CITY ACUPUNCTURE may notify you of any Operating Amendment by e-mail, facsimile, Internet transmission, extranet, or by any other means. CITY ACUPUNCTURE may require you to access an extranet or comparable system on a daily basis to check for any such Operating Amendments. If you fail to do so as designated by CITY ACUPUNCTURE, you shall nevertheless be bound by any Operating Amendments that you would have received had you checked for the Operating Amendments as required.

ARTICLE 12. CONFIDENTIALITY

12.01 Confidentiality.

12.01.1 For purposes of this Agreement, the term "Confidential Information" shall mean information, knowledge, know-how and techniques related to the Franchisor, the System, the Products, the Services, the Marks, marketing and advertising methods, techniques and programs, client and customer lists, the Franchised Clinic and the other Clinics, and the general operation, business and management of the System, which is communicated to you or learned by you in the course of your operation of the Franchised Clinic or your participation in the System. Without limiting the foregoing, you acknowledge and agree that the client and customer lists created in connection with the operation of the Franchised Clinic, including the client list accessible through the POS system, belongs to us and is deemed our Confidential Information. You shall have no right to retain any client or customer lists after the expiration or termination of this Agreement. You shall treat the Operations Manual, and any other documents or manuals created for or approved for use in the operation of the Franchised Clinic, and the information contained therein as "Confidential Information".

12.01.2 At all times during the Term and thereafter, you shall maintain all Confidential Information as secret and shall not communicate, divulge, or use for the benefit of any other person(s), partnership, association, limited liability company or corporation any Confidential Information. You shall divulge such Confidential Information only to such of your employees as are required to have access to it in order to operate the Franchised Clinic. Any additional information that CITY ACUPUNCTURE shall consider to be Confidential Information shall be deemed confidential for purposes of this Agreement, except information which you can demonstrate came to your attention prior to disclosure thereof by CITY ACUPUNCTURE, or which, at or after the time of disclosure by CITY ACUPUNCTURE to you, had become or later becomes a part of the public domain, through lawful publication or communication by others.

12.02 Covenants. As a condition of employment, you shall require any and all Franchisee Trainees and employees who attend the Initial Training or any Additional Training, each of your Managers, and any personnel having access to any Confidential Information to execute a confidentiality agreement (in substantially the form attached hereto as Exhibit F, the "Confidentiality Agreement"), pursuant to which such persons shall agree to maintain the confidentiality of the Confidential Information that they receive in connection with their employment by you at the Franchised Clinic. Each Confidentiality Agreement shall include a specific identification of CITY ACUPUNCTURE as a third party beneficiary of such agreement with the independent right to enforce it. You shall provide CITY ACUPUNCTURE with a copy of all executed Confidentiality Agreements within five (5) days of hiring any such managers and/or employees.

12.03 Injunctive Relief. You acknowledge that any failure to comply with the requirements of this Article 12 shall cause CITY ACUPUNCTURE and/or its affiliates irreparable injury, and you agree to pay all court costs and reasonable attorney's fees incurred by CITY ACUPUNCTURE and/or its affiliates in obtaining specific performance of, or an injunction against violation of, the requirements of this Article 12.

ARTICLE 13. RECORDS, REPORTS & ACCOUNTING

13.01 Books & Records. You shall maintain and preserve, for at least ten (10) years from the dates of their preparation, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by CITY ACUPUNCTURE.

13.02 Required Reports. In addition to the monthly Gross Sales reports required under Section 5.05 above, you shall prepare and submit to CITY ACUPUNCTURE via electronic mail to the email address designated by CITY ACUPUNCTURE, or such other delivery method as specified by CITY ACUPUNCTURE, quarterly profit and loss statements on or before the fifteen (15th) day of the month immediately following the expiration of each calendar quarter.

13.03 Additional Reports. Without limiting the foregoing, you shall, at your expense, submit to CITY ACUPUNCTURE in the form prescribed by CITY ACUPUNCTURE, and maintain readily available for CITY ACUPUNCTURE's inspection,

review, and/or auditing, any and all financial reports required by CITY ACUPUNCTURE. You are obligated to provide the following information to CITY ACUPUNCTURE:

13.03.1 a semi-annual internal balance sheet and profit and loss statement and an annual balance sheet and profit and loss statement reviewed by a certified public accountant;

13.03.2 an annual copy of your signed 1120 or 1120S tax form filed with the Internal Revenue Service (or any forms which take the place of those forms), all state and local sales and use tax reports that you are required to file and, upon CITY ACUPUNCTURE's written request, copies of all tax returns or reports filed by you for the periods specified in CITY ACUPUNCTURE's notice;

13.03.3 copies of all operating reports to your landlord and/or shopping mall operator, if required or provided pursuant to your lease agreement for the Approved Clinic Location;

13.03.4 your state sales tax returns, and such portions of your federal and state income tax returns as reflect the operations of the Franchised Clinic; and

13.03.5 such other forms, reports, records, information, and data as CITY ACUPUNCTURE may reasonably designate from time to time.

13.04 Verification/Inspection/Use. You shall verify and sign each report and financial statement in the form CITY ACUPUNCTURE periodically requires. You hereby give CITY ACUPUNCTURE the right to disclose information from your reports relating to the income, expenses and sales from the operation of the Franchised Clinic to confirm that you are complying with your obligations under this Agreement and to formulate earnings and expense information for possible disclosure to prospective franchisees. CITY ACUPUNCTURE may also use information from your reports in CITY ACUPUNCTURE's solicitation of other franchisees or for similar purposes. CITY ACUPUNCTURE may require you to have your financial statements reviewed or audited by a certified public accountant at your cost and expense. We reserve the right to, as frequently as on a daily basis if so desired: (a) access your cash registers, POS System and any other computer systems; (b) retrieve all information relating to the Franchised Clinic's operations; and (c) program your computerized cash registers, POS System and any other computer systems so that they send such information automatically to CITY ACUPUNCTURE or its designee. You shall take whatever actions CITY ACUPUNCTURE specifies to ensure that CITY ACUPUNCTURE has continuous, real-time remote electronic access to each of your business systems in order to monitor and retrieve all information stored in such systems.

13.05 Inspection and Audit. CITY ACUPUNCTURE or its designated agents shall have the right, during reasonable hours, to examine and copy, at CITY ACUPUNCTURE's expense, your books, records, and tax returns. CITY ACUPUNCTURE shall also have the right, at any time, to have an independent audit made of your books and records. CITY ACUPUNCTURE's right to audit and inspect your books and records shall survive for four (4) years following any termination or expiration of this Agreement.

ARTICLE 14. ADVERTISING

14.01 Acknowledgment. You understand and hereby acknowledge that advertising, marketing and promotional activities are essential to the furtherance of the goodwill and public image of CITY ACUPUNCTURE and the System, as well as the success of your Franchised Clinic. Recognizing the value of advertising, and the importance of the standardization of the System's advertising programs, you agree to each of the terms and conditions set forth in this Article 14.

14.02 Generally. CITY ACUPUNCTURE has the right to develop and create advertising and sales promotion programs designed to promote and enhance the System and the Clinics operating under the System. You shall participate in all advertising and sales promotion programs established by CITY ACUPUNCTURE in strict accordance with CITY ACUPUNCTURE's terms and conditions. You shall place or display at the Franchised Clinic only such signs, emblems, lettering, logos, displays, advertising and marketing materials approved in advance by CITY ACUPUNCTURE. You shall conduct all advertising in a dignified manner and all advertising materials and items shall conform to CITY ACUPUNCTURE's Standards and Specifications. You shall not use any advertising or promotional plans or materials unless and until you have received written approval from CITY ACUPUNCTURE in accordance with this Article 14. For all advertising and promotional activities, you shall submit samples of such plans and materials to CITY ACUPUNCTURE for its prior approval. If you do not receive written approval from CITY ACUPUNCTURE within fifteen (15) days of the date of receipt by CITY ACUPUNCTURE of such samples or materials, then CITY ACUPUNCTURE shall be deemed to have approved them.

14.03 Territorial Advertising Restriction. You are not permitted to solicit customers and/or advertise outside of the Approved Territory (as designated in Exhibit A attached to this Agreement), except to the extent that you have received CITY ACUPUNCTURE's prior written authorization, which may be granted or withheld in CITY ACUPUNCTURE's sole and absolute discretion. CITY ACUPUNCTURE may condition its authorization upon, among other things, your agreement to offer other System franchisees who are operating Clinics in territories encompassed by the circulation base of the proposed advertising the opportunity to participate in, and share the expense of, such solicitation and/or advertising efforts. Notwithstanding the foregoing, you are not required to obtain CITY ACUPUNCTURE's prior written authorization to use or circulate an advertisement outside of the Approved Territory, provided that such advertisement is a general System advertisement and does not identify or promote the Franchised Clinic and CITY ACUPUNCTURE has already approved the form and content of such advertising materials.

14.04 Use of Marks in Advertising. All advertising shall prominently display the Marks and shall comply with CITY ACUPUNCTURE's standards for use of the Marks. You shall obtain CITY ACUPUNCTURE's prior written approval before using any of the Marks on any item, including signs, stationary, business cards, forms and other supplies.

14.05 Grand Opening Advertising. You shall conduct a grand opening advertising campaign and expend the amount designated in the Contract Data Sheet in the manner CITY ACUPUNCTURE specifies or approves (the "Grand Opening Advertising

Expenditure"). CITY ACUPUNCTURE may designate an approved supplier of local advertising and marketing services and may require you to engage such supplier's services in connection with the grand opening of the Franchised Clinic. CITY ACUPUNCTURE may require you to expend the Grand Opening Advertising Expenditure in accordance with any such approved or designated supplier's Grand Opening advertising program. You shall prepare and submit to CITY ACUPUNCTURE a written plan detailing the grand opening advertising campaign no later than forty-five (45) days before the Franchised Clinic's scheduled grand opening. Within four (4) months following the date that the Franchised Clinic opens for business, you shall furnish CITY ACUPUNCTURE such evidence as CITY ACUPUNCTURE may reasonably require to verify your compliance with the Grand Opening Advertising Expenditure requirements.

14.06 Required Local Advertising Expenditure. In addition to the Advertising Fee, you shall spend, at a minimum, the greater of (a) \$500, or (b) three percent (3%) of your Gross Sales, each month (the "Local Advertising Requirement") for local advertising and marketing. You shall provide CITY ACUPUNCTURE with a monthly accounting of all sums you expend to meet your Local Advertising Requirement. Your monthly Local Advertising Requirement may, with CITY ACUPUNCTURE's prior written consent, be accumulated by you for seasonal expenditure upon such terms as CITY ACUPUNCTURE may prescribe or authorize. CITY ACUPUNCTURE reserves the right to require you to submit to CITY ACUPUNCTURE, on a quarterly or monthly basis as CITY ACUPUNCTURE designates, a local marketing plan specifically describing how you propose to spend Local Advertising Requirement. If you fail to meet your Local Advertising Requirement, or if you fail to otherwise comply with your local marketing obligations, CITY ACUPUNCTURE shall have the right, in addition to any and all other rights and remedies available to it under this Agreement and/or at law, to require you to: (a) immediately pay all sums you were required to, but failed to, expend (the "Local Advertising Deficiency"), to a Fund; (b) spend the Local Advertising Deficiency in the manner designated or approved by CITY ACUPUNCTURE for Local Marketing Purposes (as defined in Section **Error! Reference source not found.** below); or (c) immediately pay the Local Advertising Deficiency to CITY ACUPUNCTURE to be expended by CITY ACUPUNCTURE or its designees directly in your Clinic's area for Local Marketing Purposes.

14.07 Minimum Requirements Only. You understand and acknowledge that the required contributions and expenditures set forth in this Article 14 are minimum requirements only, and that you may, and are encouraged by CITY ACUPUNCTURE to, expend additional funds for advertising, marketing and promotion.

14.08 Internet Restrictions. You shall not establish a presence on the Internet, or use it for marking purposes, without obtaining CITY ACUPUNCTURE's prior written consent and complying with any conditions and restrictions CITY ACUPUNCTURE designates. You are strictly prohibited from listing, advertising, marketing and/or promoting the Franchised Clinic on any social or networking website or mobile application, including, without limitation, Facebook, LinkedIn, MySpace, Twitter, Groupon, Instagram, LivingSocial, Pinterest, YouTube, Foursquare, Yelp, Google, Yahoo or any similar site, without CITY ACUPUNCTURE's prior written consent in each instance. CITY ACUPUNCTURE may withhold or revoke its consent for any reason. You may not

promote or sell any products or services, or make any use of the Marks, through the Internet or any other electronic medium, including mobile applications, without CITY ACUPUNCTURE's prior written approval, which CITY ACUPUNCTURE may withhold in its sole and absolute discretion. As a condition of granting any consent, CITY ACUPUNCTURE shall have the right to establish any requirement that CITY ACUPUNCTURE deems appropriate.

14.08.1 CITY ACUPUNCTURE may (but is not required to) include in any CITY ACUPUNCTURE website an interior page containing information about the Franchised Clinic. If CITY ACUPUNCTURE includes such information on the website, CITY ACUPUNCTURE shall have the right to require you to prepare the page, at your expense, using CITY ACUPUNCTURE's designated template. All information shall be approved by CITY ACUPUNCTURE before it is posted. CITY ACUPUNCTURE retains the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You shall follow CITY ACUPUNCTURE's designated intranet and Internet usage rules, policies and requirements, as they may be developed, changed or modified by CITY ACUPUNCTURE in its sole and absolute discretion at any time during the Term. CITY ACUPUNCTURE retains the sole right to approve any linking to, or other use of, the website.

14.09 Limitation of CITY ACUPUNCTURE's Duties. You understand and agree that CITY ACUPUNCTURE makes no representations or warranties regarding the quality or effectiveness of any advertising and marketing activities and CITY ACUPUNCTURE has no liability to you with respect to any marketing or advertising activities.

14.10 Your Obligation to Ensure Compliance with Applicable Laws relating to Advertising and Promotional Programs. You shall be solely responsible for complying with all applicable laws and regulations relating to any and all advertising conducted by you or on your behalf and relating to your participation in any advertising program or promotional program. You hereby acknowledge that our review of any proposed marketing or promotional plans or materials is limited to a review of your use of the Marks and the content of the proposed advertising from a branding and trademark protection perspective. You are strongly encouraged to engage counsel to assist you in ensuring compliance with all applicable laws, rules and regulations throughout the Term.

ARTICLE 15. INSURANCE

15.01 Generally. You shall procure, prior to the commencement of any operations under this Agreement, and shall maintain in full force and effect at all times during the Term, at your expense, each of the insurance policies set forth in Section 15.02 below (the "Insurance Policies"), which Insurance Policies shall each name CITY ACUPUNCTURE as an additional insured and serve to protect you and CITY ACUPUNCTURE, and your and CITY ACUPUNCTURE's respective officers, directors, partners, and employees, against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense, whatsoever, arising or relating to the Franchised Clinic.

15.02 Minimum Requirements. The Insurance Policies shall be written by a responsible carrier or carriers acceptable to CITY ACUPUNCTURE, with a financial rating of A- or better. Except with respect to additional coverages and higher policy limits that may be reasonably required by CITY ACUPUNCTURE from time to time and/or required under the terms of the lease for the Franchised Clinic, the Insurance Policies shall include, at a minimum, the following types of policies:

15.02.1 Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, completed operations and products liability, personal and advertising injury, in the amount of \$3,000,000 in the aggregate and \$1,000,000 per occurrence, and fire damage coverage in the amount of \$150,000, and naming us as an additional insured.

15.02.2 Professional Liability Insurance in the amount of \$3,000,000 in the aggregate and \$1,000,000 per occurrence. In operating the Franchised Clinic, you are required to equip the Franchised Clinic with a staff of three to five licensed acupuncturists. You must require and ensure that each licensed acupuncturist working at your Clinic carries and maintains (at his or her own expense) professional liability insurance with the above professional liability insurance coverage. Each policy must name you and CITY ACUPUNCTURE as an additional insured.

15.02.3 "All Risks" coverage for the full cost of replacement of the Clinic and the leasehold improvements and all other property in which we have an interest, with no coinsurance clause, a replacement cost clause attached, agreed amount endorsement equal to 100% of the value of the property.

15.02.4 Employer's Liability, Workers' Compensation and any other insurance required by statute or rule of the state or locality in which your Clinic is located.

15.02.5 Business interruption insurance, in an amount equal to 100% of your annual Gross Sales, excluding ordinary payroll expenses, and naming us as an additional insured.

15.02.6 You may, with the prior written consent of CITY ACUPUNCTURE, elect to have reasonable deductibles in connection with the coverage required under Sections 15.02.1 and 15.02.2 above.

15.03 Builder's All-Risk Insurance. In connection with any construction, renovation, refurbishment, or remodeling of the Franchised Clinic, you shall maintain "Builder's All-Risks Insurance" and performance and completion bonds in the forms and amounts, and written by a carrier or carriers, reasonably satisfactory to CITY ACUPUNCTURE.

15.04 No Limitation. Your obligation to obtain and maintain the foregoing Insurance Policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by CITY ACUPUNCTURE, nor shall your performance of that obligation relieve you of liability under the indemnity provisions, including as set forth in Section 22.03 of this Agreement.

15.05 Franchisee's Negligence. All public liability and property damage policies shall contain a provision that CITY ACUPUNCTURE, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to CITY ACUPUNCTURE or its servants, agents or employees by reason of your negligence or the negligence of your servants, agents, or employees.

15.06 Additional Requirements. All Insurance Policies must include a waiver of subrogation. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. At least thirty (30) days prior to the time any Insurance Policy is first required to be carried by you, and thereafter at least thirty (30) days prior to the expiration of any such Insurance Policy, you shall deliver to CITY ACUPUNCTURE certificates of insurance ("Certificates") evidencing the proper coverage with limits not less than those required hereunder. All Certificates shall expressly provide that no less than thirty (30)-days' prior written notice shall be given CITY ACUPUNCTURE in the event of material alteration to or cancellation of the coverages evidenced by such Certificates. Further, all Certificates shall name CITY ACUPUNCTURE, and each of its partners, subsidiaries, affiliates, directors, agents and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions for which any such Certificate evidences coverage.

15.07 Failure to Procure/Maintain. Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by CITY ACUPUNCTURE in the Operations Manual or otherwise, CITY ACUPUNCTURE shall have the right and authority, but not the obligation, to immediately procure such insurance on your behalf and to charge the same to you, which charges shall be payable immediately by you upon notice and, together with a reasonable fee for CITY ACUPUNCTURE's expenses, shall not exceed seven percent (7%) of the cost of the insurance provided. The foregoing remedies shall be in addition to any other remedies CITY ACUPUNCTURE may have pursuant to this Agreement or at law.

ARTICLE 16. TRANSFER AND ASSIGNMENT

16.01 Transfer by CITY ACUPUNCTURE. CITY ACUPUNCTURE shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations hereunder to any person or Legal Entity.

16.02 Transfer by Franchisee. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and/or your current owners, and that CITY ACUPUNCTURE has granted this franchise in reliance upon you and/or your owners' business skill, financial capacity, and personal character. Accordingly, neither you, nor any immediate or remote successor to any part of your interest in this franchise, nor any individual, partnership, corporation, or limited liability company that, directly or indirectly, has any ownership interest in you and/or this franchise shall sell, assign, transfer, convey, gift, or otherwise dispose of any direct or indirect interest in this franchise or the Franchised Clinic (each a "Transfer"), without the prior written consent of CITY ACUPUNCTURE, which may be granted or withheld in CITY ACUPUNCTURE's sole and absolute discretion. Notwithstanding the foregoing, CITY ACUPUNCTURE's prior written consent shall not be required for a transfer of less than a five percent (5%) interest in a

corporation registered under the Securities Exchange Act of 1934 (a “publicly-held corporation”). Any purported, sale, assignment, encumbrance or transfer, by operation of law or otherwise, not having the written consent of CITY ACUPUNCTURE required by this Section 16.02, shall be null and void and shall constitute a material breach of this Agreement, for which CITY ACUPUNCTURE may then terminate without opportunity to cure pursuant to Section 17.02.23 below.

16.03 Ownership Changes. Without limiting the foregoing, Franchisee acknowledges that any sale, resale, pledge, encumbrance, assignment, transfer or other disposition of any ownership interests of Franchisee, if such Franchisee is a Legal Entity, shall constitute a “Transfer” for purposes of this Agreement. Upon CITY ACUPUNCTURE’s consent to any such Transfer of the ownerships interests of Franchisee, any new partner, shareholder, member, manager, or equity holder of Franchisee, as applicable, shall be required to personally guarantee Franchisee’s obligations under this Agreement.

16.04 Conditions for Approval. The consent of CITY ACUPUNCTURE and the approval of a proposed Transfer may be subject to any such conditions as CITY ACUPUNCTURE deems necessary or desirable in its sole and absolute discretion, including, without limitation, any or all of the following:

16.04.1 All of Franchisee’s accrued monetary obligations and all other outstanding obligations to CITY ACUPUNCTURE and its subsidiaries and affiliates shall have been satisfied;

16.04.2 Franchisee is not in default of any provision of this Agreement or any amendment hereto, or of any provision of any other agreement between (a) Franchisee and CITY ACUPUNCTURE or its subsidiaries or affiliates; and/or (b) any of Franchisee’s owners and/or affiliates and CITY ACUPUNCTURE or its subsidiaries or affiliates;

16.04.3 The transferor and all owners of the transferor (if the transferor is a legal entity) shall have executed a general release, under seal and in a form satisfactory to CITY ACUPUNCTURE, of any and all claims against CITY ACUPUNCTURE, and its affiliate, parents, subsidiaries, and each of their respective officers, directors, shareholders and employees, in both their corporate and individual capacities, including, without limitation, claims arising under this Agreement and all federal, state, and local laws, and rules, to the fullest extent permitted by law;

16.04.4 The transferee (and, if the transferee is a Legal Entity, such owners of such Legal Entity as CITY ACUPUNCTURE may request) shall enter into a written assignment, under seal and in a form satisfactory to CITY ACUPUNCTURE, assuming and agreeing to discharge all of Franchisee’s obligations under this Agreement; and, if Franchisee’s obligations were guaranteed by the transferor, the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to CITY ACUPUNCTURE;

16.04.5 The transferee (and, if the transferee is a Legal Entity, such owners of such Legal Entity as CITY ACUPUNCTURE may request) shall demonstrate to

CITY ACUPUNCTURE's satisfaction that: it meets CITY ACUPUNCTURE's educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Franchised Clinic (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the Franchised Clinic;

16.04.6 At CITY ACUPUNCTURE's option, the transferee shall execute (and/or, upon CITY ACUPUNCTURE's request, shall cause all interested parties to execute), for a term ending on the expiration date of this Agreement and with such renewal term as may be provided by this Agreement, the then-current form of franchise agreement being offered to new System franchisees and such other ancillary agreements as CITY ACUPUNCTURE may require for the Franchised Clinic, which agreements shall supersede this Agreement in all respects and may include terms that differ from the terms of this Agreement; *provided, however*, that the transferee shall not be required to pay any initial franchise fee;

16.04.7 The transferee, at its expense, shall upgrade the Franchised Clinic to conform to CITY ACUPUNCTURE's then-current Standards and Specifications, and shall complete the upgrading and other requirements within the time specified by CITY ACUPUNCTURE;

16.04.8 The transferee shall remain liable for all of the obligations to CITY ACUPUNCTURE in connection with the Franchised Clinic prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by CITY ACUPUNCTURE to evidence such liability;

16.04.9 The transferee (or, if the transferee is a Legal Entity, a principal of the transferee acceptable to CITY ACUPUNCTURE) and the transferee's manager shall, at the transferee's expense, complete any training programs then in effect for franchisees upon such terms and conditions as CITY ACUPUNCTURE may reasonably require;

16.04.10 Prior to consummating any Transfer, Franchisee shall pay to CITY ACUPUNCTURE a fee in an amount equal to Two Thousand Five Hundred (\$2,500). If Franchisee requests CITY ACUPUNCTURE's approval of a Transfer but does not consummate such Transfer, Franchisee shall pay to CITY ACUPUNCTURE a fee in the amount equal to One Thousand (\$1,000). In the case of a Transfer to a corporation, partnership, or limited liability company owned by Franchisee for purposes of the convenience of ownership, Franchisee shall pay to CITY ACUPUNCTURE a fee in the amount of Seven Hundred Fifty Dollars (\$750); *provided, however*, no fee shall be owed to CITY ACUPUNCTURE if such Transfer occurs prior to the expiration of the six (6)-month period following the Effective Date. In addition to any Transfer fee required by this Section 16.04.10, Franchisee shall pay to CITY ACUPUNCTURE any reasonable costs and expenses associated with CITY ACUPUNCTURE's review of the application to Transfer, including, without limitation, CITY ACUPUNCTURE's legal and accounting fees. Notwithstanding the foregoing, there shall be no Transfer fee required in connection with any Transfer to CITY ACUPUNCTURE.

16.04.11 Franchisee acknowledges and agrees that each condition which shall be met by the transferee is necessary to assure such transferee's full performance of the obligations under this Agreement.

16.05 Right of First Refusal. Subject to restrictions imposed under applicable laws, rules and regulations, if, prior to the expiration or termination of this Agreement, Franchisee desires to accept a bona fide offer from a third party to purchase any or all of a party's interest (the "Interest") in the franchise granted by CITY ACUPUNCTURE pursuant to this Agreement, or substantially all of the assets of the Franchise Clinic, Franchisee shall notify CITY ACUPUNCTURE in writing of such bona fide offer, and shall provide such information and documentation relating to the offer as CITY ACUPUNCTURE may require to evaluate the terms of such offer.

16.05.1 Upon CITY ACUPUNCTURE's request, Franchisee shall provide CITY ACUPUNCTURE any information about the business and operations of the Franchised Clinic that CITY ACUPUNCTURE requests.

16.05.2 CITY ACUPUNCTURE shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and all of the information requested pursuant to Section 16.05.1 above, to send a written notice to Franchisee that CITY ACUPUNCTURE intends to purchase the Interest on the same terms and conditions offered by the third party and at the same price. If CITY ACUPUNCTURE does not provide written notice to Franchisee within the thirty (30)-day period, CITY ACUPUNCTURE shall be deemed to have waived the right of first refusal provided to it under this Section 16.05.

16.05.3 If CITY ACUPUNCTURE elects to purchase the Interest, closing on such purchase shall occur within thirty (30) days from the date of notice to Franchisee of the election to purchase by CITY ACUPUNCTURE. If CITY ACUPUNCTURE exercises its option, CITY ACUPUNCTURE shall waive the fee described in Section 16.04.10 above. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by CITY ACUPUNCTURE as in the case of an initial offer.

16.05.4 Failure of CITY ACUPUNCTURE to exercise the option afforded to it pursuant to this Section 16.05 shall not constitute a waiver of any other provision of this Agreement, including the provisions set forth in Section 16.04 with respect to Transfers, including, without limitation, the requirement that Franchisee obtain CITY ACUPUNCTURE's prior written consent to any proposed Transfer.

16.05.5 If the consideration, terms, and/or conditions offered by a third party include assets not related directly to the Franchised Clinic, or are otherwise such that CITY ACUPUNCTURE may not reasonably be required to furnish the same consideration, terms, and/or conditions, then CITY ACUPUNCTURE may purchase the Interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash, an independent appraiser shall be mutually designated by Franchisee and CITY ACUPUNCTURE, and such independent appraiser's determination shall be binding.

16.06 Transfer to a Legal Entity. If Franchisee is an individual, Franchisee has the right to assign Franchisee's rights under this Agreement to a Legal Entity for the convenience of operation; provided that such Legal Entity is wholly owned by Franchisee. Such assignment shall not be subject to CITY ACUPUNCTURE's right of first refusal, as set forth in Section 16.05 above, provided that the Legal Entity: (a) complies with Section 20.01; (b) is newly organized for the purpose of operating the Franchised Clinic or operating other Clinics under franchise agreements with CITY ACUPUNCTURE; and (c) agrees in writing to assume all of Franchisee's obligations under this Agreement pursuant to the terms of an assignment and assumption agreement (in substantially the form attached hereto as Exhibit G, the "Assignment and Assumption Agreement").

16.07 Transfer upon Death or Mental Incapacity. Upon the death or mental incapacity of any person with an interest in the franchise or in Franchisee (if Franchisee is a legal entity), the executor, administrator, or personal representative of such person shall transfer his or her interest to a third party approved by CITY ACUPUNCTURE within six (6) months after such death or mental incapacity (the "Transfer Period"). Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as an inter vivos transfer, and to the following conditions:

16.07.1 In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 16.07, the personal representative of the deceased person shall have an additional period of up to six (6) months from the date such individual is disapproved by CITY ACUPUNCTURE (the "Extension Period") to dispose of the deceased's interest in the franchise.

16.07.2 Notwithstanding the foregoing, the following conditions shall be met during the Transfer Period and any Extension Period: (a) the executor, administrator, or personal representative, as applicable, has provided CITY ACUPUNCTURE with documentation reasonably satisfactory to CITY ACUPUNCTURE evidencing such person's authority to receive an assignment or to dispose of the deceased's interest in the franchise; (b) the Franchised Clinic remains open and operating in accordance with all terms and conditions of this Agreement at all times; and (c) a manager who has been approved by CITY ACUPUNCTURE and who has completed CITY ACUPUNCTURE's Initial Training to CITY ACUPUNCTURE's satisfaction is designated to operate the Franchised Clinic during the Transfer Period and/or Extension Period, as applicable.

16.07.3 CITY ACUPUNCTURE shall in no way assume any liability in connection with the legal authority of the deceased's executor, administrator, heir, beneficiary or personal representative to receive an assignment or to dispose of the deceased's interest in the franchise.

16.07.4 In the event that a manager acceptable to CITY ACUPUNCTURE has not been designated to operate the Franchised Clinic during the Transfer Period and, if applicable, Extension Period, CITY ACUPUNCTURE shall have the right, at its option, to step in and either itself, or through a third party designated by CITY ACUPUNCTURE, operate the Franchised Clinic during such period. CITY

ACUPUNCTURE or its designee shall be entitled to a reasonable fee for such services, in addition to compensation for all costs and expenses incurred in providing such services.

16.07.5 If the foregoing conditions are not satisfied, or if the deceased's interest in the franchise is not transferred or disposed of before the expiration of the Transfer Period or Extension Period, if applicable, CITY ACUPUNCTURE shall have the right to immediately terminate this Agreement.

16.08 Non-Waiver of Claims. CITY ACUPUNCTURE's consent to a Transfer of any interest in the franchise granted herein shall not constitute a waiver of any claims CITY ACUPUNCTURE may have against the transferring party, nor shall it be deemed a waiver of CITY ACUPUNCTURE's right to demand exact compliance by the transferee with any of the terms of this Agreement.

ARTICLE 17. DEFAULT, TERMINATION AND ALTERNATIVE REMEDIES

17.01 Default and Termination. If Franchisee commits any Act of Default (as defined in Section 17.02 below), and Franchisee fails to cure such Act of Default within the applicable cure period after having been notified of such Act of Default, then CITY ACUPUNCTURE shall have the right to terminate this Agreement by written notice to you. Unless specifically set forth or precluded below, the cure period for any Act of Default shall be thirty (30) days. If any applicable law requires a longer notice period or a longer cure period than is provided in this Agreement, then the period required by law shall be substituted for period provided below.

17.02 Acts of Default: Each of the following acts is a material act of default under this Agreement (collectively, the "Acts of Default", and each, an "Act of Default") and shall constitute good cause for termination of this Agreement by CITY ACUPUNCTURE:

17.02.1 If the Franchised Clinic does not open for business within the time period required under this Agreement.

17.02.2 Franchisee's failure to commence the design, construction, equipping and process of opening the Franchised Clinic in accordance with timeline established by CITY ACUPUNCTURE.

17.02.3 Except as otherwise required by the United States Bankruptcy Code, Franchisee is adjudicated as bankrupt and/or files or has filed against it a petition in bankruptcy, reorganization, or similar proceeding and the petition is not dismissed within ninety (90) days after it is filed. Subject to applicable law, there shall be no cure period for an Act of Default under this provision. Franchisee expressly and knowingly consents to such termination and waives any rights that Franchisee may have under the provisions of the United States Bankruptcy Code and any other relief which may be sought in a complaint filed by CITY ACUPUNCTURE to lift the provisions of the automatic stay of the United States Bankruptcy Code. Additionally, Franchisee agrees not to seek an injunctive order from any court in any jurisdiction relating to insolvency, reorganization or similar proceedings which would have the effect of staying or enjoining this provision.

17.02.4 Franchisee becomes insolvent, a receiver or custodian (permanent or temporary) of Franchisee's property or any part thereof is appointed by a court of competent authority, or Franchisee makes a general assignment for the benefit of creditors. There shall be no cure period for an Act of Default under this provision.

17.02.5 A final judgment against Franchisee remains unsatisfied of record for thirty (30) days or longer (unless a supersedeas or other appeal bond is filed), execution is levied against Franchisee's business or property at the Franchised Clinic premises, or a suit to foreclose any lien or mortgage against the Franchised Clinic premises or any furniture, fixtures or equipment at the Franchised Clinic is filed against Franchisee and not dismissed within thirty (30) days. The cure period for an Act of Default under this provision is five (5) days after notice by CITY ACUPUNCTURE following expiration of any other period set forth in this provision.

17.02.6 Franchisee defaults in the performance of any term, condition, or obligation of payment of any indebtedness to Franchisee's suppliers, distributors or others arising out of the purchase or lease of equipment in connection with the Franchised Clinic.

17.02.7 Franchisee fails to pay when due any Royalty Fee, or any other amount due and payable to CITY ACUPUNCTURE under this Agreement. The cure period for an Act of Default under this provision is ten (10) days after notice by CITY ACUPUNCTURE.

17.02.8 Franchisee fails to submit any Gross Sales reports or other financial report required under this Agreement, or unintentionally files an inaccurate Gross Sales statement or other financial report required under this Agreement. The cure period for an Act of Default under this provision is five (5) days after notice by CITY ACUPUNCTURE.

17.02.9 Franchisee knowingly submits any false Gross Sales statement or other financial report required under this Agreement. There shall be no cure period for an Act of Default under this provision.

17.02.10 Franchisee fails to operate the Franchised Clinic in accordance with CITY ACUPUNCTURE's standards as to cleanliness, safety, health and sanitation. The cure period for an Act of Default under this provision is twenty-four (24) hours after notice by CITY ACUPUNCTURE.

17.02.11 Franchisee fails to immediately rectify all hazardous situations, and immediately remove and destroy any and all hazardous products. For purposes of the foregoing sentence, "hazardous situations" are those which have the potential to cause injury, illness or death, and "hazardous products" are products which are unfit for human consumption or which have the potential to cause injury, illness or death. There shall be no cure period for an Act of Default under this provision.

17.02.12 Franchisee sells products or services at or from the Franchised Clinic or the Approved Clinic Location that are not approved by CITY ACUPUNCTURE, or sells products or services that do not conform to the product specifications established by CITY ACUPUNCTURE. The cure period for an Act of Default under this provision is five (5) days after notice by CITY ACUPUNCTURE.

17.02.13 Franchisee fails to sell or offer for sale at the Franchised Clinic any service or product that is required by CITY ACUPUNCTURE to be sold or offered for sale at the Franchised Clinic. The cure period for an Act of Default under this provision is five (5) days after notice by CITY ACUPUNCTURE.

17.02.14 Franchisee fails to use at the Franchised Clinic any equipment, furniture, fixtures, or signage required by CITY ACUPUNCTURE to be used at the Franchised Clinic.

17.02.15 Franchisee uses at the Franchised Clinic any furniture, fixtures, equipment or signage not approved by CITY ACUPUNCTURE for use at the Franchised Clinic.

17.02.16 Franchisee fails to repair and maintain the Franchised Clinic, or the furniture, fixtures, equipment or signage at the Franchised Clinic to the standards required by CITY ACUPUNCTURE.

17.02.17 Franchisee fails to operate the Franchised Clinic in accordance with any of Standards and Specifications (other than those as to cleanliness, safety, health and sanitation) as to operating procedures, systems and methods of operation, including, without limitation failure to have personnel present at the Franchised Clinic and monitoring services provided to customers of the Franchised Business.

17.02.18 Franchisee fails to obtain and maintain all Insurance Policies required under this Agreement, with all required terms and policy provisions as required by this Agreement. The cure period for an Act of Default under this provision is ten (10) days after notice by CITY ACUPUNCTURE.

17.02.19 Franchisee violates any law, ordinance, rule or regulation of a governmental body or authority in connection with the operation of the Franchised Clinic, and Franchisee fails to correct the violation within twenty (20) days after notification by the governmental body or authority. The cure period for an Act of Default under this provision is five (5) days after notice by CITY ACUPUNCTURE after expiration of the twenty (20) days from notification by the governmental body or authority; *provided, however*, that the five (5)-day cure period shall be stayed if there is a bona fide dispute as to the violation or the legality of the law, ordinance, rule or regulation at issue, and Franchisee takes action in an appropriate court or other forum to contest such violation or legality.

17.02.20 Franchisee loses its right to possession of the Franchised Clinic or the Approved Clinic Location. There shall be no cure period for an Act of Default under this provision.

17.02.21 Franchisee abandons the franchise and franchise relationship with CITY ACUPUNCTURE. It shall be an abandonment of the franchise and franchise relationship with CITY ACUPUNCTURE if Franchisee (i) ceases to do business at the Franchised Clinic for a period of five (5) consecutive days, or (ii) otherwise communicates to CITY ACUPUNCTURE that Franchisee does not intend to re-open the Clinic, or (iii) abandons the leased premises from which Franchisee operates the Franchised Business. There shall be no cure period for an Act of Default under this provision.

17.02.22 Franchisee fails to comply with the restrictions on Confidential Information, or any covenants set forth in Article 11 or Article 19 of this Agreement, or if Franchisee misuses or make any unauthorized use of the Marks or any other identifying characteristics of the System, or otherwise materially impairs the goodwill associated therewith or with CITY ACUPUNCTURE's rights therein. There shall be no cure period for an Act of Default under this provision.

17.02.23 Franchisee sells, assigns, transfers, encumbers, or licenses any interest in this Agreement or in the franchise or Franchised Clinic without the prior written consent of CITY ACUPUNCTURE and otherwise as permitted under this Agreement. There shall be no cure period for an Act of Default under this provision.

17.02.24 Franchisee violates any other obligation, provision or condition of this Agreement not specifically identified in Section 17.02.

17.02.25 Franchisee commits two or more Acts of Default under this Agreement within any consecutive twelve (12)-month period, regardless of whether any of such Acts of Default are cured by Franchisee. There shall be no cure period under this provision, such that if two Acts of Default occur within a twelve (12)-month period, this Agreement shall immediately terminate upon receipt of the notice of default delivered by CITY ACUPUNCTURE upon the occurrence of the third Act of Default.

17.02.26 Franchisee, or any individual with an ownership interest in Franchisee, is convicted in a court of competent jurisdiction of: (a) an offense punishable by a term of imprisonment in excess of one (1) year; or (b) any offense for which a material element is fraud, dishonesty or moral turpitude. There shall be no cure period for an Act of Default under this provision.

17.02.27 Franchisee, or any person providing acupuncture services at the Franchised Clinic, is found to have committed malpractice in connection with the performance of acupuncture services.

17.03 Cross-Default. If Franchisee commits a default in the performance of any of the covenants, conditions or agreements contained in: (a) Franchisee's lease for the Approved Clinic Location; or (b) any other agreement between (i) Franchisee and CITY ACUPUNCTURE or CITY ACUPUNCTURE's subsidiaries or affiliates, or (ii) any of Franchisee's owners, Guarantors or affiliates and CITY ACUPUNCTURE or CITY ACUPUNCTURE's subsidiaries or affiliates (each a "Related Agreement"), Franchisee shall also be in default under this Agreement. In addition to any of CITY ACUPUNCTURE's rights under any Related Agreement, CITY ACUPUNCTURE has the right to terminate

this Agreement pursuant to Section 17.02 above, unless such default is cured within the lesser of (x) thirty (30) days after written notice of default has been provided by CITY ACUPUNCTURE, or (y) the applicable cure period for the default under the lease or the Related Agreement. Franchisee specifically agrees that all of the foregoing remedies shall be available to CITY ACUPUNCTURE as a result of Franchisee's breach or default, or failure to perform all obligations required by it, under Franchisee's lease agreement or any Related Agreement, even if Franchisee is not otherwise in default under this Agreement.

ARTICLE 18. POST-TERM OBLIGATIONS

18.01 Post Termination/ Expiration Obligations. Upon termination or expiration of this Agreement, all rights granted to you under this Agreement shall immediately terminate, and you shall strictly comply with the following obligations:

18.01.1 You shall immediately cease to operate the Franchised Clinic, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of CITY ACUPUNCTURE or the System.

18.01.2 You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System and the Marks, Trade Dress and distinctive forms, slogans, signs, symbols, and devices associated with the System. Without limiting the generality of the foregoing, you shall cease to use all System trade fixtures, Trade Dress, signs, advertising materials, marketing materials, advertising methods, marketing methods, displays, stationery, forms, products and any other articles displaying the Marks.

18.01.3 You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains any of the Marks, and you shall furnish CITY ACUPUNCTURE with evidence satisfactory to CITY ACUPUNCTURE of your compliance with this obligation within five (5) days after termination or expiration of this Agreement.

18.01.4 You shall, at CITY ACUPUNCTURE's option, assign or sublease to CITY ACUPUNCTURE, or its designee, any interest which you have in any lease for the Franchised Clinic. If CITY ACUPUNCTURE does not require you to assign the lease to CITY ACUPUNCTURE or its designee, you shall make all modifications, changes and alterations to the interior and exterior of the premises at which the Franchised Clinic was operated, as designated by CITY ACUPUNCTURE, so as to de-identify the premises from the System. If you fail or refuse to comply with the requirements of this Section 18.01.4, CITY ACUPUNCTURE shall, in addition to any other rights and/or remedies available to CITY ACUPUNCTURE under this Agreement or at law, have the right to enter upon the premises where the Franchised Clinic was conducted, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your expense, which expense you shall pay to CITY ACUPUNCTURE or its designee immediately upon demand.

18.01.5 You shall assign to CITY ACUPUNCTURE or its designee the telephone numbers used in connection with the operation of the Franchised Clinic. You

shall complete all forms and approvals and perform all acts reasonably necessary to effectuate such assignments or transfers.

18.01.6 Without limiting any of your obligations under this Agreement, you agree that if you continue to operate, or subsequently begin to operate, any business you shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks or the Trade Dress, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute CITY ACUPUNCTURE's rights in and to the Marks and the Trade Dress, and you further agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with CITY ACUPUNCTURE constituting unfair competition.

18.01.7 You shall promptly pay all sums owing to CITY ACUPUNCTURE and its subsidiaries and affiliates that are then unpaid, including Royalty Fees, interest due on any of the foregoing and all other amounts owed to CITY ACUPUNCTURE.

18.01.8 The parties agree that, if this Agreement is terminated as a result of your default prior to the expiration of the Term, it would be impossible to calculate with reasonable precision the losses that would be incurred by CITY ACUPUNCTURE because of the unpredictability of future business conditions, inflationary prices, the impact on CITY ACUPUNCTURE's reputation from having a closed location, the ability of CITY ACUPUNCTURE to replace the Franchised Clinic in the same market, and a variety of other factors. Accordingly, if this Agreement is terminated as a result of any default by you, CITY ACUPUNCTURE shall be entitled to recover as liquidated damages, and not as a penalty, an amount equal to \$1,000 multiplied by the number of months remaining in the Term.

18.01.9 You shall pay to CITY ACUPUNCTURE all damages, costs, and expenses, including reasonable attorneys' fees, incurred by CITY ACUPUNCTURE subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Article 18 or any other post-term obligations under this Agreement.

18.01.10 You shall immediately deliver to CITY ACUPUNCTURE the Operations Manual and all other records, correspondence, and instructions containing Confidential Information or information relating to the operation of the Franchised Clinic, any and all client and customer lists, all of which are acknowledged to be the property of CITY ACUPUNCTURE, and you shall retain no copy or record of any of the foregoing, with the exception of your copy of this Agreement, any correspondence between the parties, and any other documents which you reasonably need for compliance with any provision of law.

18.01.11 Franchisee shall comply with the covenants contained in Article 19 of this Agreement and all other covenants which by their nature survive the termination or expiration of this Agreement.

18.02 CITY ACUPUNCTURE's Right to Purchase the Franchised Clinic. Subject to restrictions imposed under applicable laws, rules and regulations, CITY ACUPUNCTURE

shall have the option, to be exercised within sixty (60) days after termination or expiration of this Agreement, as applicable, to purchase the Franchised Clinic from you, including the leasehold rights to the Franchised Clinic, free and clear of all liens, restrictions or encumbrances. (The date on which CITY ACUPUNCTURE notifies you whether or not CITY ACUPUNCTURE is exercising its option is referred to in this Agreement as the "Notification Date.") CITY ACUPUNCTURE has the unrestricted right to assign this option to purchase the Franchised Clinic. CITY ACUPUNCTURE shall be entitled to all customary warranties and representations in connection with CITY ACUPUNCTURE's asset purchase, including, without limitation, representations and warranties as to ownership, condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise. If CITY ACUPUNCTURE elects to exercise its option to purchase the Franchised Clinic, the following shall apply:

18.02.1 Leasehold Rights. You agree, at CITY ACUPUNCTURE's election, to assign your leasehold interest in the Franchised Clinic premises to CITY ACUPUNCTURE or its designee, or to enter into a sublease with CITY ACUPUNCTURE or its designee for the remainder of the lease term on the same terms (including renewal options) as the prime lease.

18.02.2 Purchase Price. The purchase price for the Franchised Clinic shall be its fair market value, determined in a manner consistent with reasonable depreciation of the Franchised Clinic's equipment, signs, inventory, materials and supplies, provided that the Franchised Clinic shall be valued as an independent business and its value shall not include any value for the franchise or any rights granted by this Agreement, the Marks, or participation in the System.

18.02.3 Fair Market Value. The Franchised Clinic's fair market value shall include the reasonable goodwill you developed since your commencement of operations, which exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Franchised Clinic premises shall also be considered in determining the Franchised Clinic's fair market value.

18.02.4 Exclusions. CITY ACUPUNCTURE may exclude from such asset sale any cash or cash equivalents and/or any equipment, signs, inventory, materials, and supplies that are not reasonably necessary (in function or quality) to the Franchised Clinic's operation or that CITY ACUPUNCTURE has not approved as meeting standards for the Franchised Clinic. The purchase price shall reflect the exclusion of such assets.

18.02.5 Appraisal. If you and CITY ACUPUNCTURE are unable to agree on the Franchised Clinic's fair market value, its fair market value shall be determined by one (1) independent qualified appraiser that CITY ACUPUNCTURE appoints in its sole business judgment. CITY ACUPUNCTURE shall appoint the appraiser within fifteen (15) days after the date CITY ACUPUNCTURE determines you and CITY ACUPUNCTURE are unable to agree on the Franchised Clinic's fair market value. You and CITY ACUPUNCTURE shall share equally the fees and expenses of the appraiser. You and we further agree to take reasonable actions to cause the appraiser to complete the appraisal within thirty (30) days after the appraiser's appointment. CITY

ACUPUNCTURE shall have the right to offset against the purchase price your share of the appraiser's fees if you fail to pay such fees within five (5) business days after your receipt of the appraiser's invoice.

18.02.6 Closing. The purchase price shall be paid at the closing of the purchase, which shall take place not later than ninety (90) days after determination of the purchase price. CITY ACUPUNCTURE also shall have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your owners or guarantors owe to us, including attorneys' fees.

18.02.7 Instruments. At the closing, you agree to deliver such instruments as are necessary to transfer: (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interest acceptable to CITY ACUPUNCTURE, if any) and with all sales and other transfer taxes paid by you; (b) all licenses and permits of the Franchised Clinic, which may be assigned or transferred; and (c) the leasehold interest in the Franchised Clinic premises and any improvements thereon.

18.02.8 Escrow. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale shall, at CITY ACUPUNCTURE's election, be accomplished through an escrow arrangement with an independent escrow agent selected by CITY ACUPUNCTURE.

18.02.9 Releases. You and your owners and Guarantors agree to execute general releases, in a form satisfactory to CITY ACUPUNCTURE, of any and all claims against CITY ACUPUNCTURE and its shareholders, officers, directors, employees, agents, successors and assigns.

ARTICLE 19. BEST EFFORTS; RESTRICTIVE COVENANTS

19.01 Best Efforts. Franchisee covenants that during the Term, except as otherwise approved in writing by CITY ACUPUNCTURE, Franchisee's Managing Owner, who has: (a) been approved by CITY ACUPUNCTURE; (b) completed CITY ACUPUNCTURE's Initial Training to CITY ACUPUNCTURE's satisfaction; and (c) entered into a Restrictive Covenant Agreement, shall devote full time, energy, and best efforts to the management and operation of the Franchised Clinic.

19.02 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee shall receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of CITY ACUPUNCTURE and the System. Franchisee covenants that during the Term, except as otherwise approved in writing by CITY ACUPUNCTURE, neither Franchisee, nor any of its officers, directors, members, managers, shareholders, partners or owners, nor Franchisee's spouse nor the spouse of any of the aforementioned individuals, shall, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company or corporation:

19.02.1 Divert or attempt to divert any business or customer of the Franchised Clinic to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

19.02.2 Own, maintain, operate, engage in, provide any assistance to, or have any interest in any Competitive Business (as defined below).

The term "Competitive Business" means any business operating, or granting franchises or licenses to others to operate, a business marketing, offering or providing acupuncture services, other services you are required to offer in connection with the operation of the Franchised Business, or related services. The term Competitive Business shall not include other Clinics operated by Franchisee pursuant to a valid, binding franchise agreement by and between Franchisee and CITY ACUPUNCTURE.

19.03 Post-Termination/Expiration Covenants.

Franchisee shall not, for a two (2) year period after the expiration or termination of this Agreement, divert or attempt to divert any business or customer of the Franchised Clinic to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System. Franchisee further covenants that it shall not engage in any form of unfair competition with CITY ACUPUNCTURE.

19.04 No Defense. Franchisee expressly agrees that the existence of any claims Franchisee may have against CITY ACUPUNCTURE, whether or not arising from this Agreement or otherwise, shall not constitute a defense to the enforcement by CITY ACUPUNCTURE of the covenants in this Article 19. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by CITY ACUPUNCTURE in connection with the enforcement of any of Franchisee's obligations under this Article 19.

19.05 Irreparable Harm. Franchisee acknowledges that any violation of the terms of this Article 19 would result in irreparable injury to CITY ACUPUNCTURE for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of any of the terms of this Article 19.

19.06 Restrictive Covenant Agreements. For brand protection and preservation purposes, and to maintain confidentiality of the Confidential information, Franchisee shall require the execution of Restrictive Covenant Agreements by the Franchisee's Managing Owner, and all of Franchisee's managers and any other personnel employed by Franchisee who has received or shall receive training from CITY ACUPUNCTURE or shall otherwise be privy to Confidential Information. Every covenant required by this Section 19.06 shall include a specific identification of CITY ACUPUNCTURE as a third party beneficiary of such covenant with the independent right to enforce such covenant.

19.07 Acknowledgment. Franchisee acknowledges and agrees that the length and term of the geographical restrictions contained in this Article 19 are fair and reasonable and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of CITY ACUPUNCTURE. Franchisee agrees that Franchisee's full, uninhibited and faithful observance of each of the covenants contained in this Article 19 shall not cause any undue hardship, financial or otherwise, and that the enforcement of each of the covenants in this this Article 19 shall not impair Franchisee's ability to obtain employment commensurate with Franchisee's abilities and on terms fully acceptable to Franchisee or to otherwise obtain income required for the comfortable support of Franchisee, Franchisee's family and the satisfaction of Franchisee's creditors. Franchisee agrees that it has acquired special knowledge of the business of the System and that use of such knowledge by Franchisee (or by anyone that has acquired similar knowledge through Franchisee) to the benefit of a competitor, or in any way competitive with CITY ACUPUNCTURE or any System franchisee, would cause CITY ACUPUNCTURE and the other System franchisees serious injury and irreparable loss.

19.08 Extension of Covenant Period. If Franchisee violates the post-term covenant set forth in Section 19.03 above following the expiration, termination or transfer of this Agreement, Franchisee acknowledges and agrees that the post-term covenant period of two (2) years shall be extended to commence on the date that Franchisee first complies with such covenant so as to provide CITY ACUPUNCTURE with the full and uninterrupted benefit of the post-term covenant period.

ARTICLE 20. OWNERSHIP BY LEGAL ENTITY

20.01 Franchisee as a Legal Entity. If Franchisee is a corporation, partnership or limited liability company (each, a "Legal Entity"), the following requirements shall apply, as applicable:

20.01.1 Franchisee shall be newly organized and its charter shall at all times provide that Franchisee's activities are confined exclusively to operating the Franchised Clinic.

20.01.2 Franchisee shall furnish to CITY ACUPUNCTURE copies of such Legal Entity's organizational documents (e.g., articles or organization, articles of formation, etc.), governing documents (e.g., bylaws, shareholder agreements, partnership agreement, operating agreement, etc.), and authorizing resolutions (e.g., of the board of directors, partners, members, etc.).

20.01.3 Franchisee shall maintain stop-transfer instructions against the transfer of any equity interests of Franchisee; and each stock certificate or membership interest certificate, if any, shall conspicuously maintain a legend, in a form satisfactory to CITY ACUPUNCTURE, that such ownership interests are held subject to, and that any assignment or transfer thereof is further subject to, the restrictions imposed upon such interests pursuant to this Agreement; *provided, however*, that the requirements of this Section 20.01.3 shall not apply to a publicly-held corporation.

20.01.4 Franchisee shall maintain and provide to CITY ACUPUNCTURE a list of all current holders of any equity interests in such Legal Entity.

20.01.5 All equity holders of such Legal Entity shall jointly and severally guarantee Franchisee's performance under this Agreement and shall bind themselves to the terms of this Agreement; *provided, however*, that the requirements of this Section 20.01.5 shall not apply to a publicly-held corporation.

ARTICLE 21. COMPLIANCE WITH LAWS; TAXES & PERMITS

21.01 Compliance with Laws. Franchisee shall comply with all applicable federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, and fire clearances. Franchisee hereby understands and acknowledges that laws, rules and regulations applicable to the operation of the Franchised Business, including, without limitation, the provision of acupuncture services, are continuously evolving, vary state to state and may impact Franchisee's ability to operate the Franchised Business. It is Franchisee's sole responsibility to investigate and comply with all applicable laws, rules and regulations throughout the Term.

21.02 Prompt Payment. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the business franchised under this Agreement.

21.03 Bona Fide Dispute. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; *provided, however*, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Clinic, or any improvements thereon.

21.04 Notice of Action. Franchisee shall notify CITY ACUPUNCTURE in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Clinic.

ARTICLE 22. INDEPENDENT CONTRACTOR STATUS; INDEMNIFICATION

22.01 Independent Contractors / No Fiduciary Relationship.

22.01.1 CITY ACUPUNCTURE and Franchisee have no intention whatsoever to create a fiduciary relationship and the parties understand that no fiduciary or special relationship exists or is created by this Agreement. It is expressly agreed that the parties intend by this Agreement to establish between you and us the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or

assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you nor we are the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. All employees and agents hired or engaged by or working for you will be only the employees or agents of yours and will not, for any purpose, be deemed employees or agents of ours, nor subject to our control. We have no authority to exercise control over the hiring or termination of your employees, independent contractors, agents or others who work for you, their compensation, working hours or conditions, or their day-to-day activities. You shall file your own tax, regulatory and payroll reports with respect to your employees, agents and contractors and you shall save, indemnify and hold us harmless from any and all liability, costs and expenses of any nature that we incur related to these obligations. Franchisee shall in all respects be an independent contractor, and nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, joint-employer, partner, employee, or servant of the other for any purpose whatsoever.

22.01.2 During the Term, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from CITY ACUPUNCTURE. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice in a conspicuous place at the Franchised Clinic premises, the content of which CITY ACUPUNCTURE reserves the right to specify providing that Franchisee is a franchisee and independent operator. Without limiting the foregoing, you shall display the following notice in a prominent place at your Clinic: ***"This Clinic is independently owned and operated by a franchisee of CITY ACUPUNCTURE, LLC. CITY ACUPUNCTURE, LLC does not own or operate this Clinic."***

22.01.3 CITY ACUPUNCTURE does not owe Franchisee any special duty other than to comply with its contractual duties under this Agreement.

22.02 No Authorization. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on CITY ACUPUNCTURE's behalf, or to incur any debt or other obligation in CITY ACUPUNCTURE's name; and CITY ACUPUNCTURE shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall CITY ACUPUNCTURE be liable by reason of any act or omission by Franchisee in the conduct of the Franchised Clinic or for any claim or judgment arising therefrom against Franchisee or CITY ACUPUNCTURE. CITY ACUPUNCTURE shall have no liability or responsibility for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Clinic.

22.03 INDEMNIFICATION. Franchisee shall save, defend, exonerate, indemnify, and hold harmless CITY ACUPUNCTURE, CITY ACUPUNCTURE's affiliates, and their respective officers, shareholders, members, managers, directors, employees, agents, successors and assignees (the "Indemnified Parties"), from and against all losses, claims, liabilities, damages (actual, consequential or otherwise), obligations and costs reasonably incurred in the defense of any claim against any Indemnified Party (including reasonable accountants', arbitrators', attorneys' and expert

witness fees, costs of investigations and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses) (collectively, the "Losses") that such Indemnified Party incurs as a result of, arising out of, related to, or with respect to: (a) the operation of the franchise granted under this Agreement and/or of the Franchise Clinic; (b) any breach or non-fulfillment of any agreement or covenant of Franchisee contained in this Agreement or failure to comply with any of Franchisee's obligations hereunder; and (c) any failure on the part of Franchisee or any of its employees to comply with all laws, rules and regulations applicable to the operation of the Franchised Business including the provision of acupuncture services. CITY ACUPUNCTURE has the exclusive right to defend any such claim. This indemnity shall continue in effect after the expiration or termination of this Agreement. Under no circumstances shall CITY ACUPUNCTURE or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate any of their or CITY ACUPUNCTURE's losses and expenses, in order to maintain and recover fully a claim against Franchisee. This Section 22.03 also incorporates Franchisee's obligation to defend, indemnify and hold harmless the Indemnified Parties as otherwise referenced in this Agreement, including, without limitation, the indemnification obligations set forth in Sections Error! Reference source not found. and 8.05.2 above.

ARTICLE 23. APPROVALS; WAIVERS; NOTICES

23.01 Approvals and Consents. Whenever this Agreement requires the prior approval or consent of CITY ACUPUNCTURE, Franchisee shall make a timely written request to CITY ACUPUNCTURE therefor and such approval or consent shall be obtained in writing. CITY ACUPUNCTURE may grant or withhold its approval or consent in CITY ACUPUNCTURE's sole and absolute discretion.

23.02 No Warranties. CITY ACUPUNCTURE makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.03 No Waiver. CITY ACUPUNCTURE shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant of this Agreement or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of: any custom or practice at variance with the terms of this Agreement; CITY ACUPUNCTURE's failure, refusal or neglect to exercise any right under this Agreement or to insist upon exact compliance by Franchisee with respect to the obligations of this Agreement, including, without limitation, any of the System's Standards and Specifications; CITY ACUPUNCTURE's waiver, forbearance, delay, failure or omission to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Clinics; the existence of other franchise agreements for Clinics which contain different provisions from those contained in this Agreement; or CITY ACUPUNCTURE's acceptance of any payments due from

Franchisee after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us shall constitute a waiver, compromise, settlement or accord and satisfaction. CITY ACUPUNCTURE is authorized to remove or obliterate any legend or endorsement, and such legend or endorsement shall have no effect. Acceptance by CITY ACUPUNCTURE of payments due under this Agreement from any person or entity shall be deemed to be acceptance from such person or entity as Franchisee's agent and not as recognition of such person or entity as Franchisee's assignee or successor.

23.04 Notices. Any and all notices required or permitted under this Agreement or the Operations Manual shall be deemed so delivered: (a) at the time delivered, if by hand; (b) one business day after being placed on the hands of a commercial courier service for next business day delivery; or (c) three (3) business days after placement in the United States Mail by registered or certified mail, return receipt request postage prepaid; and shall be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. CITY ACUPUNCTURE may send any notice to Franchisee at the Approved Clinic Location. Franchisee shall send a copy of any notice to CITY ACUPUNCTURE to the attention of CITY ACUPUNCTURE's president or chief executive officer. Notwithstanding the deemed delivery dates set forth above, any required payment or report which CITY ACUPUNCTURE does not actually receive during regular business hours on the date due shall be deemed delinquent. CITY ACUPUNCTURE's current address for which notices should be sent is set forth in the opening paragraph of this Agreement.

23.05 Force Majeure. Neither Franchisee nor CITY ACUPUNCTURE shall be liable for loss or damage, or deemed to be in breach of this Agreement, if Franchisee's or CITY ACUPUNCTURE's failure to perform any obligation results from acts of God or fires, wars or riots. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of any royalties due on any sales thereafter.

23.06 Withholding of Payments Prohibited. Franchisee agrees that it shall not set off or withhold payment of any amounts Franchisee owes on the grounds of CITY ACUPUNCTURE's alleged nonperformance of any of Franchisee's obligations under this Agreement or for any other reason.

ARTICLE 24. SEVERABILITY; CONSTRUCTION

24.01 Severability. Except as expressly provided to the contrary in this Agreement, each section, part, term, provision, and covenant of this Agreement, and any portion of each, shall be considered severable. If, for any reason, any such section, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind

the parties hereto; and said invalid portions, sections, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement.

24.02 No Third Party Beneficiaries. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or Legal Entity other than Franchisee, CITY ACUPUNCTURE, CITY ACUPUNCTURE's officers, directors, and employees, and such of Franchisee's and CITY ACUPUNCTURE's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Article 16 hereof, any rights or remedies under or by reason of this Agreement.

24.03 Maximum Duty. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which CITY ACUPUNCTURE is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

24.04 Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

24.05 References. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on Franchisee's behalf.

24.06 Additional Requirements. All instructions, requirements, prescriptions or specifications to be provided by CITY ACUPUNCTURE to Franchisee, as required under this Agreement, may be provided to Franchisee in the Operations Manual or otherwise in writing, or in such manner as CITY ACUPUNCTURE may deem suitable.

ARTICLE 25. GOVERNING LAW; MEDIATION; ARBITRATION; WAIVERS; LIMITATIONS

25.01 Governing Law & Venue.

25.01.1 Governing Law. This Agreement shall take effect upon its acceptance and execution by CITY ACUPUNCTURE. Except to the extent governed by the United States Arbitration Act (9 U.S.C. §§ 1, et. seq.) and the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. §1050 et seq.), this Agreement, the franchise and all claims arising from or in any way related to the relationship between CITY ACUPUNCTURE, and/or any of its affiliates, officers, directors, shareholders, members, guarantors, employees, representatives, independent contractors or owners (each, a "CITY ACUPUNCTURE Related Party"), on one hand, and you and/or any of your owners, affiliates, officers, directors, shareholders, Guarantors, employees, owners or members

(each, a “Franchisee Related Party”), on the other hand, shall be interpreted and construed under the laws of the State of New York, which laws shall prevail in the event of any conflict of law, except that any law regulating the sale of franchises or governing the relationship of a CITY ACUPUNCTURE and its franchisee shall not apply unless jurisdictional requirements are met independently without reference to this paragraph.

25.01.2 Venue. In the event the arbitration clause set forth in Section 25.03 is inapplicable or unenforceable, and subject to CITY ACUPUNCTURE’s right to obtain injunctive relief in any court of competent jurisdiction, the parties hereby expressly agree that the United States District Court for Southern District of New York, or if such court lacks subject matter jurisdiction, the State Superior Court in New York, New York, shall be the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties. The parties further agree that, in the event of such litigation, they shall not contest or challenge the jurisdiction or venue of these courts. You acknowledge that this Agreement has been entered into in the State of New York and that you are to receive valuable and continuing services emanating from CITY ACUPUNCTURE’s headquarters in New York, New York. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision.

25.02 Mediation. The parties have reached this Agreement in good faith and with the belief that it is advantageous to each of them. In recognition of the strain on time, unnecessary expense and wasted resources potentially associated with litigation and/or arbitration, and in the spirit of cooperation, the parties pledge to try to resolve any dispute amicably, without litigation or arbitration. Other than an action by CITY ACUPUNCTURE under Section 25.04 below, before beginning any legal action or arbitration, the parties agree to mediate any dispute, controversy or claim between you and/or any Franchisee Related Party, on the one hand, and CITY ACUPUNCTURE and/or any CITY ACUPUNCTURE Related Party, on the other hand, including, without limitation, in connection with any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) any lease or sublease for your Franchised Clinic; (c) any loan or other finance arrangement between CITY ACUPUNCTURE and CITY ACUPUNCTURE’s affiliates and you; (d) the parties’ relationship; (e) events occurring prior to the entry into this Agreement; (f) the Clinic; or (g) any of the System’s Standards and Specifications, in accordance with the procedures set forth in this Section 25.02, inclusive of all subparts. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any arbitration or legal action, including any action to interpret or enforce this Agreement. The Mediation shall be conducted in accordance with the following provisions:

25.02.1 Initiation Procedure. The party seeking mediation (the “Initiating Party”) shall commence mediation by sending the other party/parties a written notice of its request for mediation (the “Dispute Notice”). The Dispute Notice shall specify, to the fullest extent possible, the nature of the dispute, the Initiating Party’s version of the facts surrounding the dispute, the amount of damages, and the nature of any injunctive or other relief such party claims, and shall identify one or more persons with authority to

settle the dispute for the Initiating Party. The party (or parties as the case may be) receiving a Dispute Notice (the “Responding Party”) shall issue a written response (the “Response”) to the Initiating Party within ten (10) days after receipt of the Dispute Notice identifying one or more persons with authority to settle the dispute on the Responding Party’s behalf (the “Authorized Persons”).

25.02.2 Direct Negotiations. Upon receipt of a Dispute Notice and the issuance of the Response, the parties shall endeavor, in good faith, to resolve the dispute outlined in the Dispute Notice and the Response. If the parties have been unable to resolve any such dispute(s) outlined in a Dispute Notice or a response thereto within twenty (20) days after the Initiating Party’s receipt of the Response, either party may initiate a mediation procedure in accordance with the American Arbitration Association (“AAA”), pursuant to its Commercial Mediation Procedures, and unless otherwise agreed by the parties shall take place in New York, New York, or the city of CITY ACUPUNCTURE’s then-current corporate headquarters, as CITY ACUPUNCTURE designates.

25.02.3 Selection of the Mediator. The Authorized Persons shall have seven (7) days from the date on which one party gives notice that he, she, or it is beginning mediation within which to submit to one another written lists of acceptable mediators who are not associated with either of the parties. Within seven (7) days from the date of receipt of any list, the Authorized Persons shall rank all the mediators in numerical order of preference and exchange the rankings. If one or more names are on both lists, the highest ranking one of these shall be designated the mediator. If this process does not result in selection of a mediator, the parties agree jointly to request that AAA supply a list of qualified potential mediators. Within seven (7) days after receipt of the list, the parties shall again rank the proposed mediators in numerical order of preference and shall simultaneously exchange their lists. The mediator having the highest combined ranking shall be appointed as mediator. If the highest ranking mediator is not available to serve, the parties shall go on to contact the mediator who was next highest in ranking until they are able to select a mediator.

25.02.4 Time and Place for Mediation. In consultation with the parties, the mediator shall promptly designate a mutually acceptable time and place for the mediation. Unless the circumstances make it impossible, the time may not be later than thirty (30) days after the selection of the mediator.

25.02.5 Exchange of Information. If either party to this Agreement believes that he, she, or it needs information in the possession of another party to this Agreement to prepare for the mediation, all parties shall attempt in good faith to agree on procedures for an exchange of information, with the help of the mediator if required.

25.02.6 Summary of Views. At least seven (7) days before the first scheduled mediation session, each party shall deliver to the mediator and to the other party a concise written summary of its views on the matter in dispute and on any other matters that the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator, to him or her.

25.02.7 Representatives. In the mediation, each party shall be represented by an Authorized Person and may be represented by counsel. In addition, each party may, with permission of the mediator, bring with him, her, or it any additional persons who are needed to respond to questions, contribute information, and participate in the negotiations.

25.02.8 Conduct of Mediation. The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it shall be useful after reviewing the position papers, the mediator shall give both himself or herself and the Authorized Persons an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the Authorized Persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions shall be strictly private. The mediator shall keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible.

25.02.9 Termination of Procedure. The parties agree to participate in the mediation procedure to its conclusion, as set forth in this section. The mediation may be concluded: (a) by the signing of a settlement agreement by the parties; (b) by the mediator's declaration that the mediation is terminated; or (c) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any arbitration or legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

25.02.10 Fees of Mediator; Disqualification. The fees and expenses of the mediator shall be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved.

25.02.11 Confidentiality. The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible shall not be excluded from discovery or made inadmissible simply because of its use in the mediation.

25.03 Arbitration. Except as provided in Article 25.04, and if not resolved by the negotiation and mediation procedures described under Section 25.02 above, any dispute, controversy or claim between you and/or a Franchisee Related Party, on the one hand, and CITY ACUPUNCTURE and/or any CITY ACUPUNCTURE Related Party, on the other hand, including, without limitation, any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) the relationship of the parties; (c) the events leading up to the entry into this Agreement; (d) any lease or sublease for your Clinic; (e) any loan or other finance arrangement between CITY ACUPUNCTURE or CITY ACUPUNCTURE's affiliates and you; (f) the parties' relationship; (g) the Franchised Clinic; (h) any of the System's Standards and Specifications; (i) any claim based in tort or any theory of negligence; or (j) the scope of validity of the arbitration obligation under this Section 25.03, shall be determined in New York by the AAA. The arbitration shall be administered by one arbitrator of the AAA pursuant to its Commercial Arbitration Rules then in effect. The arbitrator shall be an attorney with substantial experience in franchise law. If proper notice of any hearing has been given, the arbitrator shall have full power to proceed to take evidence or to perform any other acts necessary to arbitrate the matter in the absence of any party who fails to appear. The arbitration shall be conducted in accordance with the following provisions:

25.03.1 In connection with any arbitration proceeding, each party shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be forever barred.

25.03.2 Any arbitration shall be on an individual basis and the parties and the arbitrator shall have no authority or power to proceed with any claim as a class action, associational action, or otherwise to join or consolidate any claim with any claim or any other proceeding involving third parties. If a court or arbitrator determines that this limitation on joinder of, or class action certification of, claims is unenforceable, then the agreement to arbitrate the dispute shall be null and void and the parties shall submit all claims to the jurisdiction of the courts, in accordance with Section 25.01. The arbitration shall take place in New York, New York or at CITY ACUPUNCTURE's then-current office location, or in such other location if CITY ACUPUNCTURE so designates.

25.03.3 The arbitrator shall follow the law and not disregard the terms of this Agreement. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or CITY ACUPUNCTURE. The arbitrator may not under any circumstance: (a) stay the effectiveness of any pending termination of this Agreement; (b) assess punitive or exemplary damages; (c) certify a class or a consolidated action; or (d) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we have set. The arbitrator shall have the right to make a determination as to any procedural matters that court of competent jurisdiction would be permitted to make in the state in which the main office of CITY ACUPUNCTURE is located. Further, the arbitrator shall decide all factual, procedural, or legal questions relating in any way to the dispute between the parties, including, without limitation, questions relating to whether Section 25.03 is applicable and enforceable as against the parties; the subject matter, timeliness, and scope of the dispute;

any available remedies; and the existence of unconscionability and/or fraud in the inducement.

25.03.4 The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

25.03.5 The arbitrator shall have subpoena powers limited only by the laws of the State of New York.

25.03.6 The parties ask that the arbitrator limit discovery to the greatest extent possible consistent with basic fairness in order to minimize the time and expense of arbitration. The parties to the dispute shall otherwise have the same discovery rights as are available in civil actions under the laws of the State of New York.

25.03.7 All other procedural matters shall be determined by applying the statutory, common laws, and rules of procedure that control a court of competent jurisdiction in the State of New York.

25.03.8 Other than as may be required by law, the entire arbitration proceedings (including, without limitation, any rulings, decisions or orders of the arbitrator), shall remain confidential and shall not be disclosed to anyone other than the parties to this Agreement.

25.03.9 The judgment of the arbitrator on any preliminary or final arbitration award shall be final and binding and may be entered in any court having jurisdiction.

25.03.10 CITY ACUPUNCTURE reserves the right, but has no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished CITY ACUPUNCTURE's right to seek recovery of those costs against you.

25.04 Exceptions to Arbitration and Mediation.

25.04.1 Notwithstanding the provisions of Sections 25.02 and 25.03, CITY ACUPUNCTURE shall be entitled, without bond, to the entry of temporary, preliminary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement in any court of competent jurisdiction relating to: (a) your and/or any Franchisee Related Party's use of the Marks; (b) the covenants under Article 19, including your confidentiality covenants; (c) your obligations upon termination or expiration of the franchise; and/or (d) the transfer or assignment by you of the Franchised Clinic. If CITY ACUPUNCTURE secures any such injunction or order of specific performance, you agree to pay to CITY ACUPUNCTURE an amount equal to the aggregate of CITY ACUPUNCTURE's costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other

litigation expenses, travel and living expenses and any damages incurred by CITY ACUPUNCTURE as a result of the breach of any such provision.

25.04.2 Further, at the election of CITY ACUPUNCTURE, or its affiliate, the mediation and arbitration provisions Sections 25.02 and 25.03, inclusive of all subparts, shall not apply to: (a) any claim by CITY ACUPUNCTURE relating to your failure to pay any fee due to CITY ACUPUNCTURE under this Agreement; (b) any claim by CITY ACUPUNCTURE relating to your failure to comply with the covenants set forth in Article 19; and/or (c) any claim by CITY ACUPUNCTURE or its affiliates relating to your use of the Marks and/or the System, including, without limitation, claims for violations of the Lanham Act.

25.05 Survival. The provisions of Article 25 are intended to benefit and bind certain third party non-signatories and shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

25.06 Franchisee May Not Withhold Payment Due CITY ACUPUNCTURE. You agree that you shall not, on grounds of the alleged non-performance by CITY ACUPUNCTURE of any of its obligations hereunder, or on any other grounds, withhold payment of any Royalty Fees, or any other fees due to CITY ACUPUNCTURE from you under this Agreement.

25.07 Waiver of Rights. EACH OF THE PARTIES HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY AGREE AS FOLLOWS:

25.07.1 Jury Trial. Each of the parties hereto EXPRESSLY WAIVES THE RIGHT ANY PARTY MAY HAVE TO A TRIAL BY JURY IN ANY ARBITRATION, ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, FOR ANY CLAIMS RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE NEGOTIATION OF THIS AGREEMENT, THE EVENTS LEADING UP TO THE SIGNING OF THIS AGREEMENT, OR THE BUSINESS RELATIONSHIP RELATING TO THIS AGREEMENT OR THE FRANCHISE, WHETHER BROUGHT IN STATE OR FEDERAL COURT, WHETHER BASED IN CONTRACT THEORY, NEGLIGENCE OR TORT, AND REGARDLESS OF WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in Section 25.03 is unenforceable. Each party acknowledges that he, she or it has had full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

25.07.2 Damage Waiver. Each of the parties hereto EXPRESSLY WAIVES ANY CLAIM FOR PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES, ***except that*** this waiver and limitation shall not apply with respect to: (1) your obligation to indemnify CITY ACUPUNCTURE pursuant to any provision of this Agreement; or (2) any claims CITY ACUPUNCTURE brings against you and/or your Guarantors and/or

owners for: unauthorized use of the Marks, unauthorized use or disclosure of any Confidential Information, unfair competition, breach of your covenants under Article 19, including your in-term , and/or any cause of action under the Lanham Act. Notwithstanding the foregoing, CITY ACUPUNCTURE shall be entitled to receive an award of multiple damages, attorneys' fees and all damages as provided by law.

25.07.3 Each of the parties hereto EXPRESSLY AGREES THAT IN THE EVENT OF ANY FINAL DETERMINATION, ADJUDICATION OR APPLICABLE ENACTMENT OF LAW THAT PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES MAY NOT BE WAIVED, ANY RECOVERY BY ANY PARTY IN ANY ARBITRATION OR OTHER FORUM SHALL NEVER EXCEED TWO (2) TIMES ACTUAL DAMAGES, except that CITY ACUPUNCTURE may recover more than two (2) times its actual damages if you commit acts of willful trademark infringement or otherwise violate the Lanham Act, as provided by law.

25.08 Limitation of Action.

25.08.1 Except for claims arising from your non-payment or underpayment of amounts you owe to CITY ACUPUNCTURE, or claims related to your unauthorized use of the Marks, any and all claims arising out of or related to this Agreement or the relationship of the parties shall be barred unless a judicial or arbitration proceeding, as required under this Agreement, is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims, and that any action not so brought shall be barred, whether as a claim, counterclaim, defense or setoff.

25.08.2 You hereby acknowledge and agree that you may not maintain any action against CITY ACUPUNCTURE or any CITY ACUPUNCTURE Related Party unless: (a) you deliver written notice of any claim to the other party within one hundred eighty (180) days after the event complained of becomes known to you; (b) you strictly adhere to the negotiation and mediation procedures described in Article 25; and (c) you file an arbitration within one (1) year after the notice is delivered.

25.09 Cumulative Rights. No right or remedy conferred upon or reserved to CITY ACUPUNCTURE or you by this Agreement is intended to be, nor shall be deemed to be, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

25.10 Injunctive Relief. You recognize that you are a member of a franchise system and that your acts and omissions may have a positive or negative effect on the success of other businesses operating under the Marks and in association with the System. You acknowledge that failure on the part of a single franchisee to comply with the terms of its franchise agreement is likely to cause irreparable damage to CITY ACUPUNCTURE and to some or all of the other franchisees of CITY ACUPUNCTURE. For this reason, you agree that if CITY ACUPUNCTURE can demonstrate to a court of competent jurisdiction that there is a substantial likelihood of your breach or threatened breach of any of the terms of this Agreement, CITY ACUPUNCTURE shall be entitled to an injunction restraining the breach or to a decree of specific performance, without showing or proving

any actual damage. Without limiting the generality of the foregoing, nothing herein contained shall bar CITY ACUPUNCTURE's right to obtain injunctive relief, without posting bond or security, against conduct or threatened conduct that shall cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders, preliminary and permanent injunctions, and orders of specific performance enforcing the provisions of this Agreement. Additionally, and without limiting the generality of the foregoing, CITY ACUPUNCTURE shall have the right to seek injunctive relief to prohibit any act or omission by you or your employees that constitute a violation of any applicable law, is dishonest or misleading to the public, or which may impair the goodwill associated with the Marks, Trade Dress or the System.

25.11 No Class or Collective Actions. You agree that any arbitration, or, if applicable, litigation, between you and/or any Franchisee Related Party, on the one hand, and CITY ACUPUNCTURE and/or any CITY ACUPUNCTURE Related Party, on the other hand, shall be on such party's individual claim and that the claim or claims subject to arbitration and/or litigation shall not be arbitrated or litigated on a class-wide, associational or collective basis.

25.12 Post-Term Applicability. The provisions of Article 25 shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, however effected.

25.13 Costs and Attorneys' Fee. CITY ACUPUNCTURE shall be entitled to recover from you all of CITY ACUPUNCTURE's costs and expenses, including attorneys' fees, accounting fees, expert witness fees, and any other reasonably incurred fees, if CITY ACUPUNCTURE is the prevailing party in any action, including arbitration, litigation, any motion to compel arbitration, and/or any action on appeal, with you and/or any of your owners or Guarantors, including, without limitation, any action: (a) to enforce the terms of this Agreement; (b) for violation of this Agreement; or (c) for violation of the Lanham Act or other state or federal statutes. Without limiting the generality of the foregoing, if CITY ACUPUNCTURE incurs costs and expenses due to Franchisee's failure to pay when due amounts owed to CITY ACUPUNCTURE or its affiliates, to submit when due any reports, information, or supporting records, or otherwise comply with this Agreement, Franchisee agrees, whether or not CITY ACUPUNCTURE initiates a formal arbitration or legal proceeding, to reimburse CITY ACUPUNCTURE for all of the costs and expenses that CITY ACUPUNCTURE incurs including, without limitation, reasonable accounting, attorneys' and related fees and costs.

ARTICLE 26. ACKNOWLEDGMENTS; MISCELLANEOUS

26.01 Independent Investigation. You acknowledge that you have conducted an independent investigation of the Franchised Clinic, and recognize that, like any other business, the business venture contemplated by this Agreement involves business risks. Your success in this business is not guaranteed, is speculative and depends, to an important extent, upon your ability as an independent businessperson. CITY ACUPUNCTURE does not represent or warrant that the Clinic shall achieve a certain level of sales or be profitable, notwithstanding CITY ACUPUNCTURE's grant of this license or approval of the Approved Clinic Location. CITY ACUPUNCTURE expressly disclaims the

making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement. By signing this Agreement, you acknowledge that you have entered into it after making an independent investigation of the System.

26.01.1 FDD Acknowledgment. You acknowledge that you received CITY ACUPUNCTURE's Franchise Disclosure Document (the "FDD") at least fourteen (14) calendar days prior to the date on which this Agreement was executed and that you have read the FDD. You acknowledge that the FDD is a disclosure document, not a contract, and that this Agreement embodies the entire contractual agreement between the parties.

26.01.2 Consultation with Business Advisor. You acknowledge that you have read and understood this Agreement, the attachments hereto and all agreements relating thereto, if any. You acknowledge that CITY ACUPUNCTURE has accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement. You further acknowledge that CITY ACUPUNCTURE has advised you to seek franchise counsel to review and evaluate this Agreement.

26.01.3 No Reliance. You acknowledge that you are relying solely on CITY ACUPUNCTURE and not on any affiliated entity or parent company related to CITY ACUPUNCTURE with regard to CITY ACUPUNCTURE's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing CITY ACUPUNCTURE has made any statements or promises to the effect that any affiliated entities or parent companies guarantee CITY ACUPUNCTURE's performance or financially back CITY ACUPUNCTURE.

26.02 No Guarantee of Performance. You understand that neither CITY ACUPUNCTURE, nor any of CITY ACUPUNCTURE's representatives and/or agents with whom you have met have made, and are not making, any guarantees, express or implied, as to whether or not the Franchised Clinic shall break even, be successful or profitable. You acknowledge that the *City Acupuncture of New York™* franchise opportunity is a newly offered opportunity with no track record or operating history, other than as expressly disclosed in the FDD. You accept all risks, including the risk of loss of your entire investment. You acknowledge that neither CITY ACUPUNCTURE nor any of its representatives and/or agents with whom you have met or corresponded with, have, in any way, represented or promised any specific amounts of earnings or profits in association with your Franchised Clinic or any other Clinic. You further understand, acknowledge and agree that any information you obtain from any *City Acupuncture of New York™* franchisee, including relating to their sales, profit, cash flows, and/or expenses, does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information.

26.02.1 No Personal Liability. You agree that fulfillment of any and all of CITY ACUPUNCTURE's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be CITY ACUPUNCTURE's sole responsibility and none of its agents, representatives, nor any individuals associated with it shall be personally liable to you for any reason.

26.03 Anti-Terrorist Activities and Representations. You acknowledge that it is CITY ACUPUNCTURE's intent to comply with all anti-terrorism laws enacted by the U.S. Government, including, without limitation, the USA PATRIOT Act or Executive Order 13324. You acknowledge that you are not now, nor have you ever been, a suspected terrorist or otherwise associated directly or indirectly with terrorist activity. At any time during the Term, if CITY ACUPUNCTURE is prohibited for doing business with you under any anti-terrorism law enacted by the U.S. Government, then this Agreement may be terminated immediately. You further certify and warrant that neither you, nor any of your owners, principals, employees or associates (including all shareholders, members or partners (as applicable)), are: (a) a person or entity designated by the U.S. Government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List"), as maintained by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") with which a U.S. person or entity cannot deal with or otherwise engage in business transactions; (b) a person or entity who is otherwise the target of U.S. economic sanctions and trade embargoes enforced and administered by OFAC, such that a U.S. person or entity cannot deal or otherwise engage in business transactions with you or your shareholders, members or partners; (c) either wholly or partly owned or partly controlled by any person or entity on the SDN List, including, without limitation, by virtue of such person being a director or owning voting shares or interests in an entity on the SDN List; (d) a person or entity acting, directly or indirectly, for or on behalf of any person or entity on the SDN List; or (e) a person or entity acting, directly or indirectly, for or on behalf of a foreign government that is the target of the OFAC sanctions regulations such that the entry into this Agreement would be prohibited under U.S. law.

26.03.1 You shall comply with, and assist CITY ACUPUNCTURE to the fullest extent possible in CITY ACUPUNCTURE's efforts to comply with, the Anti-Terrorism Laws (as defined below). You shall not hire nor have any dealings with any person listed on the SDN List, as it may be modified from time to time. You are solely responsible for ascertaining what actions shall be taken by you to comply with all Anti-Terrorism Laws. You specifically acknowledge and agree that your indemnification obligations under this Agreement pertain to your obligations under this Section 26.03. Any misrepresentation by you under this Section 26.03, or any violation of any Anti-Terrorism Laws by you, your owners, principals or employees, shall constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with CITY ACUPUNCTURE or its affiliates. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other

requirements of any Governmental Authority (including, without limitation, The United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

26.04 Representation. You represent to CITY ACUPUNCTURE, as an inducement to CITY ACUPUNCTURE's entry into this Agreement, that all statements that you have made and all materials you have submitted to CITY ACUPUNCTURE in connection with your purchase of this franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. CITY ACUPUNCTURE has approved of your purchasing of a franchise in reliance upon all of your representations.

26.05 Entire Agreement. This Agreement, inclusive of all exhibits hereto, constitutes the entire, full and complete agreement and understanding between the parties and supersedes any and all prior agreements, no other representations, promises, warranties or agreements have induced you to execute this Agreement with CITY ACUPUNCTURE. Both parties acknowledge and agree that there are no oral or written representations, promises, assurances, warranties, covenants, "side-deals", rights of first refusal, options or understandings other than those expressly contained in this Agreement. This Agreement supersedes all prior agreements, no other representations, promises, warranties, assurances, covenants, "side-deals", rights of first refusal, options or understandings having induced you to execute this Agreement. The parties agree that, in entering into this Agreement, they are each relying on their own judgment, belief and knowledge as to any claims and further acknowledge that no promise, inducement or agreement or any representations and warranties not expressed herein have been made to procure their agreement hereto. The parties further acknowledge that they have read, fully understand and fully agreed to the terms of this Agreement. Except for those permitted to be made unilaterally by CITY ACUPUNCTURE hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim the representations CITY ACUPUNCTURE made in the franchise disclosure document CITY ACUPUNCTURE furnished to you.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement on the day and year first above written.

CITY ACUPUNCTURE LLC

By: _____
Print Name: _____
Title: _____

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION. THIS AGREEMENT CONTAINS EXPRESS WAIVERS OF: (A) ANY AND ALL RIGHTS TO A JURY TRIAL; (B) ANY AND ALL RIGHTS TO PARTICIPATE IN CLASS ACTION ARIBTRATION AND/OR LAWSUITS; (C) YOUR RIGHT TO OBTAIN PUNITIVE, MULTIPLE OR EXEMPLARY DAMAGES; AND (D) YOUR RIGHT TO BRING ANY CLAIM OR ACTION LATER THAN ONE (1) YEAR AFTER THE DISCOVERY OF THE FACTS GIVING RISE TO SUCH CLAIMS OR ACTIONS.

FRANCHISEE:

WITNESS

By: _____
Print Name: _____
Title: _____

**EXHIBIT A TO CITY ACUPUNCTURE LLC
FRANCHISE AGREEMENT**

CONTRACT DATA SCHEDULE

1. **Effective Date:** _____
2. **Approved Clinic Location:** The Franchised Clinic will be located at (check (a) or (b), as applicable):

☐ (a) _____
(Street Address, City, State and Zip Code)

☐ (b) The Approved Clinic Location has not been determined as of the Effective Date of this Agreement. Franchisee shall secure the Approved Clinic Location in accordance with the terms and conditions of the Franchise Agreement within the general area described as follows (the "Designated Area"):

(Indicate City, County or Area within which the Franchised Clinic shall be located.)

If (b) above is selected, the parties shall amend this Contract Data Sheet to reflect the address of the Franchised Clinic and the Approved Territory, once the Approved Clinic Location is secured by Franchisee in accordance with the terms of the Franchise Agreement.

3. **Approved Territory.** The Approved Territory shall be comprised of the following area: _____
4. **Initial Franchise Fee.** \$5,000.00
5. **Grand Opening Advertising Expenditure Requirement.** \$1,000.00
6. **Franchisee Information.** (Check and complete as appropriate.)

☐ (a) The following individual(s) is the Franchisee: _____

Address: _____
Telephone Number: _____

☐ (b) The Franchisee is the following corporation:

Name: _____
State of Incorporation: _____

Shareholder Name (each an "Owner")	Shareholder Address & Telephone Number	Number of Shares

List of all Officers and Directors: _____

Telephone Number: _____

☐ (c) The Franchisee is the following limited liability company:

Name: _____

State of Formation: _____

Member Name (each an "Owner")	Member Address & Telephone Number	Percentage Ownership Interest

List of all Managers and Officers: _____

Telephone Number: _____

☐ (d) The Franchisee is the following partnership:

Name: _____

State of Formation: _____

Partner Name (each an "Owner")	Partner Address & Telephone Number	Percentage Ownership Interest

List of all Officers and the General Partner: _____

Telephone Number: _____

**EXHIBIT B TO
CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT**

LEASE RIDER & COLLATERAL ASSIGNMENT OF LEASE

LEASE RIDER

1. Landlord shall deliver to **CITY ACUPUNCTURE LLC** ("Franchisor") a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Tenant.
2. Landlord, Tenant and Franchisee shall enter into Franchisor's collateral assignment of lease in the form attached to this Rider as Attachment A.
3. Franchisor or its designee shall have the right, but not the obligation, upon giving written notice of its election to Tenant and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Tenant's rights, title and interests thereunder.
4. Landlord and Tenant hereby acknowledge that Tenant has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Location for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Tenant hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Tenant is obligated to take certain steps under the Franchise Agreement to de-identify the location as a *City Acupuncture of New York*TM franchised business. Landlord agrees to permit Franchisor, its employees or agents, to enter the Location and remove signs, decor and materials displaying any marks, designs or logos owned or licensed by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Location as a result thereof.
5. Landlord agrees to allow Tenant to remodel, equip, paint and decorate the interior and exterior of the Location pursuant to the terms of the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate the Business at the Location.
6. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 139 Fulton Street, Suite 208, New York, New York 10038, or such other address as Franchisor shall specify by written notice to Landlord.
7. Franchisor is a third party beneficiary under this Addendum.
8. References to the Landlord, Tenant and Franchisor include the successors and assigns of each of the parties.

COLLATERAL ASSIGNMENT OF LEASE

THIS COLLATERAL ASSIGNMENT OF LEASE is made as of the last date below written by and among _____ ("Tenant"), CITY ACUPUNCTURE, LLC ("Franchisor"), and _____ ("Landlord").

RECITALS

WHEREAS, Tenant is the tenant under a certain lease (or sublease), dated _____ (the "Lease"), wherein Landlord leased to Tenant certain premises at _____ (the "Premises"); and

WHEREAS, Tenant and Franchisor have, or will, enter into a Franchise Agreement (the "Franchise Agreement"), whereby Franchisor will grant to Tenant the right to open and operate a *City Acupuncture of New York*™ franchised acupuncture Clinic at the Premises; and

WHEREAS, as a condition to Franchisor entering into the Franchise Agreement, Franchisor has required that Tenant assign its right, title and interest in the Lease, with the right to reassign (as provided therein), as security for Tenant's obligations and Franchisor's rights under the Franchise Agreement; and

WHEREAS, in order to induce Franchisor to enter into the Franchise Agreement, Tenant has agreed to assign its right, title and interest in the Lease, with the right to reassign (as provided therein), as security for Tenant's obligations and Franchisor's rights under the Franchise Agreement.

AGREEMENT

NOW, THEREFORE, in consideration for the foregoing premises and the mutual promises contained herein and in the Franchise Agreement, and in order to secure Tenant's obligations and Franchisor's rights under the Franchise Agreement, Tenant does hereby collaterally assign, transfer and set over unto Franchisor, with the right to reassign (as provided herein), all of its right, title and interest in and to the Lease and in and to the Premises; it being nevertheless expressly understood and agreed that this assignment is made and is consented to by the Landlord contingent upon the following terms, covenants, limitations and conditions:

1. Tenant's Right to Possession. Tenant shall retain right to possession of the Premises in accordance with the terms and conditions of the Lease until the occurrence of an Assignment Event (as defined in paragraph 2 of this Agreement).

2. Assignment Events.

2.1 Franchisor shall have the right to exercise either of the options set forth in paragraphs 2.1(i) or 2.1(ii) below upon: (a) Franchisor's declaration of a default by Tenant under the Franchise Agreement, which remains uncured beyond all applicable notice and cure periods; (b) the expiration or earlier termination of the Franchise Agreement; or (c) an expression by Tenant of its desire to terminate the

Lease (each, an "Assignment Event"). Upon the occurrence of an Assignment Event, Franchisor shall have the option to either:

(i) assume and occupy the Premises upon written notice to Landlord and Tenant, in which event Franchisor shall be deemed to be substituted as the tenant under the Lease in the place and stead of Tenant and shall be deemed to have assumed expressly all of the terms, covenants and obligations of the Lease theretofore applicable to Tenant and shall likewise be entitled to enjoy all of the rights and privileges granted to Tenant under the terms and conditions of the Lease; or

(ii) assign the Lease to an affiliate or an approved *City Acupuncture of New York™* franchisee, without obtaining Landlord's prior written consent, provided that, in the event of an assignment to a franchisee, such franchisee: (x) has a net worth equal to or greater than the net worth of Tenant at the time of Lease execution; (y) assumes all of Tenant's obligations under the Lease; and (z) completes Franchisor's initial training program to Franchisor's satisfaction.

2.2 If Franchisor exercises either of the rights set forth in paragraphs 2.1(i) or 2.1(ii) above, Tenant shall remain obligated under the Lease and Tenant shall be liable to Franchisor for all payments by Franchisor for rent and other Lease obligations. The parties acknowledge that such payments are reasonable expenses of foreclosure.

2.3 If Franchisor exercises either of the rights set forth in paragraphs 2.1(i) or 2.1(ii) above, Landlord shall not terminate or accelerate the rent owed under the Lease in connection with any such assignment, so long as Franchisor, or its franchisee, assumes, in writing, the obligations of Tenant under the Lease. Nothing in this Paragraph 2.3 shall serve to extend the term of the Lease or provide Franchisor with occupancy rights, options to renew or other rights not expressly set forth to Tenant in the Lease.

3. Agreement of Landlord.

3.1 Landlord agrees to provide Franchisor with copies of any and all letters and notices to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant.

3.2 Landlord further agrees that, if it intends to terminate the Lease, Landlord will give Franchisor the same advance written notice of such intent as provided to Tenant, specifying in such notice all defaults that are the cause of any proposed termination. Franchisor shall have the right to cure, at its sole option, any such default within the time periods granted to Tenant under the Lease.

3.3 If neither Tenant nor Franchisor cures all such defaults within the prescribed time period (or such longer period as may be specifically permitted by the Lease), then the Landlord may terminate the Lease, re-enter the Premises, and/or exercise all other rights as set forth in the Lease. Landlord will promptly notify Franchisor of any expression by Tenant of its desire to terminate the Lease.

4. Right to Enter and Make Modifications to Premises. Before the expiration or termination of the Lease, Franchisor shall have the right to enter the Premises to make any reasonable modifications or reasonable alterations necessary to protect Franchisor's interest in the *City Acupuncture of New York™* franchise system or its proprietary marks, or to cure any default under the Franchise Agreement entered into by and between Franchisor and Tenant, or any affiliate of Tenant. Landlord and Tenant agree that Franchisor shall not be liable for trespass or any other crimes or tort.

5. Notices. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, telegram or telex (provide that the sender confirm the facsimile, telegram or telex by sending an original confirmation copy by certified transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If to Franchisor:

CITY ACUPUNCTURE, LLC

With a copy to:

If to Tenant:

If to Landlord:

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by telex or facsimile shall be deemed given on the business day of transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties.

6. No Material Modification of Lease. Landlord and Tenant will not amend, renew, extend or otherwise modify the Lease in any manner which would

materially affect any of the foregoing provisions without Franchisor's prior written consent.

7. Acknowledgment. The parties hereby acknowledge and agree that, so long as Franchisor shall not have exercised its option to take possession of the Premises under this Agreement, Franchisor shall not be liable for rent or any other obligations under the Lease.

[The remainder of this page is intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Collateral Assignment of Lease as of the _____ day of _____, _____.

ASSIGNOR:

WITNESS

By: _____
Print Name: _____
Title: _____

FRANCHISOR:

CITY ACUPUNCTURE, LLC

WITNESS

By: _____
Print Name: _____
Title: _____

LANDLORD:

WITNESS

By: _____
Print Name: _____
Title: _____

**EXHIBIT C TO
CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT**

PERSONAL GUARANTEE

The undersigned hereby execute this **PERSONAL GUARANTEE** (this "Guarantee"), as of the last date written below, in order to, among other things, induce CITY ACUPUNCTURE LLC ("Franchisor") to enter into, or permit the transfer of, that certain *City AcupunctureTM* Franchise Agreement, dated _____ (the "Franchise Agreement"), with _____ ("Franchisee").

RECITALS

WHEREAS, the undersigned constitute all of the shareholders, members, partners, or other persons or entities interested in effecting the grant or transfer of the Franchise Agreement by Franchisor to Franchisee; and

WHEREAS, Franchisor is relying on this Guarantee to ensure that there are sufficient assets to operate the franchised business and to protect Franchisor in the event Franchisee commits a default under the Franchise Agreement; and

WHEREAS, Franchisor is only willing to enter into the Franchise Agreement if each of the undersigned personally guarantee Franchisee's obligations thereunder.

AGREEMENT

NOW, THEREFORE, the undersigned, in consideration of the undertakings and commitments of each such party set forth in this Guarantee, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

1. The undersigned hereby represent and warrant that they constitute [*check all that apply*]:

- ☐ the holders of one hundred percent (100%) of the originally issued and outstanding capital stock of Franchisee, a corporation;
- ☐ one hundred percent (100%) of the members of Franchisee, a limited liability company ("LLC");
- ☐ one hundred percent (100%) of the partners of Franchisee, a partnership ("Partnership"); and/or
- ☐ Franchisee's spouse and/or the spouses of the shareholders, members or partners of Franchisee, as applicable.

2. Each of the undersigned individuals personally, jointly and severally, agrees to be bound by all the terms and conditions of the Franchise Agreement, including any amendments thereto, whenever made, and absolutely, irrevocably and unconditionally guarantees to Franchisor, and its successors and assigns, that all of Franchisee's obligations under the Franchise Agreement will be punctually paid and performed.

3. The undersigned acknowledges and agrees that Franchisor has entered into the Franchise Agreement with Franchisee solely on the condition that each owner of Franchisee, and each owner's spouse, be personally obligated and jointly and severally liable with Franchisee (and with each other owner of Franchisee) for the performance of each and every obligation of Franchisee (and its owners) under: (i) the Franchise Agreement, including any amendments thereto or extensions or renewals thereof, and (ii) each and every other agreement entered into by Franchisee in connection with the Franchise Agreement, including any lease agreement (all aforementioned agreements are collectively referred to as the "CITY ACUPUNCTURE Agreements"). Without limiting the generality of the foregoing, the undersigned acknowledge and agree that each individual is personally bound by the confidentiality restrictions and the covenant against competition set forth in the Franchise Agreement.

4. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee.

5. This Guarantee is effective until all terms of the CITY ACUPUNCTURE Agreements have been fully and completely performed by Franchisee, to the satisfaction of Franchisor. No release of Franchisee or discharge of Franchisee under bankruptcy law, or any other law, shall impair or effect the obligations of Guarantor(s) to Franchisor hereunder.

6. The undersigned jointly and severally agree to pay all attorneys' fees, costs and expenses (including any and all Royalty Fees and Advertising Fees and associated interest on such amounts, that are determined to be owing to Franchisor due to underreporting by Franchisee) incurred by Franchisor in enforcing this Guarantee, whether or not suit or action is filed, and if suit or action is filed, then through trial and all appeals, and also in any proceedings or matter in Bankruptcy Court, and to assume all liability for all losses, costs, attorney's fees, and expenses that Franchisor incurs as a result of a default by Franchisee, including those fees and expenses incurred in a bankruptcy proceeding involving Franchisee.

7. The undersigned hereby waives the following:

(i) notice of amendment of the CITY ACUPUNCTURE Agreements and notice of demand for payment or performance by Franchisee of any obligation under the CITY ACUPUNCTURE Agreements;

(ii) presentment or protest of any instrument and notice thereof, and notice of default or intent to accelerate with respect to the indebtedness or nonperformance of any of Franchisee's obligations under the CITY ACUPUNCTURE Agreements;

(iii) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability;

(iv) the defense of statute of limitations in any action hereunder or for the collection or performance of any obligation;

(v) any and all rights to payments, indemnities and claims for reimbursement or subrogation that the undersigned may have against Franchisee arising from the undersigned's execution of and performance under this Guarantee;

(vi) any defense based on any irregularity or defect in the creation of any of the obligations or modification of the terms and conditions of performance thereof;

(vii) any defense based on the failure of Franchisor or any other party to take, protect, perfect or preserve any right against and/or security granted by Franchisee or any other party; and

(viii) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

8. Upon default by Franchisee or notice from Franchisor, the undersigned will immediately make each payment and perform each obligation required of Franchisee under the CITY ACUPUNCTURE Agreements. Without limiting the generality of the foregoing, the undersigned acknowledges that Franchisor is not required to proceed first against the Franchisee, but may proceed first against the undersigned or any of them alone or concurrent with proceeding against Franchisee. The obligations of the undersigned hereunder are absolute and unconditional.

9. Governing Law; Jurisdiction; Venue.

(i) Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. §1050 et seq.) or other federal law, this Guarantee and any claims related thereto, shall be governed by, interpreted and construed under the laws of the state of New York, which laws shall prevail in the event of any conflict of law.

(ii) The undersigned hereby acknowledge and agree that the United States District Court for the Southern District of New York shall be the sole and exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of, in connection with, or related to, either directly or indirectly, this Guarantee. The undersigned agree that the undersigned are subject to personal jurisdiction in the State of New York, and further agree that, in the event of litigation, they will not contest or challenge the *in personam* jurisdiction or venue in

New York. If and only if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over any matter litigated under this Guarantee, then the appropriate state court located in New York, New York shall be the venue and exclusive proper forum for such litigation. The undersigned agree that they are subject to personal jurisdiction in the state courts in New York, New York and, in any litigation brought in any such court under this Guarantee, the parties agree that they will not contest or challenge the *in personam* jurisdiction or venue of the courts of New York, New York. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision.

10. The undersigned hereby waive any right to trial by jury that they may have in any action brought by Franchisor related, directly or indirectly, to this Guarantee and/or the City Acupuncture Agreements, or the negotiation of the Guarantee and/or the City Acupuncture Agreements.

11. If one or more provisions contained in this Guarantee shall be invalid, illegal or unenforceable, in any respect under the laws of any jurisdiction, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

12. Each of the undersigned acknowledges that: (i) it is a condition to the granting of the Franchise Agreement to Franchisee that each of the undersigned shall execute and deliver this Guarantee to Franchisor; (ii) that Franchisor has entered into the Franchise Agreement with Franchisee in reliance upon the agreement of the undersigned to do so; and (iii) that, as owners of the Franchisee, or spouses of such owners, the undersigned have received adequate consideration to support their execution of this Guarantee. This Guarantee does not grant or create in the undersigned any interests, rights or privileges in the City Acupuncture Agreements, or any other franchise or franchise agreement.

[The remainder of this page is intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF, each of the undersigned has executed this
Guarantee as of _____, _____.

GUARANTORS:

Date: _____

By: _____
Print Name: _____, an individual

Date: _____

By: _____
Print Name: _____, an individual

**EXHIBIT D TO
CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT**

ELECTRONIC FUNDS TRANSFER FORM

Franchisee Name: _____ *City Acupuncture™* Clinic #:

Address: _____

Contact Name, Address, and Phone Number: _____

Employer Identification Number (if applicable): _____

Principal's Name and Social Security Number: _____

Franchisee's Bank Account Information

Bank Name, Branch and Address: _____
(the "Bank")

Bank Account Number: _____ (the "Bank Account")

Bank Routing Number: _____

Bank Phone Number: _____

Type of Account (Check One): _____ Savings Account _____ Checking Account

Payment Authorization:

Franchisee hereby authorizes CITY ACUPUNCTURE LLC (hereinafter "Payee"), any financial institution acting on behalf of Payee (hereinafter "Payee's Bank"), and Franchisee's financial institution which is identified above (hereinafter "Franchisee's Bank") to initiate withdraws from the Bank Account indicated on this form, and hereby authorizes the Bank to honor and charge the Bank Account for electronic funds transfers or drafts drawn on the Bank Account and payable to Payee. The amount of such charge shall be set forth in a notice from the Payee presented to the Bank on the day(s) of the week set forth in the Franchise Agreement by and between Payee and Franchisee, and any other agreement Franchisee signs that authorizes Payee or its affiliate to debit Franchisee's account for the fees, which may be modified by Payee, for the payment of royalty fees, advertising fees, POS support fees, gift card program fees and funds flow, and any other fees, charges or debits payable to Payee or its affiliates for any services Payee provides or facilitates. Franchisee agrees to sign such additional documents as may be reasonably requested by Payee or the Bank to evidence the interest of this EFT Authorization. This authority shall remain in full force and effect until Payee has received written notification from Franchisee in such time and manner as to afford Payee and the Bank to act on such notice. Franchisee understands that the termination of this authorization does not relieve Franchisee of its obligations to make payments to Payee. Payee may assign its rights and obligations under this EFT Authorization to Payee's affiliates or agents. Payee may change its designated affiliates or agents at Payee's discretion.

The Franchisee acknowledges that the Bank, Payee, and Payee's Bank must comply with the National Automated Clearing House Association rules. Payee, the Bank and Franchisee's Bank are authorized to make any necessary debits or credits to correct duplicate or erroneous entries. The Franchisee hereby agrees to hold Payee, Payee's Bank, Bank and their agents, successors and assigns harmless from all direct, indirect, special or consequential damages and/or all losses, costs, claims or expenses arising out of or related to the use of this automatic payment service.

This authorization is effective as of the date indicated below and shall remain in full force until the expiration or earlier termination of the Franchise Agreement. The automatic payment process is subject to modification or cancellation at any time by Payee without notice to the Franchisee. This agreement shall be governed by the laws of the State of New York.

NOTE: A separate Authorization Agreement is required for each bank account, even if all accounts are within the same banking institution. Please attach a voided check or deposit slip to this authorization.

**EXHIBIT E TO
CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND
LISTINGS**

This Conditional Assignment of Telephone Numbers and Listings (the "Assignment") is entered into this ____ day of _____, 20__ ("Effective Date"), in accordance with the terms of the Franchise Agreement ("Franchise Agreement") between CITY ACUPUNCTURE LLC ("Franchisor") and _____ ("Franchisee"), executed concurrently with this Assignment and under which Franchisor granted Franchisee the right to own and operate a *City Acupuncture*TM Clinic located at _____ (the "Franchised Clinic").

FOR VALUE RECEIVED, receipt of which is hereby acknowledged, Franchisee hereby agrees as follows:

1. Conditional Assignment of Listings. Franchisee hereby conditionally assigns to Franchisor all of Franchisee's right, title and interest in and to: (a) all telephone numbers and regular yellow pages, special, classified and other telephone directory listings used at any time in connection with the operation of the Franchised Clinic; and (b) any and all website and social media addresses and accounts, including, without limitation, Facebook, Twitter, LinkedIn, and any other account that contains any term or any mark the same as or similar to any of Franchisor's trademarks (individually and collectively, the "Listings").

2. No Liability. This Assignment is for collateral purposes only, and except as expressly provided herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless and until Franchisor notifies the telephone company, listing agency and/or webmaster/webhost (each, a "Listing Agency"), as applicable.

3. Effectiveness of Assignment. This Assignment will become effective automatically upon expiration (provided that Franchisee has not obtained a Successor Franchise Agreement) or the earlier termination of the Franchise Agreement. Upon the occurrence of that condition, Franchisee must do all things required by the applicable Listing Agency to assure the effectiveness of the assignment set forth herein as if the Franchisor had been originally issued the Listings, and the usage thereof.

4. Responsibility of Franchisee. Franchisee agrees to pay the Listing Agencies on or before the effective date of assignment all amounts owed for the use of Listing(s). Franchisee further agrees to indemnify Franchisor for any sums Franchisor must pay any Listing Agency to effectuate this assignment, and agrees to fully cooperate with the Listing Agency and Franchisor in effectuating this assignment.

5. Franchisee Acknowledgments. Franchisee agrees and acknowledges that as between Franchisor and Franchisee, Franchisor shall have the sole right to and interest in and to the Listings upon termination or expiration of the Franchise Agreement. Franchisee appoints Franchisor as Franchisee's true and lawful attorney-in-fact to direct the Listing Agency to assign same to Franchisor and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event Franchisee shall immediately instruct the applicable Listing Agency to assign the applicable Listing to Franchisor, and /or to assign the Listing account to Franchisor. If Franchisee fails to promptly do so, Franchisor shall direct the appropriate parties to effectuate the assignment contemplated hereunder to Franchisor.

6. Attorney in Fact. The parties agree that the Listing Agency may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Listings and that such assignment shall be made automatically and effective immediately upon the Listing Agency's receipt of notice from Franchisor or Franchisee. The parties further agree that if the Listing Agency requires that the parties execute an assignment form or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

[The remainder of this page is intentionally left blank; the signature page to follow.]

IN WITNESS WHEREOF, each of the undersigned has executed this
Assignment as of _____, ____.

ASSIGNOR:

[_____]

By: _____

Print Name: _____

Title: _____

ASSIGNEE:

CITY ACUPUNCTURE LLC

By: _____

Print Name: _____

Title: _____

**EXHIBIT F TO
CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT**

CONFIDENTIALITY AGREEMENT

(To be completed by Franchisee's trained employees, officers, directors, general partners, members and managers, as applicable.)

In consideration of receiving an offer of employment from _____ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be bound hereby, I hereby acknowledge and agree that:

1. City Acupuncture, LLC's principal, Robert Benhuri, is currently the owner of the *City Acupuncture*TM marks.

2. Franchisor, as the result of the expenditure of time, skill, effort and money, owns and continues to develop the *City Acupuncture of New York*TM franchise system (the "System") involving the establishment and operation of acupuncture Clinics offering acupuncture services, other designated or approved services, and certain approved products and supplies under the mark *City Acupuncture of New York*TM (each a "Clinic").

3. The characteristics of the System currently include: sales and operating methods; marketing methods; interior and exterior design; décor; layout; fixtures and furnishings; customer service and development techniques; standards and procedures for efficient business operations; training and assistance; and marketing programs; any or all of which may be changed, improved and further developed from time to time by Franchisor.

4. Franchisor or its affiliate licenses to franchisees certain trade names, service marks, trademarks, logos, emblems, slogans, and indicia of origin, including, without limitation, the *City Acupuncture of New York*TM trade name, the current *City Acupuncture of New York*TM logo, and/or such other different and/or additional trade names, trademarks, and service marks as are now designated or may hereinafter be designated, changed or modified by Franchisor in writing for use in connection with the System (collectively, the "Marks").

5. Franchisee has acquired the right and license from Franchisor to operate a franchised Clinic using the name *City Acupuncture of New York*TM or such other name as designated by Franchisor (the "Franchised Clinic"), and the right to use the Marks in the operation of the Franchised Clinic.

6. As part of your employment with Franchisee, not only will you be exposed to Confidential Information, as defined below, with regard to the operation of the Franchised Clinic, but you will also become familiar with the unique System utilized by Franchisor with regard to the sale of the identified services and products in System Franchised Clinics.

7. For purposes of this Agreement, "Confidential Information" means all information, knowledge, know-how and techniques related to the Franchised Clinic, Franchisor, Franchisee, the services and products that Franchisee or Franchisor sell, the System Franchised Clinics, and the System, which is communicated to me or learned by me in the course of working for Franchisee, including, without limitation, information of a confidential and proprietary nature concerning the operations of Franchisee or Franchisor, as well as any service and product pricing information provided to Franchisee by Franchisor or its suppliers and vendors.

7.1 Confidential Information shall not include any information that (i) is or becomes available to the public other than as a consequence of a breach by a person of any fiduciary duty or obligation of confidentiality, including, without limitation, catalogues, product descriptions and sales literature that Franchisor, Franchisee, or any franchisees or licensees of Franchisor or its affiliates have distributed to the public generally; (ii) is disclosed as required by a final, unappealable court order and no suitable protective order, or equivalent remedy, is available; or (iii) I was aware of prior to its disclosure to me in the course and scope of my employment with Franchisee from a source not bound by a confidential obligation.

7.2 Because I am an employee of Franchisee, Franchisor and Franchisee may disclose the Confidential Information to me during the course of the training program or any subsequent ongoing training program, and/or when furnishing to me general assistance and instruction during my employment with Franchisee.

7.3 I will not acquire any interest in the Confidential Information, other than the right to utilize it in on behalf of Franchisee in its the operation of the Franchised Clinic, and the use or duplication of the Confidential Information for any use other than on behalf of the Franchisee in its operation of the Franchised Clinic, would constitute an unfair method of competition.

7.4 The Confidential Information is non-public, proprietary, involves trade secrets of the Franchisee and Franchisor and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in confidence all Confidential Information and all other information designated by Franchisee and/or Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties to Franchisee, and will continue not to disclose and/or use any such information even after my employment with Franchisee ceases.

8. Non-Competition Covenants. Except as otherwise approved in writing by Franchisor and Franchisee or on behalf of or in connection with a System Clinic, I shall not while in the employment of the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any Competing Business (as defined below).

For purposes of this Agreement, the term "Competing Business" means any business operating, or granting franchises or licenses to others to operate, a business

marketing, offering or providing acupuncture services, other services Franchisee is required to offer in connection with the operation of the Franchised Business.

8.4 I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Confidentiality Agreement (this "Agreement"). If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor or Franchisee is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8.5 I understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement may cause Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and Franchisor, any claim I have against the Franchisee or Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. In the event of a dispute between the parties arising under this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs. Any controversy, claim or dispute arising out of or relating to this Agreement, either during the existence of the employment relationship or afterwards, between the parties hereto, shall be litigated solely in state or federal court in or for New York, New York. Due to the importance of this Agreement to the Franchisee and Franchisor, I agree that any claim I have against the Franchisee or Franchisor is a separate matter, and does not entitle me to violate, or justify any violation of this Agreement, and must be raised in a separate lawsuit or claim.

11. This Agreement shall be construed under the laws of the State of New York. The only way this Agreement can be changed is in writing signed by both the Franchisee and me and approved, in writing, by Franchisor.

By: _____

Print Name: _____

**EXHIBIT G TO
CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT**

(To be completed if Franchisee signs the Franchise Agreement as an individual and subsequently forms a legal entity to operate the Franchised Clinic.)

ASSIGNMENT & ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is made and entered into this ____ day of _____, _____, by and between CITY ACUPUNCTURE LLC ("Franchisor"), [insert name of individual franchisee] ("Assignor"), and [insert name of corporation or limited liability company], an entity owned and controlled by Assignor with an address at _____.

RECITALS

WHEREAS, Franchisor and Assignor entered into a certain CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT dated _____ (the "Franchise Agreement"), whereby Assignor was granted the right and undertook the obligation to operate a *City Acupuncture of New York™* Clinic at the location identified in the Franchise Agreement (the "Franchised Business"); and

WHEREAS, Assignor has formed Assignee for the convenience and purpose of owning and operating the Franchised Business; and

WHEREAS, Assignor desires to assign his or her rights and obligations under the Franchise Agreement to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement; and

WHEREAS, Franchisor is willing to consent to the assignment of the Franchise Agreement to Assignee, subject to the terms and conditions of this Assignment, including without limitation, Assignor's agreement to guarantee the performance by Assignee of its obligations under the Franchise Agreement and to continue to be bound by all of the provisions of the Franchise Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all of his or her rights, title and interest in and to the Franchise Agreement, effective as of the date of this Assignment.

2. Assignee hereby assumes all of Assignor's obligations, assignments, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, assignments, commitments and duties of the franchisee under the Franchise Agreement with the same force and effect as if the Franchise Agreement were originally written with Assignee as franchisee.

3. Assignor agrees that Assignor shall continue to be bound by all of the terms and conditions of the Franchise Agreement, including, without limitation, all non-competition, confidentiality and indemnification obligations, and that nothing contained in this Assignment herein shall be deemed to relieve Assignor of any of Assignor's obligations contained in the Franchise Agreement. Assignor further agrees to, and by this instrument does hereby, guarantee the performance by Assignee of all of its obligations, commitments, duties and liabilities under the Franchise Agreement.

3.1 Without limiting the foregoing, Assignor irrevocably and unconditionally guarantees to Franchisor that: (i) Assignee will pay all amounts to be paid and otherwise comply with all provisions of the Franchise Agreement and any other agreement between Assignor and Franchisor or its affiliates concerning the operation of the Franchised Business; and (ii) if Assignee defaults in making any such payments or complying with any such provisions, Assignor shall pay forthwith upon demand all amounts due and owing Franchisor and all damages that may arise as a result of any such non-compliance.

4. In the enforcement of any of its rights against Assignor, Franchisor may proceed as if Assignor was the primary obligor under the Franchise Agreement. Assignor waives any right to require Franchisor to first proceed against Assignee or to proceed against or exhaust any security (if any) held by Franchisor or to pursue any other remedy available to it before proceeding against Assignor. No dealing between Franchisor and Assignee shall exonerate, release, discharge or in any way reduce the obligations of Assignor hereunder, in whole or in part, and in particular and without limiting the generality of the foregoing, Franchisor may modify or amend the Franchise Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of the Franchise Agreement, or any obligation of Assignee, take or release any securities or other guarantees for the performance by Assignee of any of its obligations, and otherwise deal with Assignee as Franchisor may see fit without affecting, lessening or limiting in any way the liability of Assignor. Notwithstanding any assignment for the general benefit of creditors or any bankruptcy or other act of insolvency by Assignee and notwithstanding any rejection, disaffirmance or disclaimer of this Assignment or the Franchise Agreement, Assignor shall continue to be fully liable.

5. Release of Franchisor Parties. In further consideration of Franchisor's execution of this Assignment, Assignor, Assignee, all assignor and assignee guarantors, jointly and severally, for themselves, their successors, assigns, heirs, personal representatives and affiliates (individually and collectively, the "Releasing Parties"), remise, release, acquit, satisfy and forever discharge Franchisor, its successors, predecessors, counsel, insurers, assigns, officers, directors, employees, parent company, affiliates, subsidiaries and agents, past and present (individually

and collectively the "Franchisor Released Parties") from and against all claims, actions, causes of action, demands, damages, costs, suits, debts, covenants, controversies, and any other liabilities whatsoever, whether known or unknown, liquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal or equitable (hereinafter "Claims"), which the Releasing Parties ever had, now have, can, shall or may have, against any or all of the Franchisor Released Parties for, upon or by reason of any matter, cause or thing whatsoever, from the beginning of the world to the date of this Assignment, including any claims related in any way to the Franchise Agreement, or the development, opening, or operation of the Franchised Clinic. Notwithstanding the foregoing, nothing in this Release shall be interpreted to release Franchisor from its obligations under the Franchise Agreement to Assignee which arise following the Effective Date.

6. This Assignment is entered into in the State of New York and shall be construed and interpreted in accordance with its laws, which laws shall control in the event of any conflict of law.

7. This Assignment shall be binding and inure to the benefit of the parties and their respective heirs, successors and assigns.

8. Assignor and Assignee acknowledge and agree that they are bound by the dispute resolution provisions of the Franchise Agreement. Assignor and Assignee further agree that they have and will continue to have a substantial relationship with Franchisor at its offices in New York, New York and that, with the exception of Franchisor's right to seek injunctive relief in any appropriate jurisdiction as set forth below, any action by or against them arising out of or relating to this Assignment shall be commenced, litigated and concluded only in any state or federal court of general jurisdiction in the State of New York. Assignor and Assignee agree that New York represents the most convenient forum for the parties to litigate any disputes between them. Accordingly, Assignor and Assignee irrevocably submit to the jurisdiction of such court and waive any objection they may have to either the jurisdiction or venue of such court. Assignor and Assignee further waive any objection that such court is an inconvenient forum. Franchisor shall have the option, at its sole discretion, of bringing any action seeking equitable relief to enforce the terms of this Assignment in any court of competent jurisdiction in order to prevent real or threatened harm, and Assignor and Assignee consent to the entry of injunctive relief, including, without limitation, temporary restraining orders and/or preliminary and permanent injunctions without the requirement of bond, according to the usual equity rules in the jurisdiction in which such relief is sought.

9. The Franchise Agreement, including all Exhibits and Amendments thereto, and this Assignment shall constitute the entire integrated assignment between the parties with respect to the subject matter contained herein and shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

10. In the event that it becomes necessary for Franchisor to retain the services of legal counsel to enforce the terms of this Assignment, Franchisor shall be

entitled to recover all costs and expenses, including reasonable attorneys', expert and investigative fees, incurred in enforcing the terms of this Assignment.

11. Each party declares that the terms of this Assignment have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain, and confer with counsel. This Assignment is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Assignment.

6. The persons executing this Assignment on behalf of Assignee acknowledge their authority to do so.

13. The obligations of Assignor and Assignee under this Assignment are joint and several.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

IN WITNESS WHEREOF, the undersigned have affixed their signatures hereto as of the day and date first above written.

ASSIGNOR:

ATTEST

By: _____
Title: _____

ASSIGNEE:

ATTEST

By: _____
Title: _____

FRANCHISOR:

CITY ACUPUNCTURE LLC

By: _____
Print Name: _____
Title: _____

**EXHIBIT H TO
CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT**

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is entered into, this ____ day of _____, ____ ,
by _____ and _____ between _____ at
_____ (“Debtor”), and CITY ACUPUNCTURE
LLC (“Secured Party”), whose address is _____.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Debtor grants to Secured Party a first priority security interest in all of the property owned by Debtor, as described in Schedule I and the Property presently located at or intended to be located at Debtor’s Clinic located at: _____
_____ (the “Premises”) and/or elsewhere and used and/or intended to be used and/or consumed in connection with the operation of a *City Acupuncture of New York™* Clinic at the Premises, together with all after-acquired property of the same general class and description and the proceeds of all property encumbered hereby (the “Collateral”).

TO SECURE:

- (a) Performance of each agreement of Debtor contained in that certain Franchise Agreement between Debtor and Secured Party, dated _____ (the “Franchise Agreement”); and
- (b) The repayment of all sums and amounts that may be advanced or expended by Secured Party for the maintenance and preservation of the Collateral or any part thereof or the enforcement of any rights of Secured Party hereunder; and
- (C) Performance of each agreement of Debtor contained herein.

DEBTOR WARRANTS AND AGREES:

1. Except for the security interest granted hereby, Debtor is the owner of the Collateral, free from any adverse lien, security interest or encumbrance, and Debtor will defend against all claims and demands of all persons at any time claiming the same or an interest therein.

2. No Financing Statement covering any of the Collateral or any proceeds thereof is on file in any public office. Debtor hereby authorizes Secured Party to execute, on behalf of both Debtor and Secured Party, one or more Financing Statements, pursuant to the Uniform Commercial Code, in form satisfactory to Secured Party, and to file or record same in all public offices wherever filing or recording is deemed by Secured Party to be necessary or desirable and Debtor agrees to pay the cost of filing or recording the same.

3. To do all acts which may be necessary to maintain, preserve and protect the Collateral, not to commit or permit any waste thereof, and to maintain the Collateral in good order, repair and condition, reasonable wear and tear excepted.

4. Not to remove any of the Collateral from the Premises, except for the purpose of repair or replacement with other articles of substantially similar quality and value, which will not be subject to any lien, encumbrances or interests in others, except for purchase money security interests and the security interest granted hereby, and to permit Secured Party to inspect the Collateral at any time. Notwithstanding the above, Debtor may sell the inventory secured hereby in the ordinary course of its business.

5. Except as provided in Section 4 above, not to sell, assign, lease, encumber, or otherwise dispose of all or any of the Collateral without the prior written consent of Secured Party.

6. To pay before delinquency, all taxes, assessments and liens now or hereafter imposed on the Collateral, and to maintain in force at all times, fire and other insurance policies (including all risk, and earthquake insurance) on the Collateral.

7. If Debtor fails to make any payment or do any act as herein required, then Secured Party, without obligation to do so and without notice to or demand upon Debtor, may make such payments and do such acts as Secured Party may deem necessary to protect its security interest in the Collateral, Secured Party being hereby authorized (without limiting the general nature of the authority hereinabove conferred) to take possession of the Collateral or any part thereof and to pay, purchase, contest or compromise any security interest, encumbrance, charge or lien which, in the judgment of Secured Party, appears to be prior or superior to or to jeopardize the security interest granted hereby, and in exercising any such powers and authority to incur necessary expenses, including attorneys' fees. Debtor hereby agrees to repay immediately and without demand all sums expended by Secured Party pursuant to the provisions of this paragraph.

8. Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions:

(a) Default by Debtor in the payment of any or all of the indebtedness, obligations or liabilities secured hereby beyond the applicable cure periods, or failure by Debtor to perform any agreement herein contained or secured hereby.

9. Upon any such default, Secured Party, at its option, without demand upon or notice to Debtor, may declare all indebtednesses, obligations and liabilities secured hereby to be immediately due and payable, and Secured Party shall have all the rights and remedies provided a secured party under the Uniform Commercial Code and may proceed to foreclose the security interest created hereby according to law, and may, at its option, and it is hereby empowered, with or without foreclosure action, to enter upon the Premises or any other premises where the Collateral or any part thereof may be and take possession thereof and remove the Collateral or any part thereof. In addition, Secured Party may require and Debtor agrees to assemble the Collateral and make it available to Secured

Party at a place to be designated by Secured Party which is reasonable convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private or other intended disposition is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Debtor shown above at least ten (10) days before the time of the sale or disposition. The Collateral may be sold in one or more lots and at one or more sales, which may be held on different days and need not be held within view of the Collateral being sold. Secured Party shall deduct and retain from the proceeds of such sale or sales all costs and expenses paid or incurred in the taking, removal, holding, preparing for sale or sales of the Collateral, including any reasonable attorneys' fees and legal expenses incurred or paid by Secured Party; the balance of the proceeds shall be applied by Secured party upon the indebtednesses, obligations and liabilities secured hereby, in such order and manner as Secured Party may determine, and the surplus, if any, shall be paid to Debtor or to the person or persons lawfully entitled to receive the same.

(a) Secured Party, at its option, shall have the right to commence any action or proceeding against a third party or appear in or defend any action or proceeding brought by a third party purporting to affect the rights, duties or liabilities of the parties hereto, including, without limiting the generality of the foregoing, an action to foreclose the security interest created hereby, and in connection therewith to incur costs, expenses and attorneys' fees in any such action or proceeding in which the Secured Party shall appear, all of which costs, expenses and attorneys' fees will be paid or reimbursed to Secured Party by Debtor.

(b) In the event of any default hereunder, Secured Party shall be entitled, without notice and without regard to the adequacy of the Collateral and of any other security for the indebtedness hereby secured, to the appointment of a receiver to take possession of all or any part of the Collateral and to exercise such powers as the Court shall confer upon him.

(c) At any public sale or sales made under this Section 9 or authorized herein or by laws, or at any sale or sales made upon judicial foreclosure of this security interest, Secured Party (or its representative) may bid for and purchase any Collateral being sold and, in the event of such purchase, shall hold such property thereafter discharged of all rights of redemption.

10. Secured Party shall be entitled to enforce any indebtedness, obligation or liability secured hereby and to exercise all rights and powers hereby conferred, although some or all of the indebtedness, obligations and liabilities secured hereby are now or shall hereafter be otherwise secured. Debtor's acceptance of this Agreement shall not affect or prejudice Secured Party's right to realize upon or enforce any other security now or hereafter held by Secured Party, and Secured Party shall be entitled to exercise all rights of set-off to the same effect and in the same manner as if this security interest had not been given.

11. In the event suit is brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of damages, its cost of suit and, not as damages, a reasonable attorneys' fee to be fixed by the Court.

12. The words Secured Party and Debtor, as used herein, shall be construed to include the heirs, legatees, devisees, administrators, executors, successors and assigns, respectively, of Secured Party and Debtor. This Agreement shall bind and inure to the benefit of such third persons. Whenever the context so requires, the masculine gender includes the feminine and neuter, the singular number includes the plural, and vice versa. All references herein to the Uniform Commercial Code means the Uniform Commercial Code as adopted by the State in which Secured Party's principal place of business is located.

THE UNDERSIGNED DEBTOR HEREBY SPECIFICALLY CERTIFIES THAT HE HAS READ AND UNDERSTANDS THIS SECURITY AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

Secured Party:

CITY ACUPUNCTURE, LLC

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

Franchisee:

[_____]

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

SCHEDULE I

All leasehold improvements, furniture, fixtures, appliances, tools, equipment, cash registers, goods, inventories, and allied products, and finished goods and materials, now owned or hereafter at any time acquired by Debtor, and all accessories, parts, repossessions, and returns thereto or therefore; all accounts, general tangibles, chattel paper, documents, instruments, (whether negotiable or non-negotiable), deposit accounts, money, contract rights and rights to payment of every kind, now existing and hereafter arising; and all proceeds (including proceeds of insurance policies on the Collateral), products, additions, accessions, replacements and substitutions for and of such Collateral.

**EXHIBIT I TO
CITY ACUPUNCTURE LLC FRANCHISE AGREEMENT**

PRE-CLOSING FRANCHISE SALES COMPLIANCE QUESTIONNAIRE

[To be completed by Franchisee and all Owners before signing Franchise Agreement]

As you know, you and CITY ACUPUNCTURE LLC (the "Franchisor") are about to enter into a franchise agreement for the development, opening and operation of a *City Acupuncture of New York™* franchised Clinic. The purpose of this Questionnaire is to determine if any improper sales practices have occurred, including, whether any statements or promises were made to you Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question. **The answers you provide in this Questionnaire are material to Franchisor and Franchisor is relying on all such answers in agreeing to enter into a franchise relationship with you.**

1. Have you received and personally reviewed Franchisor's Franchise Disclosure Document?

Yes____ No____
2. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes____ No____
3. Have you received and personally reviewed the CITY ACUPUNCTURE, LLC Franchise Agreement and all accompanying Exhibits?

Yes____ No____
4. Has any employee or other person speaking on behalf of Franchisor made any statement, representation or promise concerning the revenue, profits or operating costs of a *City Acupuncture of New York™* Clinic operated by Franchisor or any of its affiliates?

Yes____ No____
5. Has any employee or other person speaking on behalf of Franchisor made any statement, representation or promise concerning the revenue, profits or operating costs of a *City Acupuncture of New York™* Clinic operated by a franchisee?

Yes____ No____
6. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning a *City Acupuncture of New York™* Clinic that is

contrary to, different from, or in addition to, the information contained in the Disclosure Document?

Yes____ No____

7. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the amount of money you may earn or revenue you may derive in operating a *City Acupuncture of New York™* Clinic?

Yes____ No____

8. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the amount of revenue a *City Acupuncture of New York™* Clinic will generate?

Yes____ No____

9. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the costs you may incur in operating a *City Acupuncture of New York™* Clinic that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No____

10. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a *City Acupuncture of New York™* Clinic?

Yes____ No____

11. Has any employee or other person speaking on behalf of Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No____

12. Do you understand that Franchisor's approval of a location for a *City Acupuncture of New York™* Clinic does not constitute an assurance, representation or warranty of any kind as to the successful operation or profitability of a *City Acupuncture of New York™* Clinic at the location?

Yes____ No____

13. Do you understand that the approval of Franchisor of a financing plan for operation of a *City Acupuncture of New York™* Clinic does not constitute any assurance that such financing plan is favorable, or not unduly burdensome, or that a *City*

Acupuncture of New York™ Clinic will be successful if the financing plan is implemented?

Yes____ No____

14. Do you understand that in all dealings with you, the officers, directors, employees and agents of Franchisor act only in a representative capacity and not in an individual capacity and such dealings are solely between you and Franchisor?

Yes____ No____

If you have answered "Yes" to any of questions 4 through 11, please provide a full explanation by attaching an additional page. You understand that your answers are important to us and that we will rely on them.

PROSPECTIVE FRANCHISEE/APPLICANT:

By:_____

Print Name:_____

Date:_____

By:_____

Print Name:_____

Date:_____

EXHIBIT C
TO CITY ACUPUNCTURE, LLC
FRANCHISE DISCLOSURE DOCUMENT

CURRENT FRANCHISEES

As of the Issuance Date of this Disclosure Document, there were no system franchisees.

EXHIBIT D
TO CITY ACUPUNCTURE, LLC
FRANCHISE DISCLOSURE DOCUMENT

FORMER FRANCHISEES

As of the Issuance Date of this Disclosure Document, there were no former franchisees.

EXHIBIT F
TO CITY ACUPUNCTURE, LLC
FRANCHISE DISCLOSURE DOCUMENT

SAMPLE GENERAL RELEASE

This General Release (the "Release") is made this _____ day of _____, _____, by and between CITY ACUPUNCTURE, LLC ("Franchisor"), and _____, ("Franchisee") and _____ ("Guarantor").

BACKGROUND

A. On _____, _____, Franchisee entered into a franchise agreement (the "Franchise Agreement") with Franchisor for the right to operate a *City Acupuncture of New York*TM franchised clinic at _____ (the "Clinic").

B. In order to induce Franchisor to enter into the Franchise Agreement with Franchisee, on _____, _____, Guarantor executed a guarantee (the "Guarantee") under which Guarantor agreed to personally guarantee, and act as a surety for, Franchisee's obligations to Franchisor under the Franchise Agreement.

C. Franchisee wishes to *[enter into a Successor Franchise Agreement; assign its rights and duties under the Franchise Agreement]* and has agreed to execute this Release as a condition of obtaining the consent of Franchisor in connection with the *[entry into the Successor Franchise Agreement; or assignment]*.

AGREEMENT

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Release. Franchisee, Guarantor, and all persons and entities claiming by, through or under them, release, acquit and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors and assigns (the "Franchisor Releasees") from any and all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, judgments, costs, attorney's fees, actions or causes of action whatsoever, whether known or unknown, which they, by themselves, on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had or claim to have against the Franchisor Releasees arising out of or related to the offer, sale and/or operation of the Clinic, and the parties' rights or obligations under the Franchise Agreement and Guarantee, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

2. This Release shall not be amended or modified unless such amendment or modification is signed by Franchisor, Franchisee and Guarantors. Franchisee and Guarantors acknowledge that the terms of this Release have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel.

3. In the event that Franchisor retains the services of legal counsel to enforce the terms of this Release, it shall be entitled to recover all costs and expenses, including reasonable attorney's fees, incurred in enforcing the terms of this Release.

I HAVE READ THE ABOVE RELEASE AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS RELEASE IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

CITY ACUPUNCTURE, LLC

Attest: _____

By: _____

Franchisee:

Attest: _____

By: _____

Guarantor:

Witness: _____

By: _____
_____, individually

Witness: _____

By: _____
_____, individually

EXHIBIT G
TO CITY ACUPUNCTURE, LLC
FRANCHISE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

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.

1. Item 3 of this disclosure document is modified to include the following paragraph:

No person named in Item 2 is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities and Exchange Act of 1934, 15 USCA 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. Item 5 of this disclosure document is modified to include the following paragraph:

We apply the initial franchise fee to our general operating revenues, which we use, among other purposes, to cover the costs of marketing to prospective franchisees, training new franchisees and assisting new franchisees in opening their business.

3. Item 17 of this disclosure document is modified to include the following paragraphs:

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.).

The franchise agreement may contain a covenant not to compete extending beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur at the offices of the American Arbitration Association nearest our home office, with cost being born by the party which does not substantially prevail in arbitration.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires application of the laws of the State of New York. This provision may not be enforceable under California Law.

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

California Business Professional Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

New York Addenda

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

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

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

7. The following is added to the end of the “Summary” section of Item 17(j), titled

“Assignment of contract by franchisor”:

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

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

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

**EXHIBIT H
TO CITY ACUPUNCTURE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

RECEIPT PAGES

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If CITY ACUPUNCTURE, LLC ("City Acupuncture") offers you a franchise, it must provide this Disclosure Document to you 14 Calendar-days before you sign a binding agreement with, or make a payment to, City Acupuncture 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 execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

[Michigan, Oregon, and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If City Acupuncture 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 D.C. 20580 and with the appropriate state agency listed on Exhibit A.

The franchisor is City Acupuncture, LLC, located at 139 Fulton Street, Suite 208, New York, New York 10038. Its telephone number is 862-596-9224.

Issuance Date: October 17, 2016

The franchise seller for this offering is:

Name: <u>Robert Benhuri</u>	Name: _____
Bus. Address: <u>City Acupuncture, LLC</u>	Address: _____
<u>139 Fulton Street, Suite 208, New York, NY</u>	
<u>10038</u>	
Telephone #: <u>862-596-9224</u>	Telephone #: _____

CITY ACUPUNCTURE LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated October 17, 2016 that included the following Exhibits:

A State Agencies/Agents for Service of Process	E Financial Statements
B Franchise Agreement	F Sample Release Agreement
C Current Franchisees	G State Specific Addenda
D Former Franchisees	H Receipt
Rec	

Date: _____ (SIGNATURE)

Print Name: _____

Date: _____ (SIGNATURE)

Print Name: _____

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If CITY ACUPUNCTURE, LLC ("City Acupuncture") offers you a franchise, it must provide this Disclosure Document to you 14 Calendar-days before you sign a binding agreement with, or make a payment to, City Acupuncture 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 execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

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The franchisor is City Acupuncture, LLC, located at 139 Fulton Street, Suite 208, New York, NY 10038. Its telephone number is 862-596-9224.

Issuance Date: October 17, 2016

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Name: Robert Benhuri
Bus. Address: City Acupuncture LLC
139 Fulton Street, Suite 208, New York, NY
10038
Telephone #: 862-596-9224

Name: _____
Address: _____
Telephone #: _____

CITY ACUPUNCTURE LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated October 17, 2016 that included the following Exhibits:

- | | | | |
|---|--|---|--------------------------|
| A | State Agencies/Agents for Service of Process | E | Financial Statements |
| B | Franchise Agreement | F | Sample Release Agreement |
| C | Current Franchisees | G | State Specific Addenda |
| D | Former Franchisees | H | Receipt |

Date: _____ (SIGNATURE)

Print Name: _____

Date: _____ (SIGNATURE)

Print Name: _____