

FRANCHISE DISCLOSURE DOCUMENT



COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC

a Delaware limited liability company
1375 Blossom Hill Rd #33, San Jose, CA 95118
415-795-8010

franchising@compedgept.com
<https://www.compedgept.com/>

The franchisee will manage a physical therapy management business that will, through independent physical therapists and professionally licensed persons or entities, provide various physical therapy services, including sports orthopedics and conditioning using the trademark COMPETITIVE EDGE PHYSICAL THERAPY, and also our other related trade names, trademarks, or logos. COMPETITIVE EDGE PHYSICAL THERAPY Centers will be able to provide state-of-the-art biomechanics, and sports orthopedics services through the implementation of technology, data analysis, and therapy. We provide services to franchisees including assistance with training, operations, advertising, purchasing and promotional techniques.

The total initial investment necessary to begin operation of a COMPETITIVE EDGE PHYSICAL THERAPY Center ranges from \$244,125 to \$376,925. This includes \$35,000 that must be paid to us or our 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 Kevin Vandt, 1375 Blossom Hill Rd #33, San Jose, CA 95118, 415-795-8010.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date of this Franchise Disclosure Document is ~~February~~ April 10, 2022 ~~2023~~.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Spousal liability:** Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN
FRANCHISE INVESTMENT LAW

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this

subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL. Any questions regarding the notice should be delivered to the Department of the Attorney General, Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau, 2501 Woodlake Circle, Okemos, MI 48864, Telephone: (517) 241-6470.

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Exhibits:

- Exhibit A: Federal and State Regulatory Authorities
- Exhibit B: Current Franchisees
- Exhibit C: Former Franchisees
- Exhibit D: Franchise Agreement (with attachments)
- Exhibit E: Management Services Agreement (with attachments)
- Exhibit F: Waiver of Management Services Agreement
- Exhibit G: State Addenda
- Exhibit H: Table of Contents for Policy and ProceduresBrand Standards Manual
- Exhibit I: Financial Statements
- Exhibit J: SBA Addendum
- Exhibit K: General Release
- ~~Exhibit L: Form of Franchise Compliance Certification~~
- Exhibit M~~L~~: Receipt

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

Terminology:

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC is the franchisor and is referred to as “us”, “our”, “we”, “COMPETITIVE EDGE PHYSICAL THERAPY” or “COMPETITIVE EDGE” in this Franchise Disclosure Document. “You” means the business entity (including a corporation, partnership, limited liability company or other legal entity) that is the franchisee and signs a Franchise Agreement (Exhibit D) with us. The ~~Franchisee~~franchisee must be a business entity, though the type of entity may vary according to state law. Therefore, “you” and “your” refer to the business entity and its owners.

~~In most cases, we anticipate that the franchisee will be a “lay” (non-professional) management services organization or “MSO,” i.e., not a physical therapist, or a professional corporation or professional limited liability company (collectively, a “PC”). In some states the franchisee may be required to be a non-professional corporation or limited liability company, even if it is not functioning as a management services organization.~~

~~In circumstances where the MSO is the franchisee, the MSO will enter into a Franchise Agreement with us and will enter into a Management Services Agreement (a sample form of which is attached as Exhibit E) with a PC that furnishes the “Clinical Staff” who render professional physical therapy services at the Center. The franchisee must be at least 51% owned by the same physical therapist that owns the PC but is a separate “lay” business entity. The term “Clinical Staff” refers collectively to the physical therapists and physical therapy assistants who are licensed and qualified to offer physical therapy services in the jurisdiction where the Center operates that actually render physical therapy services at your Center. The PC, not the franchisee, will employ and control all Clinical Staff. We must approve the PC.~~

~~If you can demonstrate to us that applicable laws in the state where your Center is located permit the same entity to own and manage a Center and render physical therapy services to patients of the Center, then “you,” the franchisee, may be owned and operated by the physical therapist’s PC or other required entity and the PC or other required entity will enter into the Franchise Agreement. In the states where the franchisee may own and operate a Center, you must sign a Waiver of Management Services Agreement in the form of Exhibit F.~~

~~The Franchisee must designate one individual as the Operating Owner. The Operating Owner is the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person from your business entity that we will recognize as having authority to communicate for you and your business entity. The Operating Owner must be a licensed physical therapist, participate in and supervise the day-to-day operation of the Center, and own at least 51% equity interest in the business entity Franchisee.~~

The Franchisor

~~. The~~ ~~The~~ name of the ~~Franchisor~~franchisor is COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC. Our principal place of business is at 1375 Blossom Hill Road, #33, San Jose, California 95118. We conduct business under the trade name “COMPETITIVE EDGE PHYSICAL THERAPY” or “COMPETITIVE EDGE.” We are a Delaware limited liability company organized on January 1, 2022. Exhibit A contains the identities and principal business addresses of our agents for service of process in ~~all~~certain states. We are not engaged in any business other than offering COMPETITIVE EDGE PHYSICAL THERAPY franchises. We began offering franchises in 2022. We have

not conducted business, and we have not and do not offer franchises, in any other lines of business. We do not operate any Centers, however, our affiliate does.

Our Predecessors, Parents and Affiliates. We have no parents or predecessors.

Our affiliate, Competitive Edge Physical Therapy, Inc., (“CEPT INC”) was organized on July 7, 2015, ~~under the laws of the state of as a California and shares our principal place of business~~ corporation. CEPT INC owns and operate a COMPETITIVE EDGE PHYSICAL THERAPY center in San Jose, California. This San Jose business ~~opened~~ operated a satellite office in Menlo Park, California ~~in from~~ from August 2020 to December 2021 at a community, nonprofit, and educational center where it ~~offers~~ offered services on a limited basis, ~~approximately 1.5 days per week~~. The Menlo Park satellite office is not representative of the franchises offered under this disclosure document. CEPT INC owns the intellectual property that we will license to you. CEPT does not offer nor has ever offered franchises.

The Franchise Offered

We have developed a management system (~~the~~ “System”) relating to the development, management, and administration of physical therapy centers operating under the Marks. These COMPETITIVE EDGE PHYSICAL THERAPY centers, which we refer to in this ~~Franchise Disclosure Document~~ disclosure document as “Centers” are facilities that offer physical therapy services, focusing on sports orthopedics, biomechanical sports testing, running gait analysis, and strength conditioning. Centers will be able to provide state-of-the-art biomechanics and sports orthopedics services through the implementation of technology, data analysis, and therapy. The Centers help patients and athletes improve movement and optimize their performance. Each Center will be equipped with physical therapy equipment and motion analysis technology.

The franchisee will provide a range of business services to the COMPETITIVE EDGE PHYSICAL THERAPY Centers, including but not limited to the following services: general business management; bookkeeping; reporting; management information services including patient scheduling; billing and collection services; administering cash disbursements; advice regarding licensing, permits, and Clinical Staff credentialing; human resource support; recruitment assistance; payroll services; arranging for services necessary for business operations; providing advertising and marketing services; assistance in negotiating contracts and managing supply relationships; maintain files and patient records; file annual reports and tax documents; give advice regarding and procurement of insurance; management of the inbound and outbound sales processes; assistance with patient retention and communication. The franchisee will also lease or purchase, upfit, and maintain the premises and will purchase the equipment for the Center.

In certain states, the franchisee may also render the professional physical therapy services.

To operate a Center, you will enter into a Franchise Agreement with us. Centers must operate according to the System. The System includes the right to use the mark COMPETITIVE EDGE PHYSICAL THERAPY in the operation of a Center, standards for building design and layouts, equipment and inventory standards and specifications, specifications for the scope of professional services available at Centers, and similar types of standards and policies, all of which we may modify at any time. ~~The selection and use of any equipment and products used in connection with physical therapy services provided by the PC will be subject to the PC’s approval based on the professional opinion of the PC’s Clinical Staff.~~

One distinctive component of the System is the requirement that patients pay in cash. The Centers will not accept private or government-sponsored health insurance, thus reducing the back-office support that the Center needs to operate.

~~To keep Centers distinctive and competitive, we offer site selection assistance; distinctive branding; training on managing a Center; and advertising and promotional programs to promote the COMPETITIVE EDGE PHYSICAL THERAPY brand name to consumers.~~

~~Neither the System nor any of the contracts that you sign with us allow us to, and we do not, regulate or control the manner in which Clinical Staff or the PCs exercise independent professional judgment or render patient care at Centers. The PC will be solely responsible for and have full authority and control over the practice of physical therapy, including: (i) the control of a patient's medical records; (ii) the selection, oversight, and hiring/firing of Clinical Staff; (iv) final decisions regarding coding and billing procedures for patient care services; (v) approving of the selection of medical equipment and medical supplies; (vi) the determination of fees for such care, goods and services; (iv) diagnostic tests, treatment plans, clinical necessity and course of care; (v) hours of operation and scheduling of patients and Clinical Staff; (vi) referring patients to other medical providers; (vii) equipment and supplies used in treating each patient; and (ix) any and all other matters included within the definition of "physical therapy" under the applicable law in your jurisdiction.~~

~~When the franchisee is an MSO, you must notify patients of the Center that they are being treated by Clinical Staff engaged to work at Center by an independent PC. The MSO may not employ the Clinical Staff that render patient care services at Centers. All patient intake forms must inform patients that their patient-physical therapist relationship is with an individual licensed physical therapist or his or her PC, not with the MSO, which is separate business entity.~~

~~To operate a Center, you~~In most cases, we anticipate that the franchisee will be a "lay" (non-professional) management services organization or "MSO," i.e., not a physical therapist, or a professional corporation or professional limited liability company (collectively, a "PC"). In circumstances where the MSO is the franchisee, the MSO will enter into a Franchise Agreement with us. When the franchisee is an MSO, you will also and will enter into a Management Services Agreement (a sample form of which is attached as Exhibit E) with a PC that will employ or retain~~furnishes the "Clinical Staff that" who render professional physical therapy services at the Center. We have provided a sample form of Management Services Agreement in Exhibit E~~The franchisee must be at least 51% owned by the same physical therapist that owns the PC but is a separate "lay" business entity. You may negotiate the Management Services Agreement with the PC but the final form of agreement is subject to our prior written consent. The term of the Management Services Agreement must be at least as long as the term of the Franchise Agreement. Under the Management Services Agreement, Franchisee will provide the PC with management and administrative services and support consistent with the System to support the PC's practice and its delivery of physical therapy services to patients at the Center, consistent with all applicable laws and regulations. When the franchisee is an MSO, you must have a Management Services Agreement in effect with a PC at all times during the operation of the Center and term of the Franchise Agreement.

~~Most franchise arrangements will be 2-tiered as shown in Column A and the Franchisee will be a "lay" (non-professional) MSO. The MSO must be at least 51% owned by one of the Clinical Staff that render patient care services at the Center and that also own an interest in the PC that signs the Management Services Agreement with the MSO. The MSO must not be a PC except under the circumstances shown in Column B or as otherwise required by state law.~~

The term "Clinical Staff" refers collectively to the physical therapists and physical therapy assistants who are licensed and qualified to offer physical therapy services in the jurisdiction where the Center operates that actually render physical therapy services at your Center. The PC, not the franchisee, will employ and control all Clinical Staff. We must accept the PC. The selection and use of any

equipment and products used in connection with physical therapy services provided by the PC will be subject to the PC's approval based on the professional opinion of the PC's Clinical Staff.

The arrangement in Column B is only available if you can demonstrate to us that applicable law in the state in which you will operate your Center permits you, as a licensed physical therapy professional or permitted entity, to be a COMPETITIVE EDGE PHYSICAL THERAPY franchisee. In this situation, you must sign a Waiver of Management Services Agreement with us in the form of Exhibit F. Under the Waiver, you agree that, instead of entering into a separate Management Services Agreement with a PC, you will (a) operate the Center, including performing all responsibilities and obligations of the "PC" under the Management Services Agreement, and (b) manage the Center as required by the Franchise Agreement and by performing all the responsibilities and obligations of the "Manager" under the Management Services Agreement. The Waiver does not give us the right to regulate or control the manner in which Clinical Staff or their PCs exercise independent professional judgment or render patient care at Centers.

If you can demonstrate to us that applicable laws in the state where your Center is located permit the same entity to own and manage a Center and render physical therapy services to patients of the Center, then "you," the franchisee, may be owned and operated by the physical therapist's PC or other required entity and the PC or other required entity will enter into the Franchise Agreement. In the states where the franchisee may own and operate a Center, you must sign a Waiver of Management Services Agreement in the form of Exhibit F.

Contract	A	B
	States that prohibit a licensed physical therapist or professional entity from being a franchisee of a lay entity like us.	States that permit a licensed physical therapist or a physical therapy business entity (such as a professional corporation) to be a franchisee of a lay entity like us.
Franchise Agreement — Exhibit D	The franchisee that signs the Franchise Agreement is a management services organization or "MSO" (not a licensed physical therapist or professional entity).	When applicable law permits a licensed physical therapist or physical therapy business entity (such as a professional corporation) to be the franchisee of COMPETITIVE EDGE PHYSICAL THERAPY the physical therapist or business entity, as the franchisee, will sign the Franchise Agreement.
Management Services Agreement — Exhibit E	Mandatory (though form is subject to negotiation between you and the PC). The MSO will enter into a Management Services Agreement with a licensed physical therapist or professional corporation.	Waived. The Franchisee must sign a Waiver of Management Services Agreement.
Waiver — of Management Services Agreement — Exhibit F	Not Applicable	Mandatory.

If you meet our eligibility criteria, we may offer you the opportunity to enter into a franchise agreement ("Franchise Agreement") with us. Under the Franchise Agreement we will grant you the right and license (the "Franchise") to manage a COMPETITIVE EDGE PHYSICAL THERAPY Center

consistent with plans and specifications that we approve, under the System, at a location that we approve that is identified in the Franchise Agreement (the "Premises"). You will construct and build out the Center, or otherwise modify an existing site to serve as a Center, in a manner so that the finished design and appearance meet our design standards. Once we approve the location of the Premises, we will assign your Center a territory (the "Territory"). The Franchise Agreement will be for a term beginning on the Effective Date of the Franchise Agreement and expiring 10 years from the Effective Date (the "Initial Term"). You must use the System in operating your Center in the Territory and at all times perform your obligations under the Franchise Agreement faithfully, honestly and diligently, and use your best efforts to promote the Center. As noted, neither The franchisee must designate one individual as the Operating Owner. The Operating Owner is the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person from your business entity that we will recognize as having authority to communicate for you and your business entity. The Operating Owner must be a licensed physical therapist, participate in and supervise the day-to-day operation of the Center, and own at least 51% equity interest in the business entity franchisee.

Neither the System nor the Franchise Agreement regulates or controls any of the contracts that you sign with us allow us to, and we do not, regulate or control the manner in which Clinical Staff or the PCs exercise independent professional judgment or render patient care services at your Center at Centers. The PC will be solely responsible for and have full authority and control over the practice of physical therapy, including: (i) the control of a patient's medical records; (ii) the selection, oversight, and hiring/firing of Clinical Staff; (iv) final decisions regarding coding and billing procedures for patient care services; (v) approving of the selection of medical equipment and medical supplies; (vi) the determination of fees for such care, goods and services; (iv) diagnostic tests, treatment plans, clinical necessity and course of care; (v) hours of operation and scheduling of patients and Clinical Staff; (vi) referring patients to other medical providers; (vii) equipment and supplies used in treating each patient; and (ix) any and all other matters included within the definition of "physical therapy" under the applicable law in your jurisdiction.

The Premises will be identified consistent with our site selection and approval process, in accordance with the terms of the Site Selection Addendum (which is Attachment 2 to the Franchise Agreement), and described in ITEM 11 below. You are responsible for securing a lease for the Premises and developing the Center according to our standards and specifications, as described in ITEM 11 below and in Section 2 of the Franchise Agreement.

Due to various federal and state laws regarding the practice of medicine, practice of physical therapy, and the ownership and operation of physical therapy practices and health care businesses that provide physical therapy services, you may not engage in practices that are, or may appear to be, the practice of medicine or the practice of physical therapy if you operate the Center in a state that forbids this activity. You, alone, are solely responsible for complying with all laws in the state where you intend to operate the Center including laws that regulate the corporate practice of medicine and the corporate practice of physical therapy. You acknowledge and agree that we will not provide any physical therapy or medical services, nor will we supervise, direct, control or suggest to you or to the PC or Clinical Staff as applicable, the manner in which you or the PC will provide medical or physical therapy services to patients. We will not select, oversee, or terminate any Clinical Staff.

In all cases, you are responsible for operating in full compliance with all laws that apply to a Center. Additionally, the laws applicable to your Center may change. If there are any changes in laws or regulations that would render your operation of the COMPETITIVE EDGE Center through a single entity (or otherwise) in violation of any laws or regulations, you must immediately advise us of the change and of your proposed corrective action to comply with such laws and regulations. In this

~~event, you are responsible for the activities of the PC in offering all physical therapy services in accordance with the Management Services Agreement.~~

We have the right, but not the obligation, to enter into agreements with third parties, such as companies or athlete organizations, that have members or offices in more than one location ("Preferred Accounts"). We reserve the right to negotiate special or specific terms for Preferred Accounts, such as unique pricing or system standards for the products and services offered. If you choose to service the Preferred Accounts in your territory, you will be required to do so in accordance with these standards and pricing.

The Running Blueprint is an internet-based running program sold by us or our affiliate and is an extension of the clinical programs the Center will offer. The program is completed by the customer individually and at home. You will have the opportunity to market the program and receive a commission on certain qualified sales if you comply with all our policies.

Industry-Specific Regulations

You are solely responsible for operating the Center in full compliance with all laws that apply to your COMPETITIVE EDGE PHYSICAL THERAPY Center. The physical therapy and medical industries are heavily regulated. Federal, state and local laws, rules and regulations address the following subject areas: the practice of ~~medicine~~physical therapy and the operation and licensing of physical therapy services; the relationship of providers and ~~suppliers of other health care services, on the one hand, and therapists, on the other, including state~~professionals and businesses; anti-kickback requirements; restrictions or prohibitions on the corporate practice of medicine and physical therapy and fee splitting; therapist self-referral state restrictions; privacy of patient records (including the Health Insurance Portability and Accountability Act of 1996); use of medical devices; telemedicine; use of medical equipment; and advertising of medical services. You are responsible for complying with all laws. States have their own fraud and abuse statutes with which you may need to comply, including anti-kickback statutes that may have broader applicability than the federal statutes, which are often related exclusively to health care services or items reimbursable by federal health care programs.

The practice of physical therapy is subject to extensive professional licensing and registration, both of the individual physical therapists and, in some states, their business entities. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Center and the other licenses applicable to Center employees. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files. ~~You must comply with all state and local laws and regulations regarding the operation of a physical therapy center.~~

Each state has a physical therapy board that determines rules and regulations regarding their respective members (whom we include in the category of Clinical Staff) and the scope of services that may legally be offered by those members. The laws and regulations generally include requirements for the ~~medical~~ providers to hold required state licenses and registrations to work as physical therapists in the state where the Center will be operated, and to hold required certifications by, or registrations in, any applicable professional association or registry. These laws and regulations are likely to vary from state to state, and these may change from time to time.

Due to various federal and state laws regarding the practice of medicine, practice of physical therapy, and the ownership and operation of physical therapy practices and health care businesses that provide physical therapy services, you may not engage in practices that are, or may appear to be, the

practice of medicine or the practice of physical therapy if you operate the Center in a state that forbids this activity.

If we license you to manage a Center, we are not engaging in the practice of medicine, physical therapy, or any other profession that requires specialized training or certification. The Franchise Agreement will not interfere, affect, or limit the independent exercise of professional judgment by the Center's Clinical Staff.

If there are any changes in laws or regulations that would render your operation of the Center through a single entity (or otherwise) in violation of any laws or regulations, you must immediately advise us of the change and of your proposed corrective action to comply with such laws and regulations.

You must operate the Center in full compliance with all applicable laws, ordinances, and regulations, that apply to businesses generally including government regulations relating to occupational hazards, health, EEOC, OSHA, discrimination, employment, sexual harassment, worker's compensation, and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes.

We require you to engage the services of legal counsel knowledgeable in health care regulation to advise you on the applicable federal, state, and local laws, rules, and regulations and to counsel you on compliance with them, including all licensing requirements. You must provide us with the name of your counsel. You will not be permitted to open your Center unless you have engaged counsel for this purpose.

Market and Competition

The market for physical therapy centers is developing and very competitive. The growing needs of the population have increased the demand for physical therapy services. COMPETITIVE EDGE PHYSICAL THERAPY Centers will compete with other physical therapy chains, franchised and non-franchised, as well as independent physical therapy clinics, sports medicine clinics, athletic training centers, fitness trainers, independent practices (that offer walk-in services), and hospitals.

ITEM 2. BUSINESS EXPERIENCE

Chief Executive Officer, Kevin Vandi, DPT, OCS, CSCS

Dr. Vandi has been our Chief Executive Officer since our formation in January 2022. Since July 2015 he has been the Chief Executive Officer of our affiliate, Competitive Edge Physical Therapy, Inc., which owns and operate a COMPETITIVE EDGE PHYSICAL THERAPY center in San Jose, California.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this ITEM.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

You must pay us an initial franchise fee of \$35,000, in a lump sum when you sign the Franchise Agreement. The initial franchise fee is uniform to all new franchisees and is ~~fully earned by us and is~~ non-refundable.

If you receive our approval to open a second or subsequent Center, the initial franchise fee for each additional Center will be 80% of the then-current initial franchise fee.

ITEM 6. OTHER FEES

OTHER FEES

Type of Fee (Note 1)	Amount	Date Due	Remarks
Royalty Fee	10% of the Service Fees; or, if required by law, a flat fee. See Notes 2, 3, 4.	Monthly; Payable via electronic funds transfer (EFT)	The Service Fees are paid by the PC to the Franchisee and are equal to Gross Revenues less the Direct PC Expenses. An alternate structure may be required in your state. See Notes 2, 3, and 4.
Brand Fund Contribution	1% of the Service Fees; or, if required by law, a flat fee. See Notes 2, 3, 4.	Monthly; Payable by EFT	An alternate structure may be required in your state. See Notes 2, 3, and 4.
Technology Fee	We reserve the right to establish a Technology Fee. Not currently collected.	Monthly; Payable by EFT	The Technology Fee is for our development, implementation, and maintenance of third party or proprietary technologies to be used by our franchisees. We have the right to increase this fee with 30 days' notice.
Software Fees	We reserve the right to charge you for software. Not currently collected.	As incurred; yearly	We can charge a one-time licensing fee of up to \$2,500 and up to \$1,000 per year for an ongoing licensing fee.
Local Marketing Expenditures	3% of the Service Fees; or, if required by law, a flat fee. See Notes 2, 3, 4.	Monthly	You must send us, in the manner we prescribe, an accounting of your expenditures for local marketing at such times, and for such reporting periods, as we may specify. See Notes 2, 3, and 4.
Co-Op Advertising	Currently none	To be established	If we create a Cooperative Advertising program that includes your Center, you must participate. The specifics of any Cooperative Advertising program will be determined when established,

Type of Fee (Note 1)	Amount	Date Due	Remarks
			including the amount, if any, of a Cooperative Advertising Fee. Any Cooperative Advertising Fee will be credited against your Local Marketing obligation. Any percentage contribution would be set by the cooperative on a vote of a majority of its members. All franchised, company-owned, and affiliate-owned outlets will have 1 vote each in any such cooperative. The maximum advertising cooperative fee that can be imposed is 4% of Service Fees. See Notes 2, 3, and 4.
Additional Training Fee	Our then-current charge, plus expenses of the trainer Currently \$500 per trainer per day	As requested or required	If we require you to receive additional training because you are not operating the Center in accordance with our standards or if you request additional training outside of the normal course of training we provide, we reserve the right to charge you an additional training fee. We will provide our then-current training fee in our Manuals. You must cover the costs of your employees' attendance at such training, including travel and lodging expense associated with training held away from your Center.
Transfer Fee	Internal: \$1,500 Out-of-Network Transferee: 75% of the then-current initial franchise fee In-Network Transferee: 50% of the then-current initial franchise fee	At the time of transfer For Out-of-Network and In-Network transfers: Non-refundable, initial payment of \$5,000 is due at the time you notify us of your intent to transfer; remainder is due at the time of transfer	"Internal Transfer" means the addition of a new interest holder that does not result in a change of control of the entity. "Out-of-Network Transferee" means a person or party who is not a current COMPETITIVE EDGE PHYSICAL THERAPY franchisee in good standing. "In-Network Transferee" means a person or party who is a current COMPETITIVE EDGE PHYSICAL THERAPY franchisee in good standing.
System Modifications	All costs and expenses associated with system modification	As required	If we make changes to the System, you must adapt your business to conform to the changes. By way of example only, such changes may include new equipment, software, or construction

Type of Fee (Note 1)	Amount	Date Due	Remarks
			materials. These may be paid to us, our affiliates, or a third-party supplier we designate.
Goods or Services Supplied by Franchisor or its Affiliates	Varies	As incurred	We reserve the right to designate ourselves or our affiliates to be the suppliers of any goods or services. You will pay us our then-current rates for such goods or services.
Relocation Fee	25% of the then-current initial franchise fee	Half of the fee will be due at the time you request our review and half will be due at the time we notify you of our approval	If you seek to relocate your Center, you must obtain our prior approval. We reserve the right to charge you a fee in connection with our review of your relocation request.
Interest on Overdue Amounts	1.5% per month or the highest commercial contract interest rate that the law allows on amounts owed to us	Upon demand	We may debit your bank account automatically for late fees and interest. This interest on overdue amounts is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Center.
Insufficient Funds	\$250 per occurrence	Upon demand	Failure to have sufficient funds available for payments to us.
Data Inspections and Reimbursement	Varies	Upon demand	If you repeatedly violate the required data privacy and security obligations under the Franchise Agreement, we reserve the right to charge you our costs and expenses to inspect your Clinic. Additionally, you are responsible for our costs and expenses that arise from your non-compliance or a security breach caused by you or your personnel.
Indemnification	<u>Any and all types of damages, liabilities, losses, costs, and expenses we incur as a result of third parties claims or from your ownership and operations</u> <u>Varies of the Center</u>	Upon demand	You will indemnify us against any costs arising out, your owners, and your guarantors must indemnify us and related parties for a broad range of claims related to your actions, omissions, ownership, and operations of the Center—operation or your breach of the Franchise Agreement.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Costs and Attorneys' Fees	Varies	Upon demand	Reimbursement to us for all of the costs and expenses that we incur due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with the Franchise Agreement.
Successor Franchise Fee	10% of the then-current initial franchise fee	At renewal	If you satisfy the conditions to obtain a successor franchise, you will pay us this fee.
Mystery Shop Program	Varies	As incurred	If we establish a systemwide mystery shop program, you will be required to pay your Center's share of the costs. We may require you to pay the vendor directly or to pay us and we will remit payment to the vendor. We estimate that if this program were to be established, costs would be \$200 per month. The current cost will be located in the Manual.
Insurance Costs	Varies	Upon demand	If you fail or refuse to obtain and maintain the insurance we specify, we may obtain the insurance for you and the Center on your behalf, in which event you must reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining the insurance.
Audit	Unreported Royalty Fees, plus costs of audit	Upon invoice	You only owe the costs of the audit if you underreport Service Fees or Gross Revenues by 3% or more. The Franchise Agreement gives us the right to require the franchisee (MSO) to audit the PC so that we can verify that the franchisee has paid us all Royalty Fees due under the Franchise Agreement.
New Supplier/Product Evaluation Fee	Cost and expenses.	On demand.	If requested by you, you will pay all fees and costs incurred by us to obtain the necessary information and evaluate suppliers prior to giving approval for new suppliers and products.
Temporary Management Assistance Fee	20% of Service Fees, plus costs and expenses.	Weekly with royalty payment.	Only payable in the event we must operate your franchise due to death, disability, etc. The Temporary

Type of Fee (Note 1)	Amount	Date Due	Remarks
			Management Fee would be paid in addition to any other fees due to us.
Refurbishment Reimbursement	Varies.	Upon demand.	If we must undertake any refurbishing work on your behalf, you will pay us our costs and expenses and an administrative fee of 15% for the total aggregate amount incurred by us.
Liquidated Damages	Will vary under the circumstances. Liquidated damages are determined by multiplying the combined monthly average of Royalty Fee (without regard to any fee waivers or other reductions) that are owed by you to us during the 24 months of operation preceding the effective date of termination multiplied by the lesser of: (i) 36, or (ii) the number of full months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than <u>Subject to a minimum of \$70,000.</u>	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause. <u>Liquidated damages are determined by multiplying the combined monthly average of Royalty Fee owed during the 24 months of operation preceding the effective date of termination multiplied by the lesser of: (i) 36, or (ii) the number of full months remaining in the term of the Franchise Agreement. Subject to a minimum of \$70,000.</u>
Fines	Up to \$1,000 <u>per occurrence</u>	Upon notice of infraction. Will be collected by EFT.	Failure to operate in accordance with operating standards.
The Running Blueprint Commission	Currently 30% of Qualified Sales Revenue	Paid by us or our affiliates to you	We or our affiliate will offer for sale The Running Blueprint program(s). If you choose to market the program and

Type of Fee (Note 1)	Amount	Date Due	Remarks
			comply with our policies, you will receive a commission for certain qualified sales. Currently the commission is 30% of Qualified Sales Revenue. "Qualified Sales Revenue" is the total revenue we or our affiliate derive from the sale of The Running Blueprint programs, products, and services to a customer that cites your unique affiliate sales code in the order. The commission amount can be changed at any time, upon 30 days' notice to you.

Notes

(1) Except as otherwise set forth herein, all fees are imposed by collected by, and are payable to us. All fees are uniformly applied to all franchisees and are non-refundable.

(2) "Gross Revenues" means all revenue that is actually collected and received from operating the COMPETITIVE EDGE PHYSICAL THERAPY Center, including, but not limited to, all services and products sold, all amounts that the PC charges, invoices, collects, or receives at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from patients or other customers and paid to the appropriate taxing authority. Gross Revenues includes the proceeds of any business interruption insurance or similar insurance payments you or the PC receives to replace revenue that you lose from the interruption of the business of the Center due to a casualty or other similar event.

"Direct PC Expenses" equals (i) Clinical Staff Compensation ; (ii) all federal, state and local income, franchise or gross receipts taxes, and any other taxes payable in lieu of income taxes, paid or payable by PC or its ~~owner physical therapists~~ owners; and (iii) costs of maintaining malpractice insurance and professional licenses for the PC and Clinical Staff.

"Clinical Staff Compensation" means all salaries, wages, and the cost of employee benefits for all Clinical Staff employed by PC as in effect from time to time, including life, disability, medical and workers' compensation insurance premiums, pension plan contributions and other employee benefits, and all taxes and assessments payable to local, state, and federal governments in connection with the employment of such personnel.

If a PC fails to pay you any Service Fees that it is obligated to pay you under a Management Services Agreement, your obligation to pay Royalty Fees and other fees to us will be calculated on the value of the Gross Revenues less the Direct PC Expenses, without offset or deduction for any unpaid amounts.

Note that the PC has the right to establish the rate of Clinical Staff Compensation. However, unless you obtain prior written approval from us, if the Clinical Staff Compensation for any Clinical Staff member exceeds the market average compensation (including benefits, insurance, etc.) for comparable Clinical Staff by greater than ten percent (10%), we have the right to assess a Royalty Fee and other fees as if the Direct PC Expense reflected Clinical Staff Compensation equal to the

market average Clinical Staff Compensation in your region. The market average compensation is identified in the data provided by the Economic Research Institute or such other data that we deem a reliable indicator of market averages.

(3)- If you have entered into a Waiver of Management Services Agreement and the franchisee is the PC or another permitted entity, any fee that is calculated as a percentage of Service Fees shall be the same percentage of Net Gross Revenues. "Net Gross Revenues" means (i) all revenue that the Center actually collects and receives from operating the COMPETITIVE EDGE PHYSICAL THERAPY Center, including, but not limited to, all services and products sold, all amounts that the Center charges, invoices, collects, or receives at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from patients or other customers and paid to the appropriate taxing authority less (2) the Direct PC Expenses. Net Gross Revenues includes the proceeds of any business interruption insurance or similar insurance payments the Center receives to replace revenue that you lose from the interruption of the business of the Center due to a casualty or other similar event.

(4)- If applicable law in a state prohibits the PC from paying the MSO a Service Fee in the manner set forth above, then subject to our approval of the terms, the MSO and PC will mutually agree upon a monthly flat fee.

If applicable law in a state prohibits the franchisee from paying us a Royalty Fee, Brand Fund Contribution, or any other fee in the manner set forth above and/or if a flat fee Service Fee is required to be paid by the PC, the ~~Royalty Fee, Brand Fund Contribution, and Local Marketing Expenditures~~ below fees will be adjusted to be flat fees ~~as described below~~:

Royalty Fee Flat Rate	Brand Fund Contribution	Local Marketing Expenditures
Year 1: \$1,200 per month	Year 1: \$120 per month	Year 1: \$360 per month
Year 2: \$2,400 per month	Year 2: \$240 per month	Year 2: \$720 per month
Year 3: \$3,200 per month	Year 3: \$320 per month	Year 3: \$960 per month
Year 4: \$3,900 per month	Year 4: \$390 per month	Year 4: \$1,170 per month
Year 5 to end of term: \$6,000 per month	Year 5 to end of term: \$600 per month	Year 5 to end of term: \$1,800 per month

We reserve the right to adjust other fees that are based on Service Fees as well.

If a flat fee structure is to be implemented for the Management Service Agreement, an addendum (Attachment 2B to the Management Services Agreement) will be signed. If a flat fee structure is to be implemented for the Royalty and Brand Fund Contribution, an addendum (Attachment 10 to the Franchise Agreement) will be signed.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low	Amount High	Method of Payment	When Due	To Whom Payment is to Be Made
Initial Franchise Fee (See Note 1)	\$35,000	\$35,000	Lump sum	When you sign the Franchise Agreement	Us
Interior Design / Improvement (See Note 2)	\$15,000	\$25,000	As arranged	Before opening	Third parties
Utility and Security Deposits (See Note 3)	\$8,000	\$18,000	As arranged	Before opening	Landlord and third parties
Rent (See Note 4)	\$12,000	\$15,000	As arranged	After Opening	Landlord
Signage (See Note 5)	\$5,000	\$10,000	As arranged	Before opening	Third parties
Furniture and Fixtures (See Note 6)	\$5,000	\$15,000	As arranged	Before opening	Third parties
Physical Therapy Equipment (See Note 7)	\$85,000	\$130,000	As arranged	Before opening	Third parties
Office Equipment, Computers, Office Supplies (See Note 8)	\$3,500	\$6,000	As arranged	Before opening	Third parties
Business Software (See Note 9)	\$4,800	\$6,000	As arranged	Before opening	Third parties
Business Licenses and Permits (See Note 10)	\$150	\$5,150	As arranged	Before opening	Third parties
Professional Fees (See Note 11)	\$2,100	\$5,000	As arranged	Before opening	Third parties
Business Insurance (See Note 12)	\$1,800	\$3,000	As arranged	Before opening	Third parties
Travel and Living Expenses While Training (See Note 13)	\$1,775	\$3,775	As arranged	Before opening	Third parties
Grand Opening Marketing (See Note 14)	\$5,000	\$10,000	As arranged	Before and After Opening	Third parties
Additional Funds (See – 3 Months (Note 15))	\$60,000	\$90,000	As arranged	As incurred	Third parties
Total	\$244,125	\$376,925			

Payments to us are non-refundable, unless noted. Payments to third parties may be refundable depending on their individual policies. We do not directly or indirectly finance any of the initial investment.

Notes

- (1) **Initial Franchise Fee.** The initial franchise fee is \$35,000 and is paid when you sign the Franchise Agreement.
- (2) **Interior Design / Improvement.** These estimates assume you will be improving a second-generation space with a majority of its square footage as open space. Your space must have ceilings of greater than 10 feet high. You will need to install our required equipment and design the interior to reflect our system standards. You will have to adapt our standard plans to your premises and local zoning and construction requirements.
- (3) **Utility and Security Deposits.** These estimates include a first month's rent security deposit and utility and security system deposits. The amount of the security deposit will depend upon the terms of your lease. Your lease could require a security deposition equal to the first and last months' rent.
- (4) **Rent.** You must lease or own a suitable facility for the operations of the Center. These estimates are for three months of rent after you commence operations. These estimates assume you will negotiate free rent during the build-out period prior to opening. These projections assume a space that is a 2,500 square foot, warm vanilla shell with an open floor plan, finished walls, HVAC and electrical units and wiring already installed, and working and code-compliant restroom facilities. These projections assume the space is being leased. If you elect to own your own location, additional costs will be incurred. You may choose a larger facility, but it will increase your operating costs. Our estimate in this category is based on you leasing the facility of the square footage we specify above. We do not require you to purchase or build a facility to house the franchise. Your cost may increase over our projections should you choose to purchase or build. You should consider construction delays and their unpredictable cost before electing to build or purchase. You should seek professional advice if you choose to purchase or build.
- (5) **Signage.** You will need to purchase interior and exterior signage. The higher estimates assume you will have a larger sign or need to specially design a sign to comply with local codes.
- (6) **Furniture and Fixtures.** You will need furniture for the office, lab, waiting room, and breakroom.
- (7) **Physical Therapy Equipment.** You will need to purchase general physical therapy equipment as well as specific sports orthopedics, biomechanical sports testing, running gait analysis, and strength conditioning equipment. The selection and use of any equipment and products used in connection with physical therapy services provided by the PC will be subject to the PC's approval based on the professional opinion of the Clinical Staff. The high estimate assumes that you choose to acquire more high-speed cameras, sensors, and force plates than the minimums we require. The high estimate also assumes that you elect to install a force plate into the floor of your premises, a cost of approximately \$10,000.
- (8) **Office Equipment, Computers, Office Supplies.** These estimates are for the office equipment, computers, and supplies needed for a Center with two employees (who are not Clinical Staff). Your costs may be higher if you have more employees.
- (9) **Business Software.** You will need to purchase or license the required marketing, business operations, and sales software. You will have one-time costs of approximately \$2,700 and monthly recurring costs of approximately \$700 per month. The low estimates above reflect three months of software fees plus the additional one-time costs. The high estimates assume you will purchase software with more than the minimum functionality required.
- (10) **Business Licenses and Permits.** You will need to obtain the business licenses required in your jurisdiction. These estimates are based upon our affiliate's experience in California. Depending on your jurisdiction you may need to obtain a conditional use permit and the high estimate reflects that. These fees do not reflect the costs for the Clinical Staff or PC professional licensing.
- (11) **Professional Fees.** You may need the services of a bookkeeper, attorney, or certified public accountant to assist in the creation and startup of your business. These fees do not reflect the costs for the Clinical Staff or PC professional licensing.

(12) Business Insurance. This estimate is for six months of insurance premiums.

(13) Travel/Training. We will provide initial training for two attendees for a maximum of one week (which must include your Operating Owner) at no cost to you. However, you will pay for all travel and living expenses of your attendees and their wages and workers' compensation insurance while they are training. The costs will depend on the distance you must travel and the type of accommodations you choose. We will provide the initial training program at our headquarters (currently San Jose, California) or at a designated training facility of our choice.

(14) Grand Opening Marketing. We will require you to spend between \$5,000 to \$10,000 on grand opening marketing during the period that begins 30 days prior to grand opening and 30 days after. The amount we require you to spend will be based upon our analysis of your market conditions. We must approve your grand opening marketing plan and expenditures.

(15) Additional Funds. This is an estimate only for the additional operating capital needed to manage your Center during the initial three months phase after you open for business. We cannot guarantee that you will not have additional expenses during the initial period. The estimate includes items like rent, marketing, and initial payroll, and other miscellaneous items. It does not include an owner's draw or salary. The expenses you incur during the start-up period will depend on factors like local economic and market conditions, whether your Center is located in a new market or a mature market, your experience and business acumen, competition, and the patient level and Service Fees that you reach during this initial period. Additional operating expenses will be incurred after the initial period in connection with the ongoing operation of your Center that we do not disclose in ITEM 7. Periodic reinvestment will be necessary following the initial start-up phase for leasehold improvements, equipment, fixtures, and other assets. In compiling these estimates, we have relied on the experience of our management and data collected from our affiliate that operates a physical therapy center in California.

ITEM 8.

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

~~__To ensure that the reputation, goodwill, high standards, and quality, service and uniformity of the System is maintained at the COMPETITIVE EDGE PHYSICAL THERAPY Center, you must operate the Center in accordance with System Standards and the Franchise Agreement. The term, "System Standards" refers our brand standards and mandatory and suggested specifications, standards, operating procedures, and rules relevant to the operation of your Center and duties under the Franchise Agreement. Our System Standards will regulate the goods and services that you may offer at your Center. System Standards will not impinge on or interfere with the ability of Clinical Staff to exercise professional judgment in practicing physical therapy and providing patient services.~~

We have developed or may develop standards and specifications for types, models and brands of required fixtures, furniture, equipment, supplies, or other services to be used at your Center. We will furnish these standards and specifications to you in the Manual or otherwise in writing or via electronic means. We reserve the right from time to time to approve specifications or suppliers and distributors of the above products that meet our reasonable standards and requirements. If we do so, you must purchase only products meeting those specifications, and if we require it, only from distributors and other suppliers we have approved. ~~Neither we nor our affiliate, at present, plan to be a supplier or distributor, although we reserve the right to do so.~~ You must cease to use any

product, service, or supplier upon 30 days' notice from us if that product, service, or supplier no longer meets our criteria.

Subject to applicable law, we may designate a single distributor or supplier (collectively, "supplier") for any product, service, equipment, supply, or material and may approve a supplier only as to certain products.

Neither we nor our affiliate at present plan to be ~~an approved or~~ designated supplier but we reserve the right to do so.

Currently, we have designated exclusive suppliers for some of the required physical therapy equipment as well as specific sports orthopedics, biomechanical sports testing, running gait analysis, and strength conditioning equipment. Additionally, we have designated suppliers for certain business software and technologies. The selection and use of any equipment and products used in connection with physical therapy services provided by the PC will be subject to the PC's approval based on the professional opinion of the Clinical Staff.

If you want to use goods, services, supplies, fixtures, equipment, inventory, or computer systems or suppliers that we have not approved, you must first submit to us certain information, including product or service specifications, product or service components, product or service performance history, product samples, supplier information, and any other relevant information. We will evaluate the proposed item or supplier based upon certain criteria and determine if you are approved to use the alternate item or supplier. Our criteria for approving suppliers is not provided to franchisees. If we approve of the item, service, or supplier and it meets our criteria, you may use that item, service, or supplier. We will advise you in writing of our decision within 90 days of your written request for approval. ~~We impose these restrictions to safeguard the integrity of both the System and our trademarks.~~ We reserve the right to revoke approval for any item or supplier for any reason, and you must cease to use the item or supplier upon 30 days' written notice from us. If you request that we evaluate an item or supplier, you will pay all fees and costs incurred by us to obtain the necessary information and to conduct the evaluation.

There are currently no purchasing or distribution cooperatives. However, we have the right to require you to participate in a local advertising, purchasing, or distribution cooperative in the future.

During our last fiscal year, neither we nor our affiliates received any consideration from the sale of products or services to franchises, but we may do so in the future. We reserve the right to receive rebates, discounts, fees, commissions, or other payments based upon your required purchases or leases or from Preferred Account customers.

We may negotiate purchase arrangements (including price terms) with certain suppliers, but are not required to do so. We do not provide any material benefits to you based on your use of designated or approved suppliers.

We estimate that your purchases or leases from approved suppliers or in accordance with our specifications will represent approximately 40% to 50% of your total purchases in the establishment of the Center, and 10% to 20% of your total purchases in your continuing operation of the Center.

None of our officers owns an interest in any vendors or suppliers to our franchises.

Insurance

You must maintain in force at your sole expense the following minimum insurance coverage:

- Commercial general liability insurance with limits of \$1,000,000 each occurrence and \$2,000,000 general aggregate.
- Automobile liability insurance with a limit of \$1,000,000 each accident.
- Errors and Omissions insurance with limits of \$1,000,000 each occurrence and \$2,000,000 general aggregate.
- Worker's compensation insurance with limits sufficient to comply with the requirements of your local jurisdiction.
- Building and equipment insurance with limits that are recommended by your insurance agent to reflect your specific location and equipment.
- We also recommend but do not require that you obtain umbrella liability coverage with limits of \$1,000,000.

We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance or cyber liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name us and any affiliates we designate as additional insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. You routinely must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain comparable insurance for you and the Center on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining the insurance. All insurance policies must be underwritten by companies having an A.M. Best rating of A or higher.

We will also require that your Management Services Agreement, if applicable, mandate minimum insurance coverage for the PC.

Modification of System Standards

~~We may operate and change the System in any manner that is not expressly or specifically prohibited by the Franchise Agreement. Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, as we consider to be best, and consistent with all applicable laws and regulations, to vary System Standards for any franchisee or any COMPETITIVE EDGE PHYSICAL THERAPY Center based upon the peculiarities of any condition that we consider important to that franchisee's or COMPETITIVE EDGE PHYSICAL THERAPY Center's operation. Periodically, we may modify System Standards, and to the extent the changes to the System Standards will apply, generally, to franchisees and Centers operating under the System, these modifications may obligate you to invest additional capital in the Center and/or incur higher operating costs. You must implement any changes in the System Standards within the time period we specify, whether they involve refurbishing or remodeling the Premises or any aspect of the Center, buying new assets, adding new services offered by the Center, or otherwise modifying the nature of your operations.~~

ITEM 9.
FRANCHISEE'S OBLIGATIONS

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement 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 Agreements	Disclosure Document Items
a. Site selection and acquisition/lease	Section 2.1 of the Franchise Agreement; Site Selection Addendum	8 & 11
b. Pre-opening purchases/leases	Sections 2.2 and to 2.4 and 2.6 of the Franchise Agreement	5, 7, 8 & 11
c. Site development and other pre-opening requirements	Sections 2.2 and 2.5 of the Franchise Agreement; Site Selection Addendum	8 & 11
d. Initial and ongoing training	Sections 4.1 and 4.2 to 4.3 of the Franchise Agreement	11
e. Opening	Section 2.5 of Franchise Agreement	11
f. Fees	Sections 3, 4.2, 8.6, 8.9, 8.12, 8.13, 9.3, 9.4, 12.3, and 12.5, and 15.1 of the Franchise Agreement; Flat Fee Addendum; Guaranty	5 & 6
g. Compliance with standards and policies/Operating Manual	Sections 1.1, 2.2, 2.3, 4.4, 5.2, and 8 of the Franchise Agreement	8, 11 & 14
h. Trademarks and proprietary information	Sections 5, 6, 15.2 and 15.3 of the Franchise Agreement : <u>Nondisclosure and Noncompetition Agreement</u> ; <u>Nondisclosure and Non-Solicitation Agreement</u>	13 & 14
i. Restrictions on products/services offered	Sections 1.1, 8.2, and 8.3 of the Franchise Agreement	5, 8 & 16
j. Warranty and customer service requirements	Not applicable Section 8.9 of the Franchise Agreement	None
k. Territorial development	Sections 1.1 and 1.2 of the Franchise Agreement; Franchise Rider	12
l. Ongoing product/service purchases	Sections 2.3, 2.4, 8.1, and 8.3 of the Franchise Agreement	8
m. Maintenance, appearance, and remodeling requirements	Sections 2.2, 8.1, 12.3 and 13.2 13 of the Franchise Agreement	8
n. Insurance	Sections 2.5 and 8.6 of the Franchise Agreement	7 & 8
o. Advertising	Section Sections 5 and 9 of the Franchise Agreement	6, 8 & 11
p. Indemnification	Section 5.5 and 16.4 of the Franchise Agreement	6
q. Owner's participation/management/staffing	Section Sections 1.6 and 8.5 of the Franchise Agreement	15

Obligation	Section in Agreements	Disclosure Document Items
r. Records/reports	Section 10 of the Franchise Agreement	6
s. Inspection/audits	Section 11 of the Franchise Agreement	6 & 11
t. Transfer	Section 12 of the Franchise Agreement	17
u. Renewal	Section 13 of the Franchise Agreement	17
v. Post-termination obligations	Section Sections 15 and 16 of the Franchise Agreement	17
w. Non-competition covenants	Sections 7 and 15.4 of the Franchise Agreement; <u>Nondisclosure and Noncompetition Agreement; Nondisclosure and Non-Solicitation Agreement</u>	17
x. Dispute resolution	Section 17 of the Franchise Agreement	17
y. Other: Guaranty of Franchisee's obligations	Section 1.5 of the Franchise Agreement	15

ITEM 10. FINANCING

We do not offer direct or indirect financing to you, guarantee any of your notes, leases, or obligations, or have any practice or intent to sell, assign or discount to a third party all or part of any of your financing arrangements.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Preopening Obligations

Before you open your Center:

(1) We will assist you in your site selection by providing you with our site selection guidelines and criteria. We will provide you with certain recommended or required specifications for your Premises. ~~For more details on site selection, refer to the "Site Selection" subheading in this item 11 below.~~ (Franchise Agreement, Section 2.1).

(2) ~~We~~To the extent we have them, we will give you mandatory and suggested specifications or suppliers for the required or recommended equipment, furniture, and supplies. (Franchise Agreement, Section 8.3).

(3) We will conduct an initial training program. ~~For more details on training, refer to the "Training" subheading below.~~ (Franchise Agreement, Section 4.1). ~~As part of this training, we will, at our own cost, send one of our representatives to the Center for three days to provide on-site training and support. This period may overlap with the opening and may extend into the first week of operations.~~ (Franchise Agreement, Section 4.1).

(4) We will allow you access during the Initial Term to our ~~Policy and Procedures~~Brand Standards Manual (the "Manual"), ~~which we describe elsewhere in this Disclosure Document.~~ (Franchise Agreement, Section 4.4).

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

Continuing Obligations

During the operation of your Center:

(1) We will advise you from time to time regarding the operation of the Center based on your reports to us and/or our direct or indirect observations, ~~and we.~~ We will provide guidance to you concerning: (a) standards, specifications, and operating procedures and methods for use in your ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Center; (b) advertising and marketing materials and programs; ~~and (c) administrative, bookkeeping, and accounting procedures; and (d) resolving operating problems you encounter.~~ (Franchise Agreement, Section 4.3).

(2) We will continue to provide you with access to our Manual for the term of the Franchise Agreement. (Franchise Agreement, Section 4.4).

(3) We will provide at our option, information on new services, products, methods, techniques, and procedures. We will provide you with information on improvements to the System (Franchise Agreement, Section 4.3).

(4) We will permit you to use our Confidential Information. (Franchise Agreement, Section 6).

(5) We will permit you to use the Marks. (Franchise Agreement, Sections 5.1 and 5.2).

(6) We will develop and maintain an external-facing ~~Website~~website for the ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ brand, on which you may have a subpage for your Center. (Franchise Agreement, Section 9.6).

(7) You, and as applicable the PC, will have the right to establish your own prices. Where permitted by law, we reserve the right to set minimum and maximum prices and to establish promotional pricing that you must comply with. (Franchise Agreement, Section 8.3).

We are not required by the Franchise Agreement to furnish any other service or assistance to you during the operation of your Center. We do not assist you in hiring your employees.

Site Selection

You must operate the Center from an ~~approved~~accepted location, i.e., the ~~Premises~~ that you identify. Neither us nor our affiliates own the ~~Premises~~location or lease it to you. You must obtain our written ~~approval~~acceptance of the proposed location in accordance with the Site Selection Addendum, which is Attachment 2 to the Franchise Agreement, before signing any lease, sublease, or other document for the site. ~~The Site Selection Addendum will specify a geographic area (the "Site Selection Area") in which you search for and identify a proposed location for your Center. The Site Selection Area is established solely for the purpose of defining the area within which you may look for a possible site for the COMPETITIVE EDGE PHYSICAL THERAPY Center, and you will not receive any exclusive territorial rights for the Site Selection Area. We may permit other franchisees to look for prospective sites within an area which is the same as or overlaps~~

~~with your Site Selection Area, and we may establish, or franchise others to establish, a Center operating under the System within the Site Selection Area.~~

~~We Once we approve a location to be the "Premises", we will determine the portion of the geographic area that will constitute the territory that will be granted as the "Territory" under the Franchise Agreement for the Center. See ITEM 12 for additional information regarding the Territory and your rights in the Territory.~~

~~As described in the Site Selection Addendum, we will provide you with our site selection guidelines and criteria. We will provide you with certain recommended or required specifications for your location.~~ In general, a site is to be located in an upscale shopping center with a reputable, national brand as an anchor; located on the ground floor; be street facing; have adequate signage; have ceilings of at least 10 feet; have adequate parking; and be between 1,800 and 2,500 square feet. If you elect to install a force plate into the floor of your Premises, you will likely need to obtain your landlord's approval.

You will have 90 days from ~~the Effective Date of signing~~ the Franchise Agreement to obtain ~~approval~~acceptance of a site. We will use reasonable efforts to ~~approve or disapprove~~accept or reject the proposed site within 15 days after your request ~~for our approval~~. If a mutually agreeable site cannot be identified within 90 days, we have the right to terminate the Franchise Agreement. We will provide the assistance described above, but you are responsible for securing (either by leasing or purchasing the location) an ~~approved~~accepted site within 30 days of our ~~approval~~acceptance of your site. ~~Upon our approval of a site, and after you secure the site, it will be the Premises for purposes of the Franchise Agreement. You must complete all preparations and open the Center within 120 days of the date we accept the site. If you do not meet this deadline, you will be in default and we may terminate your Franchise Agreement.~~ You must enter into our form of Lease Rider set forth on Attachment 6 in which you and your landlord agree that we have certain rights regarding the Premises.

You are solely responsible for conforming the ~~Premises~~site to local ordinances and building codes and for obtaining any required permits. Similarly, you are solely responsible for ensuring the construction, remodeling, and decoration of the ~~Premises~~site. ~~We site. To the extent we have them, we~~ will provide you with specifications and/or a list of approved suppliers for the required equipment, inventory, supplies, fixtures, and furniture. We do not ~~supply, deliver,~~ or install these items.

~~If we recommend or give you information regarding the Territory, or a site for the Premises, and if we approve a site, our advice, action, or information is not a representation or warranty of any kind, express or implied, of the site's suitability for a Center or the prospects of success at the site. Our recommendation indicates only that we believe that the site meets our then acceptable criteria.~~

~~Unless you obtain prior written approval from us, you may operate the Center only from the Premises. If you desire to move or relocate your Center, you must provide us a written request for relocation together with detailed reasons. You must receive our prior written approval before you can relocate. Any proposed move must be within your Territory, and relocation will be subject to the same criteria, conditions, and procedures as we have established (and may in the future modify for the initial approval of the Center). You will pay us a relocation fee as well.~~

Timeline for Development. The typical time from signing the Franchise Agreement and opening the Center is approximately 180 days depending on your ability to obtain a lease, zoning and local ordinances, and other factors and whether you are converting an existing clinic to a Center. You must complete all preparations and open the Center within 120 days of the date we accept the site. If you do not meet this deadline, you will be in default and we may terminate your Franchise Agreement. (Franchise Agreement, Section 2.5).

Training

The initial training program consists of two tracks: a training for the front desk and sales agent employee ("Front Desk Training") and the management training for Operating Owner ("Management Training"). Your Operating Owner must attend both the Front Desk Training and the Management Training. ~~These trainings will address the material aspects of operating a COMPETITIVE EDGE PHYSICAL THERAPY Center. These~~ initial trainings will be held on an as-needed basis and generally within the two months before you open your Center.

Before your Center opens for business, we will, at our cost, send a representative to your Center for up to three days to assist with the pre-opening and opening of your Center.

We will provide the classroom portion of the initial training program at our headquarters in San Jose, California or at a designated training facility of our choice. We may also offer some of the classroom training via online methods. Any on-the-job training will be provided at your location during the grand opening period.

We will provide the Front Desk Training to your front desk and sales agent employee and both trainings to your Operating Owner as part of the initial franchise fee. You must pay for all travel and living expenses which your Operating Owner and all of your employees incur and for your employees' wages and workers' compensation insurance while they are training.

The content of the two training tracks is below.

Front Desk Training Program

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to Competitive Edge	1.0	0	San Jose, CA, online, or at another designated location
Compliance Systems	.5	0	San Jose, CA, online, or at another designated location
PC/Management Awareness	.5	0	San Jose, CA, online, or at another designated location
Clinic Operations	4	2	San Jose, CA, online, or at another designated location; Your location
Scheduling System and Payments	3	2	San Jose, CA, online, or at another designated location; Your location
CRM and KPI Tracking	5.5	3	San Jose, CA, online, or at another designated location; Your location
Sales Process and Pipeline	4	1	San Jose, CA, online, or at another designated location; Your location
Client Acquisition and Local Marketing	5.5	0	San Jose, CA, online, or at another designated location; Your location

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Totals	24	8	

Management Training Program

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to Competitive Edge	1.0	0	San Jose, CA, online, or at another designated location
Compliance Systems	.5	0	San Jose, CA, online, or at another designated location
PC/Management Awareness	.5	0	San Jose, CA, online, or at another designated location
Site Location/Lease Negotiation	.5	0	San Jose, CA, online, or at another designated location
Site Construction/Layout	1	0	San Jose, CA, online, or at another designated location
Vendor Instruction	1	0	San Jose, CA, online, or at another designated location
Recruitment and Onboarding	3	0	San Jose, CA, online, or at another designated location
Clinic Operations	4	3	San Jose, CA, online, or at another designated location; Your location
Scheduling System and Payments	2	1	San Jose, CA, online, or at another designated location; Your location
CRM and KPI Tracking	4	2	San Jose, CA, online, or at another designated location; Your location
Sales Process and Pipeline	4	4	San Jose, CA, online, or at another designated location; Your location
Client Acquisition/Local Marketing/SEO	6	0	San Jose, CA, online, or at another designated location
Services and Protocols	2	2	San Jose, CA, online, or at another designated location; Your location
Gait Lab Technology	3	28	San Jose, CA, online, or at another designated location; Your location
Competitive Edge University	5	0	San Jose, CA, online, or at another designated location
Financial Management	2	0	San Jose, CA, online, or at another designated location

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Quizzes and Final Exam	.5	0	San Jose, CA, online, or at another designated location
Totals	40	40	

Your Operating Owner must satisfactorily complete the initial training. If your Operating Owner fails to complete the initial training to our satisfaction, you will not be authorized to open the Center. We also have the right to terminate the Franchise Agreement. ~~(See Items 5 and 17).~~

~~In addition, all management personnel, and other personnel working at the Center must satisfactorily complete all state and local government required training and must meet all required licensing requirements.~~

~~Training is not for the purpose of exercising control over the manner in which Clinical Staff or their PCs exercise independent professional judgment or render patient care services.~~

Our training program is conducted by individuals who have at least 4 years of experience with the COMPETITIVE EDGE PHYSICAL THERAPY brand and at least 10 years of experience in the physical therapy industry. The instructional materials for our training program include the Manual and presentations.

Your Operating Owner must attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions, regional meetings, and conferences that we specify. This includes participating in yearly refresher training. You must pay all travel and lodging costs to attend any required or optional trainings for you and any personnel you bring. You will be required to pay any registration or other attendance fee associated with any conventions.

We also reserve the right to require you to participate in additional training if you are not in compliance with our standards, or you may request additional training. We reserve the right to require you to pay our then-current training fee for such trainings. You must pay all travel and lodging costs associated with these additional trainings.

~~Any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.~~

Training is not for the purpose of exercising control over the manner in which Clinical Staff or their PCs exercise independent professional judgment or render patient care services. None of our training programs provide instruction in matters that constitute the practice of medicine or the practice of physical therapy.

(Franchise Agreement, Sections 4.1 and 4.2).

Marketing

~~The image of the COMPETITIVE EDGE PHYSICAL THERAPY brand, the Marks, and COMPETITIVE EDGE PHYSICAL THERAPY Centers held by the public in general, by patients, and by employees, is important to the System and the Marks.~~

We may but are not required to engage in marketing programs to enhance the reputation of COMPETITIVE EDGE PHYSICAL THERAPY Centers generally. Nothing in the Franchise Agreement requires us to provide specific practice expansion, marketing, or advertising services to you or to promote your specific Center. We have the sole discretion to determine the media we use in advertising and the scope, coverage, and source of the advertising.

Local Marketing

You must spend at least 3% of Service Fees per month on local marketing for your Center. You must send us, in the manner we prescribe, an accounting of your expenditures for local marketing at such times, and for such reporting periods, as we may specify from time to time. (Franchise Agreement, Section 9.2).

~~Your local marketing must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our Website's domain name in the manner we designate. You may use only materials we have provided or and must be approved for your use.~~

by us. When required by applicable law, the advertising that you conduct to promote your Center must also identify the name of the PC that furnishes the Clinical Staff that render professional services at your Center. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time.

Grand Opening Advertising

Depending on the location of your Center, you must spend between \$5,000 and \$10,000 for grand opening advertising, marketing, and promotional programs for your Center. We must approve the grand opening marketing program. You must spend this minimum amount during the period that is 30 days prior to grand opening and 30 days after. Your grand opening expenditures will be counted toward the local advertising and promotional expenditures discussed. (Franchise Agreement, Section 9.2).

Brand Fund

Brand Fund. You will pay us a Brand Fund contribution of up to 1% of your Service Fees. ~~Other franchisees' Brand Fund contributions may be calculated at a different rate or on a different basis. We have the sole discretion to settle or forgive any accrued and unpaid Brand Fund contributions owed by a franchisee.~~

~~We have the sole discretion to~~ determine where the Brand Fund contributions will be spent to promote, enhance, or further the growth of the COMPETITIVE EDGE PHYSICAL THERAPY brand, businesses, and System, including, but not limited to: research; promotional marketing, public relations, and advertising expenses to promote the brand; hiring marketing, public relations and advertising agencies, technology companies, or in-house personnel to assist in developing the COMPETITIVE EDGE PHYSICAL THERAPY brand name; developing, evaluating, or using technologies that we believe may benefit the brand, the customers and patients, the franchisees, or the brand's reputation; developing new goods and services and franchisee revenue sources; expenses associated with listings on websites, contest registrations, digital marketing content, influencer marketing, radio, billboards, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research;

travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, or digital or social media content, including, but not limited to, advertisements, coupons, and other promotional materials; expenses incurred in developing and maintaining non-franchise sales portion of the Website or social media pages; and expenses incurred in using search engine optimization, pay-per-click, or other digital marketing software, services, or companies to help promote the brand. (Franchise Agreement, Section 9.3).

While we do not anticipate that any part of Brand Fund contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Brand Fund for public relations or recognition of the COMPETITIVE EDGE PHYSICAL THERAPY brand, for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating “Franchises Available” or similar language.

We may occasionally provide for placement of advertising on behalf of the entire franchise system, including franchisees; however, we are more likely to provide you with advertising content to use in your local territory or on a regional basis with other franchisees in an advertising cooperative. You will be responsible for implementing any promotional or public relations programs or placing any advertising content we create, at your own expense. ~~If we create any advertising content, which we are not obligated to do, you will receive one sample of the advertising content at no charge. You must pay for the duplication and distribution of the content.~~

Currently, the Brand Fund fees are payable to us. We have the right to establish in the future a nonprofit corporation or other business entity to collect Brand Fund contributions from our franchisees. The Brand Fund is administered by our accounting and marketing personnel under our direction. The Brand Fund is not audited. The Brand Fund is not a trust fund. We have no fiduciary duty to you or any franchisee in connection with the collection or use of the Brand Fund monies. Unless required by state law, you have no right to obtain an unaudited accounting. We may spend, on behalf of the Brand Fund, in any fiscal year an amount greater or less than the aggregate contributions to the Brand Fund in that year. Any remaining amounts will be left in the Brand Fund for use in future years. We are not required to spend any brand or advertising funds in your specific area or territory. We may have the Brand Fund borrow from us or other lenders to cover any Brand Fund deficits. We may have the Brand Fund invest any surplus for the Brand Fund’s future use. Company-owned businesses are not required to contribute to the Brand Fund. Although the Brand Fund is intended to be perpetual, we may terminate it at any time. We will not terminate the Brand Fund, however, until all money in the Brand Fund has been spent for brand development purposes or returned to the contributors of the Brand Fund on the basis of their respective contributions. Brand Fund contributions that we, our affiliates, or third parties elect to contribute to the Brand Fund shall be subject to the same terms of the Brand Fund set forth in the Franchise Agreement. Other franchisees’ Brand Fund contributions may be calculated at a different rate or on a different basis than yours. We have the sole discretion to settle or forgive any accrued and unpaid Brand Fund contributions owed by a franchisee.

Our first franchisees have not started operating as of the date of this Disclosure Document, so we have not yet collected any contributions to the Brand Fund.

Cooperatives

Cooperatives. We have the right to establish a Cooperative Advertising Region ("Cooperative") for the geographic region in which your Center is located. The purpose of the Cooperative is to conduct marketing campaigns for ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Centers located in a region. We define the geographic regions. No Cooperatives exist at this time. ~~Centers will be financially responsible for any marketing campaigns for their region. Nothing in the Franchise Agreement shall be deemed or construed to require us to provide, and we do not provide, practice expansion, marketing or advertising services to you or your Center.~~

~~, but we can require you to join one~~ If a Cooperative for your area was established before you began to manage your Center, then when you open your Center, you must immediately join that Cooperative. If a Cooperative for your area is established after you begin to manage your Center, then you must join the Cooperative upon its commencement of operations. You will not be required to be a member of more than one Cooperative. The following provisions will apply to each Cooperative (if and when organized):

(1) ~~Cooperatives will be established, organized, and governed in the form and manner that we have approved in advance~~in the future. The activities and administration of each Cooperative including fees payable to the Cooperative will be decided by a majority of its members. All ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Centers will have the same voting rights, whether owned by franchisees, us, or our affiliates. Each Center owner will be entitled to cast one vote for each Center owned within the Cooperative's region. Any disputes arising among or between you, other members of the Cooperative, and/or the Cooperative, will be resolved according to the rules and procedures set forth in the Cooperative's written governing documents, which you (when the Cooperative is established), can review upon request. All franchisees and affiliate owned outlets contribute at the same rate. The maximum fee that can be imposed by Cooperative members is a fee of 4% of Service Fees.

(2) ~~Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.~~

(3) ~~Cooperatives may not use marketing, promotional plans, or materials without our prior written approval.~~

(4) You must submit your required contribution directly to the Cooperative (not to us) monthly or at the intervals determined by the members of the Cooperative, together with the statements and reports that may be required by the Cooperative. We will not financially support the Cooperative. ~~Nothing in the Franchise Agreement shall be deemed or construed to require us to provide, and we do not provide, practice expansion, marketing or advertising services to you or your Center.~~ The Cooperative will set the specific amount of the member's Cooperative contribution. If you are required to contribute to a Cooperative, these contributions will be credited toward your required expenditures for local advertising, as described above. If a majority of the members of the Cooperative agree, an unaudited financial statement for the Cooperative will be prepared annually and will be made available to you upon request.

(5) Although, if established, a Cooperative is intended to be of perpetual duration, we maintain the right to terminate, merge or dissolve any Cooperative. A Cooperative will not be terminated or dissolved, however, until all monies in that Cooperative have been expended for marketing or promotional purposes for the Centers in the Cooperative. (Franchise Agreement, Section 9.4).

Websites

Online Presence. We may maintain a website to promote the Marks or for the benefit of any or all of the Clinics. We may also develop and maintain any other type of online, internet, virtual, or digital

presence (each an "Online Presence") as we see fit. An Online Presence includes but is not limited to (1) the website, other webpages, or domain names; (2) accounts, pages, or profiles on social media sites; social networking sites; news sites and groups; online, internet, or digital directories; video, audio, photography, and messaging services; blogs; or forums; (3) e-commerce sites or accounts; (4) digital or online advertising and marketing content and services; (5) mobile applications; (6) virtual reality platforms; or (7) any identifiers of an Online Presence; or (8) a presence on any other type of online, internet, virtual, or digital tool, good, or service that may be developed.

~~We have the right to establish, maintain, and modify (i) one or more websites that identify the "COMPETITIVE EDGE PHYSICAL THERAPY" brand, system, and businesses that operate under the Marks and (ii) accounts or pages on social and business networking media sites or forums (collectively, the "Websites"). We will have the sole right to control all aspects of the Website~~each Online Presence, including its design, content, functionality, links to any other websites Online Presence, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Websiteany Online Presence at any time without notice to you. We retain the right to all online sales. You may not establish or operate an Online Presence (including a website, web page, webpage, domain name, Internet address, blog, forum, social media account, or email address, blog, forum, advertisement, or e-commerce site) that in any way concerns, discusses or alludes to us, the System, or your Center without our written consent. The Marks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums or social media sites Online Presence, except as specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to any Websiteon an Online Presence that relating to us, the System, the Marks, or the Center that (a) does not comply with our brand, social networking media, or Online Presence guidelines described in the ManualManuals, (b) is derogatory, disparaging, or critical of us, the System, or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. For any Online Presence or email address you are approved to create, use, or maintain, we reserve the right to be exercised at our option to have the Online Presence or email address directly owned by us or to require it to be transferred to us after the expiration or termination of the Franchise Agreement. (Franchise Agreement Section 9.6.) We have the right to require that any Online Presence or email address we permit you to use, create or maintain be registered in our name. Upon request, you must provide us with any login credentials for any Online Presence or email address you are authorized to use. We have the right to access any Online Presence to take corrective action if any content or post on the Online Presence is in violation of our policies and we may take ownership of any Online Presence upon expiration or termination of the Franchise Agreement or during the term of the Franchise Agreement and operate it as we see fit.

Subject to the terms of the Franchise Agreement and the Manual, we may make available to you a ~~sub-page on the Website~~subpage on our website that will be located at a sub-domain of the ~~Website~~website to be specified by us ~~(or on a subpage of another Online Presence)~~ (the "Subpage"). ~~You will not have access to modify your Subpage. We will modify content that you submit (e.g., new photography, number changes) on your behalf. The purpose of the Subpage is solely to promote your Center and to provide customers and patients information related to your Center. The Subpage may not contain content which references any other business other than yours. We may, at any time, cease to make the Subpage available to you or the public. Upon the termination, non-renewal, or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, we will not upload content for you, you may not use the Subpage and we may cease to make the Subpage available to you. (Franchise Agreement, Section 9.6).~~

Technology / Computer Systems

You must obtain and use the Technology we require from time to time. "Technology" means hardware; electronics; computer systems; mobile devices; applications; software, online services, and cloud-based systems; communications links, systems, providers, and applications; and other technologies available now or developed in the future. We may modify specifications for and components of the Technology. Our modification of specifications for the Technology might require you to purchase, lease, and/or license new or modified Technologies and to obtain service and support for the Technologies. There are no limitations on the frequency or cost of your obligations to change, upgrade, and update your Technologies. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Technologies. The types of data stored and generated on the Technology is patient data, transactional data, financial data, human resources data, marketing data, and other types of operational data. (Franchise Agreement, Sections 2.3 and 2.4).

Currently, the Technology we require you to purchase includes telephone software, scheduling software, customer relationship management software, payroll software, gait analysis software, marketing software, and other basic business processes software. We estimate that the total initial costs of the software will range from \$4,800 to \$6,000. Of that, \$2,100 is one-time costs. We estimate that the monthly recurring software fees will be about \$700.

Additionally, you will need to acquire ~~a~~certain gait analysis equipment and other basic office technology like a personal computer, printer, tablets, and Wi-Fi. Such office equipment and supplies are approximately \$3,500 to \$6,000.

We estimate that the annual cost to maintain or update the Technology is \$1,000, though this estimate can change if we change the Technology requirements. There are no specific contracts for maintenance or updating that we require you to obtain.

We may develop proprietary or non-proprietary Technologies. Accordingly, we may require that you enter into a license agreement with us or our affiliate, which may require you to pay us commercially reasonable fees and/or enter into license agreements directly with vendors. Additionally, if we enter into a license agreement with a vendor and sublicense the Technology to you, we may charge you for all amounts we pay to the vendor based on your use, plus a reasonable amount to compensate us for the services that we or our affiliate provide.

Despite the fact that you must buy, use, and maintain the Technologies according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Technologies; (2) the manner in which your Technologies interface with our and any third party's computer system; and (3) any and all consequences if the Technologies are not properly operated, maintained, and upgraded.

You will grant us and we will have access to the information collected, subject to your and our compliance with HIPAA (the Health Insurance Portability and Accountability Act of 1996) or other applicable law relating to confidentiality of patient records. ~~There are no other contractual limitations on our right to access your Technologies for this information and data.~~ You must sign the Business Associate Agreement attached to the Franchise Agreement as Attachment 9. This will authorize you to disclose protected health information to us to the extent permitted by applicable law, including HIPAA. It will also authorize you to disclose Gross Revenue collected by Clinical Staff and the PC to the extent permitted by applicable law, including HIPAA. You must disclose to us any passwords or codes associated with the Technologies.

We have the free and unfettered right to independently retrieve any data and information from your Technologies as we, in our sole discretion, deem appropriate. Other than the HIPAA limitations described above, there are no ~~contractual~~ limitations on our right to access such data and information.

Manuals

~~As we disclose elsewhere in this Disclosure Document, we~~ **Manuals.** We will provide you with access to our ~~Policy and Procedures~~ **Brand Standards** Manual (the “Manual”), which contains our brand standards and mandatory and suggested specifications, standards, operating procedures, and rules relevant to your franchise duties and operations, all of which we collectively refer to as our “System Standards.” The contents of the Manual are Confidential Information. We may modify the Manual periodically to reflect changes in System Standards and other guidance and requirements regarding the operation of a COMPETITIVE EDGE PHYSICAL THERAPY Center. ~~System Standards will not impinge on or interfere with the ability of Clinical Staff to exercise professional judgment in practicing physical therapy and providing patient services.~~

The table of contents of our Manual is attached as Exhibit H. The Manual contains approximately 217 pages. (Franchise Agreement, Section 4.4).

Advisory Council

~~We have the right to create, change, or dissolve a franchisee advisory council (“Advisory Council”) comprised of COMPETITIVE EDGE PHYSICAL THERAPY Center franchisees or representatives of franchisees for the purpose of promoting communication among franchisees and with us. If we create an Advisory Council, you must participate either directly or indirectly through a representative and contribute any dues that may be assessed to franchisees by the members of the Advisory Council.~~ We reserve the right to establish the legal, administrative, and organizational framework for the Advisory Council ~~and to terminate the Advisory Council at any time. We have the sole discretion to determine who is a member.~~ The Advisory Council will serve in an advisory capacity only and will have no operational or decision-making power. The Advisory Council may advise us regarding advertising and marketing. (Franchise Agreement, Section 8.17).

ITEM 12. TERRITORY

You must develop and operate the COMPETITIVE EDGE PHYSICAL THERAPY Center ~~and operate the Center at the approved~~ accepted Premises identified in Attachment 1 or Attachment 2 to the Franchise Agreement. ~~As discussed below, you will operate the Center within a “Territory.” As noted in ITEM 11, you~~ You may only relocate your Center after receiving our prior written approval. We will not unreasonably withhold our approval, provided that the new location complies with our then-current site criteria, is located within the Territory, and does not infringe upon the territory we have assigned to any other Center.

After the Premises for your Center are ~~approved~~ accepted, we will designate the “Territory” and describe it in ~~the Franchise Agreement.~~ The Territory will also be drawn on a map ~~and the map will be attached to the Franchise Agreement.~~ Generally, the Territory will be an area the greater of a radius of 5 miles from your Center or a population of 50,000 people that have an annual income that exceeds \$100,000, that encompasses your Center. However, we reserve the right to define the Territory by other boundaries (e.g., natural boundaries, ZIP codes, city boundaries, political boundaries, etc.). Population shall be measured using the U.S. Census data or other data we deem reliable.

Territorial Rights

Except as reserved below, within your Territory, we will not operate or grant a franchise for the operation of another brick-and-mortar COMPETITIVE EDGE PHYSICAL THERAPY-branded physical therapy and sports training center operating under the System and the Marks ~~at a fixed location~~. The Franchise Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional territories.

~~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.~~

The continuation of your territorial rights does not depend on the achievement of any particular sales volume, market penetration, or other contingency. If you default under the Franchise Agreement, we reserve the right to undertake certain actions in lieu of termination of the Franchise Agreement, including modifying or eliminating completely, the Territory. The Territory may be modified upon renewal of the Franchise Agreement.

Preferred Accounts

At our option and not obligation, we may establish Preferred Accounts within your Territory and the territories of other franchisees. We and our affiliates may solicit customers located in your Territory, whether or not you currently provide services to them, in order to develop them into Preferred Accounts. If you choose to provide services to Preferred Account customers in your Territory, you must do so at the prices we establish and in accordance with our standards and specifications.

If (a) you decline to service a Preferred Account customer, (b) you do not service the Preferred Account customer in accordance with our standards or prices, (c) we reasonably determine that you are not able to reliably service the Preferred Account customer, or (d) the Preferred Account customer requests that you not provide the services, we reserve the right to designate another party to service the Preferred Account customer in the Territory from that time on without paying any compensation to you. These designated parties could be us, our affiliate, another franchisee, or other business. Services provided by the designated parties are not a breach of the Franchise Agreement.

Because of these limited circumstances when we or our designee may service a Preferred Account in your Territory, your Territory is not “exclusive.” 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.

The Running Blueprint

The Running Blueprint is an internet-based running program sold by us or our affiliate and is an extension of the clinical programs the Center will offer. The program is completed by the customer individually and at home. You will have the opportunity to market the program and receive a commission on certain sales if you comply with all our policies. Currently, the commission rate is 30% of Qualified Sales Revenue but can be changed upon 30 days’ notice to you.

Currently, Qualified Sales Revenue is dependent upon the customer citing your unique sales affiliate code in the order. A Qualified Sale is not required to be from a customer located in your Territory and you will receive no territory protections in association with your marketing of The Running Blueprint program. Additionally, we, our affiliates, and designees have the right to sell The Running Blueprint programs anywhere in the world and without any compensation due to you for sales made to customers in your Territory.

Rights We Reserve Under the Franchise Agreement

Regardless of either proximity to your Territory or any actual or threatened impact on sales of your business, we retain all rights not expressly granted to you, including, among others, to: (a) use the Marks and System in connection with establishing and operating COMPETITIVE EDGE PHYSICAL THERAPY businesses at any location outside the Territory; (b) use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise or products) or services (including physical therapy and running services) anywhere in the world (including within the Territory), whether or not you also offer them, through channels of distribution other than through a brick and mortar COMPETITIVE EDGE PHYSICAL THERAPY-branded physical therapy and sports training business that operates using the Marks and the System, including, for example, retail outlets, catalogs, mail order, or the Internet or other electronic means; (c) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Territory); (d) use the Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory); (e) whether through ourselves or parties we designated under the circumstances described above, service Preferred Account customers; (f) whether through ourselves, our affiliates, or third parties, use the Marks or other marks in connection with marketing, advertising, offering, selling or distributing The Running Blueprint program, products, and services anywhere in the world (including within the Territory); and (g) whether through ourselves, our affiliates, or third parties, through any channel of distribution, use the Marks or other marks to offer, sell, and provide goods and services other than those you are authorized to offer and sell under the then-current System.

If we decide to exercise these rights, we will not be obligated to compensate you for such sales made inside or outside your Territory. We are not obligated to compensate you if we solicit in the Territory. Although we have the rights to franchise, operate, or sell businesses under a different trademark, we do not currently and have no plans to exercise that right.

You may not advertise, solicit, or market outside your Territory. You may not sell products or provide services off-Premises unless we grant you prior written permission to do so. If you obtain our prior written permission, you must follow our policies regarding any out-of-Territory or off-Premises activity. If we grant you permission to conduct any out-of-Territory or off-Premises activity, you do not receive any additional territory or exclusivity rights. We have the right to terminate or suspend your approval to conduct any out-of-Territory or off-Premises activities. You agree not to sell any items through other channels of distribution, including the Internet, catalog sales, telemarketing, wholesale, or other direct marketing.

Patients have total freedom to select where to obtain services. Neither the Center you operate, nor any other COMPETITIVE EDGE PHYSICAL THERAPY center, is restricted from providing services to any patient at any center, regardless of where the patient lives.

ITEM 13. TRADEMARKS

We use, promote, and license certain trademarks, service marks, and other commercial symbols including the mark "COMPETITIVE EDGE PHYSICAL THERAPY" in the operation of ~~COMPETITIVE EDGE PHYSICAL THERAPY Centers (the "Marks"). The Marks have gained and will continue to gain public acceptance and goodwill.~~ We may license other trademarks, service marks, and commercial symbols for Centers. If we do, these other marks and symbols will become part of the Marks.

~~We grant you the right to use certain Marks under the Franchise Agreement. Our affiliate, CEPT, INC. (see ITEM 1) owns the federal trademark registrations or applications for the below Marks. Each registration or application is for the Principal Register of the U.S. Patent and Trademark Office ("USPTO").~~

Mark	Serial Number	Application Date
COMPETITIVE EDGE PHYSICAL THERAPY	90585565	March 17, 2021
	90585580	March 17, 2021
Mark	Registration Number	Registration Date
THE RUNNING BLUEPRINT	6644014	February 15, 2022
COMPETITIVE EDGE PHYSICAL THERAPY	<u>7008890</u>	<u>March 28, 2023</u>
	<u>7008891</u>	<u>March 28, 2023</u>

CEPT, INC. has filed all required affidavits and intends to file all renewal applications when due, although none of the Marks is due for registration yet.

~~We nor our affiliate has a federal registration for the latter principal Marks above. Therefore, these trademarks do not have as many legal benefits and rights as federally registered trademarks. If our or our affiliate's right to use these unregistered trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.~~

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Marks. ~~We are not aware of any prior or infringing uses of the Marks at this time.~~

We are aware of other physical therapy service providers or other general athletic training centers that use the trade name "Competitive Edge." These uses occur in Meridian, Idaho; Eagle, Colorado; Tampa, Florida; Westerville, Ohio; Ridgeland, South Carolina; Osceola, Indiana; Orange, Connecticut; and Davenport, Iowa. It is our belief that their uses pre-date our federal trademark applications and so each business would be entitled to continued use of the trade name in connection within the geographic area where that business operated prior to the date of our federal trademark applications. Once our Marks achieve federal registration, these users will not have right to expand beyond their historical geographic areas. A COMPETITIVE EDGE PHYSICAL THERAPY CENTER is distinguishable from businesses that offers sports skills training, sports clubs, or general gyms. If you were to locate in one of these geographic areas, you may not be able to use the Marks without receiving additional

permission from these business owners or would need to use a different trademark we would designate.

We have also entered into a trademark consent agreement with Joshua Harter, who owns the trademark registration number 5067825 for "COMPETITIVE EDGE BASKETBALL TRAINING." Mr. Harter consented to our federal trademark registrations so long as we and our franchisees do not use the Marks in connection with training athletes in developing skills unique to the sport of basketball, such as shooting, dribbling, defending, rebounding, stealing, blocking, and passing a basketball. Similarly, no advertisement of the foregoing is allowed. There are other limitations on the way we can refer to our Centers in advertising and marketing. This agreement is effective as long as Mr. Harter maintains his active registration with the USPTO for "COMPETITIVE EDGE BASKETBALL TRAINING." The trademark consent agreement can be modified through mutual agreement.

~~CEPT, INC. intends to timely file, with the USPTO all required affidavits of use and an affidavit of incontestability, when due, for the above Mark and registration and any others. Our right to use and license others to use the Marks is granted by a Trademark License Agreement (the "License Agreement") with CEPT, INC. The License Agreement is perpetual until it is terminated. If it is terminated, CEPT, INC. is required under the License Agreement to allow our franchisees to maintain their rights to use the Marks in accordance with their franchise agreements. The License Agreement may be amended upon mutual agreement. The agreement may be terminated if we breach the agreement and fail to cure or if we cease to be an affiliate of CEPT, INC. Other than the License Agreement, there is no agreement in effect which significantly limits our rights to use or license the Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state.~~

Your right to use the Marks is derived only from the Franchise Agreement and limited to your operating the Center according to the Franchise Agreement and all System Standards we prescribe during the term of the Franchise Agreement.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not communicate with any person other than us, our affiliate, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We or our affiliate may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding resulting from any infringement, challenge, or claim or otherwise concerning any Mark. You must sign any documents and take any other reasonable action that, in the opinion of our or our affiliate's attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under the Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with our Agreement, Manual, and other directives from us. At our option, we, our affiliate, or our designee may defend and control the defense of any proceeding resulting from your use of any Mark under the Franchise Agreement.

We reserve the right to substitute different proprietary marks for use in identifying the System and the business operating under it if we, in our sole discretion, determine that substitution of different marks as Marks will be beneficial to the System. You must comply with such change, revision, or substitution and bear all expenses associated with such changes.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

No patents or patent applications are material to ~~the franchised business or~~ your operation of the Center.

Copyrights

We claim copyright protection covering various materials used in our business and the development, management, and operation of COMPETITIVE EDGE PHYSICAL THERAPY Centers, including advertising ~~and, running programs, and~~ promotional materials, the Manual, and similar materials ~~(discussed below)~~. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so. We may register any of these items or copyrightable materials in the future.

There are currently no effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. There are no agreements that limit your right to use the copyright materials.

No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. ~~No agreement requires you to~~ You must notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification. We or our affiliate has the right to control all litigation related to the copyrights. We or our affiliate may take the action we deem appropriate (including no action) and control exclusively any litigation, or other administrative proceeding resulting from any infringement, challenge, or claim or otherwise concerning any copyright.

Any and all copyright in and to advertising and promotional materials developed by you or on your behalf will be our sole property, and you must sign those documents (and, if necessary, require your independent contractors to sign those documents) that may be deemed reasonably necessary by us to give effect to this requirement.

Confidential Information

We possess (and will continue to develop and acquire) certain ~~confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information"), concerning operating, developing and managing Centers, including: site selection and territorial criteria; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in operating, developing and managing Centers and providing physical therapy services to patients; marketing and advertising programs for Centers; physical therapist and employee recruitment, training, retention programs; knowledge of specifications for and suppliers of business assets, and other products; any computer software or similar technology which is proprietary to us or the System, including, digital passwords and identifications and any source code of, and data, reports, and other printed materials~~

~~generated by, the software or similar technology; knowledge of the operating results and financial performance of Centers other than the Center (subject to compliance with HIPAA and other requirements); physical therapy and sports training know-how; biometric data and analyses collected at the Centers; and graphic designs and related intellectual property.~~Confidential Information. "Confidential Information" means the information, not generally known to the public, in any form, relating to the Center and its operations, including all trade secrets of the Center; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Center not generally known to the public; all records pertaining to patients, suppliers, and other service providers of, and/or related in any way to, the Center (such as all names, addresses, phone numbers, e-mail addresses for patients and suppliers; patient service records and mail lists); electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; and any other data and information that we or our affiliates designates as confidential, including all information contained in the Manuals.

You will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the Center during the Franchise Agreement's term, and that Confidential Information is proprietary and is disclosed to you only on the condition that you: (1) will not use Confidential Information in any other business or capacity; (2) will keep each item deemed to be part of Confidential Information absolutely confidential, both during the Franchise Agreement's term and after the term for as long as the item is not generally known in the health care management and/or physical therapy or sports orthopedics industries; (3) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and (4) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Center personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information.

All persons with access to Confidential Information, including the Operating Owner and other managers of the Center must sign non-disclosure agreements in the form we specify. You are obligated to maintain in your files those signed confidentiality agreements we specify and make them available to us upon request.

Manual

~~During the Initial Term, we will give you access to our Policy and Procedures Manual (the "Manual"), which contains our brand standards and mandatory and suggested specifications, standards, operating procedures, and rules relevant to your franchise duties and operations, all of which we collectively refer to as our "System Standards." The contents of the Manual are Confidential Information. System Standards will not impinge on or interfere with the ability of Clinical Staff to exercise professional judgment in practicing physical therapy and providing patient services.~~

~~We may post the Manual on an electronic platform and may also share the Manual's contents in other electronic media or in the form of written materials. During the term of the Franchise Agreement, we may modify the Manual as frequently as we feel is in our best interests to keep our brand relevant and competitive to consumers and will make corresponding changes to the Manual. You must monitor any platform where the Manual is provided for Manual updates and conform to all changes at your expense within the time we allow, which will be reasonable for the specific type of change that we implement. Changes that we make to the Manual will not modify your fundamental rights under the Franchise Agreement. You may not disclose the Manual to any person other than Center employees or your attorney or other business advisors who need to know its contents in order to~~

~~perform their job or render advice to you. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual. Any passwords or other digital identifications necessary to access the Manual on an electronic platform will be deemed to be part of Confidential Information.~~

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

Your Operating Owner must personally manage and provide general oversight of the Center on a full-time basis. The Operating Owner will be charged with responsibility for direct, on-premises supervision of the Center. The Operating Owner must be a licensed physical therapist and must own at least a 51% interest in the franchisee entity. The Operating Owner will be the person with whom we will communicate on all major policy, financial, management and operation matters, and the only person from your entity that we will recognize as having authority to communicate for you your entity. You may not change the Operating Owner without our prior written consent. The Operating Owner must successfully complete our training program.

All individuals who own an interest in the franchisee business entity and their spouses must sign our Guaranty and Assumption of Obligations (Attachment 7 to the Franchise Agreement) ~~and agree jointly and severally guarantee your obligations under the Franchise Agreement.~~ These individuals must also sign our ~~form of Confidentiality and Non-Competition Agreement~~ forms of confidentiality, non-solicitation, and non-competition agreements (Attachment 44A and 4B to the Franchise Agreement).

All persons with access to Confidential Information ~~(see ITEM 14)~~, including managers of the Center, must sign non-disclosure agreements in the form we specify.

If you are required to enter into a Management Services Agreement with a PC, we must ~~approve~~ accept the PC and the Operating Owner must be a controlling owner of the PC. The Management Services Agreement also contains confidentiality, non-solicitation, and non-compete provisions that will apply to the PC and certain of its Clinical Staff or owners.

Only those who are fully licensed under the laws of the state where you operate will be permitted to offer the direct physical therapy ~~or medical services~~ to the patients ~~of your clinic~~. As noted above, these Clinical Staff will be employed either by a PC or, where permitted, by the Franchisee.

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate the Center in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as set forth in the Manual and in other writings by us from time to time. You must use the Premises only for the operation of your Center and may not operate any other business at or from the Premises without our express prior written consent.

You must provide all the operational and management services to the COMPETITIVE EDGE PHYSICAL THERAPY Center that we specify from time to time for the delivery of physical therapy services and related products to patients consistent with all applicable laws and regulations.

Subject to the professional judgment of the Clinical Staff, the Center (1) must offer all of and only the services and products we have approved. The list of approved services and products may change from time to time. You must not and (2) cannot offer for sale or sell at or from the Center any services

or products we have not approved. The list of approved or required services and products may change from time to time and there is no limitation on our right to make the changes. You will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing. These requirements are intended to promote brand awareness of the Marks, but they will not ~~impinge on or~~ interfere with the ability of Clinical Staff to exercise professional judgment in practicing physical therapy ~~and providing patient services.~~

~~If we license you to manage a Center, we are not engaging in the practice of medicine, physical therapy, or any other profession that requires specialized training, licensing, or certification. The Franchise Agreement will not interfere with, affect or limit the independent exercise of professional judgment by the PC and the Clinical Staff. It will be your responsibility to research all applicable laws, and we strongly advise that you consult with an attorney and/or contact local, state and federal agencies before signing a Franchise Agreement with us, to determine your legal obligations and evaluate the possible effects on your costs and operations.~~

Unless you receive our prior written approval, you must not conduct marketing activities that target patients outside of your Territory. However, you may provide goods and services to any patient who selects your Center.

We or our affiliate has the sole right to sell The Running Blueprint program. If you elect to market the program, you may earn a commission for qualified sales. You must sell and market The Running Blueprint program only in compliance with our policies.

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

THE FRANCHISE RELATIONSHIP

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

PROVISION		SECTION IN AGREEMENT	SUMMARY
a.	Length of the franchise term	Section 1.1 of the Franchise Agreement	10 years
b.	Renewal or extension of the term	Sections 13.1 and 13.2 of the Franchise Agreement	One additional 5-year successor term.
c.	Requirements for you to renew or extend	Section 13.1 <u>13</u> of the Franchise Agreement	Substantial compliance; <u>timely</u> notice; maintain or substitute Premises; signing <u>renovate and upgrade;</u> <u>comply with current training requirements;</u> <u>sign</u> of then-current successor franchise agreement; pay successor franchise fee; release <u>us of claims</u> . If you seek a successor franchise at the expiration of the Initial Term <u>(or “renewal”)</u> , you will be asked to sign a new franchise agreement that may

PROVISION		SECTION IN AGREEMENT	SUMMARY
			contain terms and conditions materially different from those in your previous franchise agreement, like different fee requirements or Territory.
d.	Termination by you	Section 14.1 14.10 of the Franchise Agreement	For cause, if we breach a material provision of the contract and fail to cure 90 days after written notice then you can terminate with 30 days' notice if you are compliant with the terms of your agreement.
e.	Termination by us without cause	Section 14.2 of the Franchise Agreement	Generally, we can only terminate the Franchise if you default. We also have the right to terminate if any federal, state or local regulatory body determines that the agreement is not permissible under law and we cannot cure the issue.
f.	Termination by us with cause	Section 14 of the Franchise Agreement	Generally, we can only terminate the Franchise if you default. <u>We have a step-in right on default. Defaults under one agreement with us will be a default under all agreements with us.</u>
g.	"Cause" defined - curable defaults	Sections 14.2 and 14.4 of the Franchise Agreement	Failure to open on time or identify site timely; failure to satisfactorily complete training; failure to comply with law; misuse of Marks or System; failure to pay amounts due us; abandon or fail to manage the Center for three consecutive days; misuse of the Marks; misuse of the Technology; failure to manage during the prescribed days and hours or at the Premises; failure to pay taxes (unless disputed); failure to pay suppliers (unless disputed); failure to pay amounts due to us or our affiliates; failure to maintain insurance; failure to provide services to Preferred Account customers in accordance with standards; failure to comply with System Standards, the Manual, or provisions of the Franchise Agreement; failure to obtain and maintain insurance; failure to service

PROVISION		SECTION IN AGREEMENT	SUMMARY
			Preferred Accounts in accordance with our standards; violate any law, ordinance, rule or regulation in connection with operation of your Center <u>Agreement; out-of-Territory or off-Premise violations; we receive repeated complains about the Center; use of unauthorized goods, services, and suppliers.</u>
h.	"Cause" defined - non-curable defaults	Sections 14.1 and 14.3 of the Franchise Agreement	Bankruptcy; insolvency; adverse judgment; foreclosure, levy, appointment of receiver; determination by a regulatory body that the agreement cannot be cured to comply with the law; material misrepresentation on your COMPETITIVE EDGE PHYSICAL THERAPY <u>franchise application or breach any representation or warranty to us</u> ; transfer in violation of the Franchise Agreement; failure to maintain required licenses, permits or certificates; failure to comply with law ; unsafe operation of the Center; failure to cure operations in order to meet state and local certifications; medical or physical therapy licenses restricted, suspended or revoked; conviction of a felony <u>certain criminal conduct</u> ; dishonest or unethical conduct; interference with our operations ; knowingly misusing the Manual or Confidential Information; failure on 3 or more occasions within 12 months to comply with the Franchise Agreement; failure on 2 or more occasions within 18 months to comply with same obligation under the Franchise Agreement; violate antiterrorism laws ; failure to timely secure the Premises; underreport Service Fees by 3%; maintenance or submission of false books or records; default under any other agreement with us and failure to cure the default; <u>actions that materially</u>

PROVISION		SECTION IN AGREEMENT	SUMMARY
			<u>impair value of goodwill; Operating Owner fails to be the 51% or greater or controlling owner in the PC; failure to timely transfer after death or disability; use of unauthorized trademark; commencing operations without authorization; abandonment of the business.</u>
i.	Your obligations on termination/nonrenewal	Section 15 of Franchise Agreement	Cease use of Marks and Confidential Information; cease operations; return our property; transfer telephone, internet, and directory listings to us; payment of amounts due and amounts that would be due ; cease operating Center; <u>cancel fictitious names; comply with our purchase and lease assignment rights; comply with instructions related to technology and data; provide login credentials to key accounts; as applicable, de-identify business</u> ; abide by covenants, and others. If we terminate you for cause, you will owe us liquidated damages.
j.	Transfer of contract by us	Section 12.1 of Franchise Agreement	We may assign the Franchise Agreement without limitation.
k.	"Transfer" by you - defined	Section 12.2 of Franchise Agreement	Includes transfer of the Franchise Agreement, the Center, the lease for the Premises, substantially all of the assets of the Center, ownership interest in you or any of your owners, by assignment, sale, gift, or otherwise.
l.	Our approval of transfer by you	Section 12.2 of Franchise Agreement	We <u>You</u> must consent to <u>obtain our approval for</u> all transfers. Our approval will not be unreasonably withheld.
m.	Conditions for our approval of transfer	Section 12.3 of Franchise Agreement	Our approval of transferee; sign and transfer terms; transferee meets our then-current qualifications; your compliance with the Franchise Agreement; transferee signs then current franchise agreement; payment of <u>you pay a transfer fee; you sign a release; you pay all</u>

PROVISION		SECTION IN AGREEMENT	SUMMARY
			amounts and file all reports owed us; transferee has no interest in a Competitive Business; completion of transferee <u>transferee completes</u> training; landlord consents to transfer of lease; correction of all existing deficiencies of Center; you adhere to non-competition provisions of the Franchise Agreement; and others.
n.	Our right of first refusal to acquire your business	Section 12.7 of the Franchise Agreement	We can match any offer within 30 days of receipt of information we request of your intent to transfer. Our right is reinstated if the terms change materially or the transfer is not completed in 90 days.
o.	Our option to purchase your business	Section 15.5 of the Franchise Agreement	We have the right upon termination, non-renewal, or expiration to purchase <u>some or all of</u> your assets from the Center at a purchase price equal to their fair market value (as defined in the Franchise Agreement).
p.	Your death or disability	Section 12.5 of the Franchise Agreement	Your estate must transfer your interest in the Center to a third party we approve, within six months after death or disability. <u>We have a right to step in upon death or disability.</u>
q.	Non-competition covenants during the term of the franchise	Section 7 of Franchise Agreement	Includes a prohibition on engaging in Competitive Business (defined in Section 7 of the Franchise Agreement), including any clinic, practice, or business that offers or provides, or licenses others to provide, (1) physical therapy services, sports orthopedic services, biomechanics analysis, gait analysis, or athletic training, (2) management services for a physical therapy center, sports medicine clinic, or athletic training business, or (3) any other product or service or management services that are similar to the services and products authorized to be offered, sold or provided under the Marks and the System. <u>Non-solicitation and</u>

PROVISION		SECTION IN AGREEMENT	SUMMARY
			<u>confidentiality covenants apply as well.</u>
r.	Non-competition covenants after the franchise is terminated or expires	Section 15.4 of the Franchise Agreement	Includes a 2-year prohibition on a Competitive Business at the Premises, within the Territory, the territories of other COMPETITIVE PHYSICAL THERAPY Centers, and within 15-mile radius of those territory boundaries. <u>Non-solicitation and confidentiality covenants apply as well.</u>
s.	Modification of the agreement	Section 17.8 <u>21</u> of the Franchise Agreement	The Franchise Agreement may only be modified by written agreement signed by both parties.
t.	Integration/ merger clause	Section 17.11 <u>21</u> of the Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 17.5 of the Franchise Agreement	Except for certain claims, all disputes not first settled informally must be arbitrated in San Jose, California, under rules of the American Arbitration Association.
v.	Choice of forum	Sections 17.5 and 17.6 of the Franchise Agreement	<u>Subject to state law, AAA, San Jose, California; California courts (if any);</u> which provision is subject to individual state laws.
w.	Choice of law	Section 17.6 of the Franchise Agreement	<u>Subject to state law, Delaware, except for applicable federal Lanham Act and Federal Arbitration Act, which choice of law is subject to individual state law.</u>

If a state law requires any modification to these provisions of the Franchise Agreement or requires additional terms, those modifications will be found in the disclosure addenda and contractual amendments appended to this Disclosure Document. If any of the provisions in the Franchise Agreement including those summarized above, are inconsistent with, or contrary to, applicable state law, the requirements of the applicable law or laws will be substituted for the inconsistent or contrary provisions in the agreements.

ITEM 18. PUBLIC FIGURES

We do not 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.

This Item sets forth certain information regarding the historical performance of the affiliate-owned COMPETITIVE EDGE PHYSICAL THERAPY Center operated in San Jose, California (~~the~~ "Representative Center") during 2019, 2020, ~~and 2021, and 2022~~ (~~the~~ "Measurement Period"). This is the only Center in operations as of the issuance date of this disclosure document. The Representative Center is owned solely by our affiliate CEPT, INC, and has been open and operating since 2015. ~~In~~From August 2020 to December 2021, our affiliate ~~opened~~operated a satellite office at Menlo Park, California and operated it as part of the San Jose business. Because the revenues generated by the satellite office are not representative of the franchise being offered, we have excluded them from this financial performance representation.

The affiliate-owned and operated COMPETITIVE EDGE PHYSICAL THERAPY Center included in this financial performance representation is substantially similar to the COMPETITIVE EDGE PHYSICAL THERAPY ~~Center~~Centers for which we are offering franchises in this disclosure document, and its services are the same as those to be offered and sold by franchised COMPETITIVE EDGE PHYSICAL THERAPY Centers.

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

The chart below shows the Gross Revenues of the Representative Center ~~operated by our affiliate~~ during the Measurement Period and the percent changes from year to year. Q1 means January 1 to March 31; Q2 means April 1 to June 30; Q3 means July 1 to September 30; and Q4 means October 1 to December 31.

	Percent Change Gross Revenue				
	2019	2020	2021	2019 to 2020	2020 to 2021 <u>2022</u>
Q1	\$182,706	\$153,926	\$170,597	-15.75%	10.83% <u>\$182,973.85</u>
Q2	\$185,963	\$143,430	\$279,041	-22.87%	94.55% <u>\$235,728.94</u>
Q3	\$180,677	\$186,469	\$258,629	3.2%	38.69% <u>\$251,982.47</u>

Q4	\$224,111	\$265,568	\$284,943	18.49%	7.29%	\$354,464.42
Total	\$773,458	\$749,393	\$993,210	-3.11%	32.53%	\$1,025,149.68

For purposes of this chart “Gross Revenues” means all revenue that the business actually collects and receives from operating the COMPETITIVE EDGE PHYSICAL THERAPY Center, including, but not limited to, all services and products sold, all amounts that the business charges, invoices, collects, or receives at or away from its business premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from patients or other customers and paid to the appropriate taxing authority. Gross Revenues includes the proceeds of any business interruption insurance or similar insurance payments the business receives to replace revenue that it lost from the interruption of the business due to a casualty or other similar event. As noted above, the revenues from the satellite office are not included in the Gross Revenues presented here. No data presented in this Item 19 represents any funds received from the Paycheck Protection Program.

You must consider your franchised business’s required Royalty Fees, Brand Fund contributions, and other required spending as part of its expected operating expenses. Under the Franchise Agreement, you are required to pay to us Royalty Fees in the amount of 10% of Service Fees and contribute to the Brand Fund in the amount of 1% of Service Fees. Our affiliate did not make these expenditures. Additionally, you must spend at least 3% of Service Fees on local marketing.

Some outlets have sold or earned this amount. Your individual results may differ. There is no assurance you will sell or earn as much. ~~We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning the preparation of your financial projections, including any applicable taxes that you may incur in operating a COMPETITIVE EDGE PHYSICAL THERAPY Center. Reviewing this limited amount of information cannot substitute for thorough research on your part and careful evaluation of this franchise opportunity with professional and legal advisors.~~

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Kevin Vandt, 1375 Blossom Hill Road, #33, San Jose, California 95118, the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20.
OUTLETS AND FRANCHISEE INFORMATION

Table 1
System-Wide Outlet Summary
For Years ~~2019~~2020 to ~~2021~~2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2019 <u>2020</u>	0	0	0
	2020 <u>2021</u>	0	0	0
	2021 <u>2022</u>	0	0	0
Company-Owned <u>Company-Owned</u>	2019 <u>2020</u>	1	1	0
	2020 <u>2021</u>	1	1	0
	2021 <u>2022</u>	1	1	0
Total Outlets	2019 <u>2020</u>	1	1	0
	2020 <u>2021</u>	1	1	0
	2021 <u>2022</u>	1	1	0

~~(1) This company-owned business operates primarily in San Jose, California but has a satellite office in Menlo Park, California where it offers limited services. The Menlo Park satellite office opened in 2020. Because the satellite office is an extension of the San Jose business operations and is not representative of the franchised businesses offered under this disclosure document, we have not counted it as a separate location for purposes of Item 20.~~

Table 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years ~~2019~~2020 to ~~2021~~2022

State	Year	Number of Transfers
All States	2019	0
<u>All States</u>	2020	0
	2021	0
Total	2019 <u>2022</u>	0
Total	2020	0
	2021	0
	<u>2022</u>	<u>0</u>

Table 3
Status of Franchised Outlets
For Years ~~2019~~2020 to ~~2021~~2022

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 States	2019 2020	0	0	0	0	0	0	0
	2020 2021	0	0	0	0	0	0	0
	2021 2022	0	0	0	0	0	0	0
Total	2019 2020	0	0	0	0	0	0	0
	2020 2021	0	0	0	0	0	0	0
	2021 2022	0	0	0	0	0	0	0

Table 4
Status of Company-Owned ~~Outlets~~¹Outlets¹
For Years ~~2019~~2020 to ~~2021~~2022

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
California	2019 2020	1	0	0	0	0	1
	2020 2021	1	0	0	0	0	1
	2021 2022	1	0	0	0	0	1
Total	2019 2020	1	0	0	0	0	1
	2020 2021	1	0	0	0	0	1
	2021 2022	1	0	0	0	0	1

(1) This company-owned business operates primarily in San Jose, California but has a satellite office in Menlo Park, California where it offers limited services. The Menlo Park satellite office opened in 2020 and closed in December 2021. Because the satellite office is an extension of the San Jose business operations and is not representative of the franchised businesses offered under this

disclosure document, we have not counted it as a separate location for purposes of Item 20.

Table 5
Projected Openings as of December 31, ~~2021~~2022

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchise Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	3	0
Total	0	3	0

The names, addresses, and telephone numbers of our current franchisees appear in Exhibit B.

Any franchisees who had an agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during calendar year ~~2021~~2022, or have not communicated with us within 10 weeks of the date of this Disclosure Document are identified on Exhibit C. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed a confidentiality clause in a franchise agreement, settlement, or other contract during our last 3 fiscal years that would restrict their ability to speak openly about their experience with us. As of the date of this ~~Disclosure Document~~disclosure document, there are no ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ franchisee associations in existence ~~regardless of whether or not they use our trademark.~~

ITEM 21.

FINANCIAL STATEMENTS

Exhibit I includes our audited ~~opening balance sheet dated January 22~~financial statement dated December 31, 2022. Because we have not been franchising for three years or more, we do not have three years of audited financial statements. Our fiscal year ends December 31.

ITEM 22.

CONTRACTS

The following contracts are attached to this Disclosure Document:

- Franchise Agreement (Exhibit D)
 - Attachment 1: Territory and Initial Fee
 - Attachment 2: Site Selection Addendum
 - Attachment 3: Listing of Ownership Interests
 - Attachment ~~4A~~: Nondisclosure and Noncompetition Agreement
 - Attachment 4B: Nondisclosure and Non-Solicitation Agreement
 - Attachment 5: Telephone Listing and Internet Authorization Agreement
 - Attachment 6: Lease Rider
 - Attachment 7: Guaranty and Assumption of Obligations
 - Attachment 8: Electronic Funds Transfer Authorization Form
 - Attachment 9: Business Associate Agreement
 - Attachment 10: Flat Fee Addendum

- Management Services Agreement (Exhibit ~~D~~E)
 - Attachment 1: Business Services
 - Attachment 2 A: Service Fees (standard form)
 - Attachment 2 B: Service Fees (adjusted form)
 - ~~Attachment 3: Dispute Resolution Procedures~~
 - Attachment ~~4~~3: Business Associate Agreement
- Waiver of Management Services Agreement (Exhibit F)
 - Exhibit ~~B~~A: Business Associate Agreement
- General Release (Exhibit K)

ITEM 23. RECEIPTS

The last two pages of this Disclosure Document (Exhibit ~~M~~L) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this Disclosure Document.

EXHIBIT A
FEDERAL AND STATE REGULATORY AUTHORITIES

FEDERAL TRADE COMMISSION

Franchise Rule Coordinator
Federal Trade Commission Division of Marketing Practices
Pennsylvania Avenue at Sixth Street, N.W., Room 238
Washington, D.C. 20580
Telephone: (202) 326-2970

STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA:
Commissioner of Financial Protection &
Innovation
Dept. of Financial Protection and Innovation
320 West 4th St., Ste. 750
Los Angeles, California 90013
Telephone: (213) 576-7500 or
Toll Free Telephone: (866) 275-2677

CONNECTICUT:
Eric Wilder, Director of Securities
Connecticut Department of Banking
Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103-1800
Telephone: (860) 240-8233

HAWAII:
Commissioner of Securities
of the State of Hawaii
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
Telephone: (808) 586-2722

ILLINOIS (Registered Agent):
Tanya Solov, Director of Securities
Office of the Secretary of State
Securities Department
69 West Washington Street, Suite 1220
Chicago, IL 60602
Telephone: (312) 793-3884

ILLINOIS (Regulatory Authority):
Lisa Madigan
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
Telephone: (217) 782-4465

INDIANA:
Chris Naylor, Securities Commissioner
Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, IN 46204
Telephone: (317) 232-6681

IOWA:
Jim Mumford, Securities Administrator
Director of Regulated Industries Unit
Iowa Securities Bureau
330 Maple Street
Des Moines, IA 50319-0066
Telephone: (515) 281-5705

MARYLAND (Registered Agent):
Maryland Securities Commissioner
200 St. Paul Place,
Baltimore, Maryland 21202-2020
Telephone: (410) 576-6360

MARYLAND (Regulatory Authority):
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020
Telephone: (410) 576-6360

MICHIGAN (Regulatory Authority):
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
525 W. Ottawa Street
Lansing, MI 48909
Telephone: (517) 373-1152

MICHIGAN (Registered Agent):
Linda Cena, Securities Director
Office of Financial & Insurance Regulation
525 West Allegan
1st Floor Constitution Hall
Lansing, MI 48909
Telephone: (517) 241-6345

MINNESOTA:
Minnesota Dept. of Commerce
Securities-Franchise Registration
85 7th Place East, Suite 280
Saint Paul, MN 55101-2198
Telephone: (651) 539-1500

NEW YORK (Administrator/Regulatory
Authority)
NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st FL
New York, NY 10005
Telephone: (212) 416-8222

NEW YORK (Agent for Service of Process)
Secretary of State
99 Washington Avenue
Albany, NY 12231

NORTH DAKOTA:
North Dakota Securities Department
Fifth Floor State Capitol, Dept. 414
600 East Boulevard
Bismarck, ND 58505-0510
Telephone: (701) 328-2910

OKLAHOMA:
Oklahoma Securities Dept.
First National Center
120 N. Robinson Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7700

RHODE ISLAND:
Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903
Telephone: (401) 222-3048

SOUTH DAKOTA:
Division of Insurance
Securities Regulation
124 S. Euclid, Ste. 104
Pierre, SD 57501
Telephone: (605) 773-3563

TEXAS:
Hope Andrade
Secretary of State
P.O. Box 12697
Austin, TX 78711-2697
Telephone: (512) 463-5701

UTAH:
Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
SM Box 146704
Salt Lake City, UT 84114-6704
Telephone: (801) 530-6601

VIRGINIA (Registered Agent):
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
Telephone: (804) 371-9733

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

WASHINGTON:
Address for Service of Process:
Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, WA 98501
Telephone: (360) 902-8760

Mailing Address:
Department of Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507

WISCONSIN:
Franchise Office
Wisconsin Securities Commission
P.O. Box 1768
Madison, WI 53701
Telephone: (608) 266-3364

EXHIBIT B
FRANCHISEES AS OF ~~DECEMBER 31~~MARCH 1, 20212023

None.

EXHIBIT C
FORMER FRANCHISEES AS OF ~~DECEMBER 31, 2021~~ FRANCHISEES AS OF MARCH 1, 2023

Below are franchisees who had a Franchise Agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our last fiscal year or have not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this franchise your contact information may be disclosed to other ~~buys~~buyers when you leave the franchise system.

None.

EXHIBIT D
FRANCHISE AGREEMENT

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC

FRANCHISE AGREEMENT

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Attachments

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- Attachment 3: Listing of Ownership Interests
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COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of the _____ day of _____, _____ (the "Effective Date") ~~(regardless of the dates of the parties' signatures)~~ by and between: COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, a Delaware limited liability company, ~~located at 1375 Blossom Hill Rd, #33, San Jose, California 95118~~ ("we," "us," or "our"), and _____, a _____ ("you" or "your").

INTRODUCTION

A. We and our affiliate(s), as a result of the expenditure of time, skill, and effort have developed (and continue to develop and modify) a physical therapy management business that will, through independent physical therapists and professionally licensed persons or entities, provide various physical therapy services, including sports orthopedics, biomechanics analysis, and conditioning.

B. The COMPETITIVE EDGE PHYSICAL THERAPY centers will operate under the "COMPETITIVE EDGE PHYSICAL THERAPY" name and Marks (defined below) according to our system (the "System"). The COMPETITIVE EDGE PHYSICAL THERAPY business that you will own, manage, administer, and operate under the System is referred to as the "Center". The System currently includes: providing site selection assistance; design assistance; procedures for monitoring operations and quality of services offered; procedures for management; training and assistance; guidance regarding advertising and promotional programs; business formats, methods, procedures, standards, and specifications, all of which we may change, improve, and further develop from time to time. ~~Notwithstanding anything in this Agreement, we are not responsible for marketing, advertising or expanding the business of your Center; those efforts are solely your responsibility, subject to the terms of this Agreement.~~

C. We have the right to use, promote, and license certain trademarks, service marks, and other commercial symbols in connection with Centers, including the mark "COMPETITIVE EDGE PHYSICAL THERAPY," which have gained and will continue to gain public acceptance and goodwill, and we may create, use, and license other trademarks, service marks, and commercial symbols for Centers (collectively, the "Marks").

D. We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Center using our System and Marks.

E. You have applied for a franchise for a ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Center at the location identified in this Agreement. Your application has been approved by us in reliance upon all of the representations made in your application, including those concerning your financial resources and the manner in which the Center will be owned and operated. You also understand and agree that the terms and conditions contained in this Agreement are necessary to maintain the System's high standards of quality and service and the uniformity of those standards at all Centers and thereby agree to protect and preserve the goodwill of the Marks, and you must comply with this Agreement and all System Standards ~~(as defined below in Section 4.4)~~ in order to maintain the high and consistent quality that is critical for ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Centers.

1. GRANT OF FRANCHISE: TERRITORY

1.1 Grant of Franchise

~~You have applied for the right to own, administer, manage and operate a COMPETITIVE EDGE PHYSICAL THERAPY Center at the location identified on Attachment 1 (the "Premises") within the area identified in Attachment 1 (the "Territory"). The Premises and Territory will be determined as set forth in Section 2.1 and the Site Selection Addendum, which is attached as Attachment 2. Subject to this Agreement, we grant you the right and license (the "Franchise") to own, administer, manage, and operate a Center at the Premises; (defined below) and to use the System in its management and operation, for a term beginning on the Effective Date and expiring ten (10) years thereafter (the "Initial Term"), unless sooner terminated as provided herein. You agree at all times to perform your obligations under this Agreement faithfully, honestly, and diligently and to use your best efforts to promote the Center. Subject to applicable law, you must identify the Center and all of the products and services you offer or sell only by the Marks. You have no right to use the System or the Marks for any other purpose other than as expressly provided herein. We and our affiliates reserve any and all rights not expressly granted to you under this Agreement.~~

1.2 Territorial Rights.

(a) After the Premises are ~~approved~~accepted as set forth in Section 2.1, the description of the "Territory" will be inserted in Attachment 1. Except as provided for below, and provided that you are in full compliance with this Agreement, we and our affiliate(s) will not operate or grant a franchise for the operation of another COMPETITIVE EDGE PHYSICAL THERAPY-branded physical therapy center operating under the System and the Marks at a fixed location within the Territory, during the Initial Term of this Agreement.

(b) You may not advertise, solicit, or market outside your Territory unless we grant you prior permission. You may not sell products or provide services off-Premises or outside of your Territory unless we grant you prior written permission to do so. If you obtain our prior written permission, you must follow our policies regarding any out-of-Territory or off-Premises activity. If we grant you permission to conduct any out-of-Territory or off-Premises activity, you do not receive any additional territory or exclusivity rights. We have the right to terminate or suspend your approval to conduct any out-of-Territory or off-Premises activities. You ~~agreed~~do not have the right to sell any items or any other channel of distribution, including the Internet, catalog sales, telemarketing, wholesale, or other direct marketing.

(c) You recognize and acknowledge that (i) you will compete with other COMPETITIVE EDGE PHYSICAL THERAPY businesses which are now, or which may in the future be, located near or adjacent to your Territory and (ii) that such businesses may be owned by us, our affiliates, and/or third parties.

(d) You have no right of first refusal or other options to open any additional COMPETITIVE EDGE PHYSICAL THERAPY businesses.

1.3 Rights We Reserve

~~We grant franchises and the rights to develop and operate COMPETITIVE EDGE PHYSICAL THERAPY businesses~~Centers only pursuant to the express terms of written agreements and not orally. All rights that are not granted to you in this Agreement are specifically reserved to us, and we will not be restricted in any manner from exercising them nor will we be required to compensate you should we exercise them. This includes the right, directly or through others and regardless of either (a) proximity to your Premises or Territory or (b) any actual or threatened impact on sales of your business to:

(a) use the Marks and System in connection with establishing and operating COMPETITIVE EDGE PHYSICAL THERAPY businesses at any location outside the Territory;

(b) use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise or products) or services (including physical therapy and running services) anywhere in the world (including within the Territory), whether or not you also offer them, through channels of distribution other than a brick and mortar COMPETITIVE EDGE PHYSICAL THERAPY-branded physical therapy and sports training business that operates using the Marks and the System, including, for example, retail locations, catalogs, mail order, or the Internet or other electronic means;

(c) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Territory);

(d) use the Marks in connection with soliciting or directing advertising or promotional materials to customers or patients anywhere in the world (including within the Territory);

(e) whether through ourselves, our affiliates, or third parties, service Preferred Account customers under the circumstances described below in Section 1.4;

(f) whether through ourselves, our affiliates, or third parties, market, advertise, offer, sell, and distribute The Running Blueprint program, products, and services anywhere in the world (including within the Territory); and

(g) whether through ourselves, our affiliates, or third parties, through any channel of distribution, use the Marks or other marks to offer, sell, and provide goods and services other than those you are authorized to offer and sell under the then-current System (including within the Territory).

1.4 Preferred Accounts.

(a) We have the right, but not the obligation, to enter into agreements with third parties, including companies or athlete organizations, that have members or offices in more than one location ("Preferred Accounts"). We may establish Preferred Accounts within your Territory and the territories of other franchisees. We reserve the right to negotiate special or specific terms for Preferred Accounts, such as unique pricing or standards for the products and services offered. We and our affiliates may solicit customers located in your Territory, whether or not you currently provide services to them, in order to develop them into Preferred Accounts. If you choose to provide services to Preferred Account customers in your Territory, you must do so at the prices we establish and in accordance with our standards and specifications. You acknowledge that our negotiations with Preferred Accounts may result in discounted prices and/or higher volumes. Pricing for Preferred Accounts may result in less revenue for you than if you were serving that customer independently.

(b) If (i) you decline to service a Preferred Account customer, (ii) you do not service the Preferred Account customer in accordance with our standards or prices, (iii) we reasonably determine that you are not able to reliably service the Preferred Account customer, or (iv) the Preferred Account customer requests that you not provide the services, we reserve the right to designate another party to service the Preferred Account customer in the Territory from that time on without paying any compensation to you. These designated parties could be us, our affiliate, another franchisee, or other business. Services provided by the designated parties are not a breach

of this Agreement. Notwithstanding anything in this Agreement to the contrary, our providing, or allowing others to provide, these Preferred Account services within your Territory do not constitute a breach. Choosing to service a Preferred Account and then failing to service the Preferred Account in accordance with this Agreement, the Manual, or other terms of the contract with the Preferred Account is a default of this Agreement. Neither ~~we~~ we nor any of our designated parties are liable for or obligated to pay you compensation for providing services under this section. Neither we nor our designated parties shall be considered in breach of any provision of this Agreement or any agreement between the parties for the services under this section.

1.5 Modification of the System

You understand and agree that we may operate and change the System in any manner that is not expressly and specifically prohibited by this Agreement. Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we consider to be best, to vary System Standards (defined below in Section 4.4) for any franchisee or any ~~COMPETITIVE EDGE PHYSICAL THERAPY Center~~center based upon any conditions that we consider important to that franchisee's or ~~Center's~~center's operation. You may request that we grant you a variation or accommodation, but we have no obligation to do so. You acknowledge that the System, the services, and products offered by the Center may be modified (such as, but not limited to, the addition, deletion, and/or modification of operating procedures, products, and services) from time to time by us; and you agree to comply, at your expense, with all such modifications, including, without limitation, all requirements needed to implement the modifications. You agree there is no limit to our ability to modify the System. You may be required to pay additional or increased fees to us, our affiliates, or third-party vendors, as a result of these System changes. You recognize and acknowledge that changes to the System may require modification of the structure of your Center's operations, ownership, and contractual relationships, including the requirement to have Clinical Staff provide services at the Center or entering into a Management Services Agreement with a PC, and you agree to comply with all laws that may be applicable due to a change in the System.

1.6 Corporation, Limited Liability Company, or Partnership

At all times during the Initial Term, you must be a corporation, ~~or~~ limited liability company; ~~or general or limited partnership~~ (collectively, an "Entity") duly organized or formed and validly existing in good standing under the laws of the state of your formation. You additionally agree and represent:

(a) You have the authority to sign, deliver, and perform your obligations under this Agreement and all related agreements;

(b) You will not alter, change, or amend your organizational documents, operating agreement, or partnership agreement, as applicable, without obtaining our approval, which approval we will not unreasonably deny or withhold, and will grant if such changes will not prevent you from performing your obligations under this Agreement;

(c) Your organizational documents, operating agreement, partnership agreement, or ownership certificates, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement's restrictions;

(d) Attachment 3 to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date;

(e) Subject to our rights and your obligations under ~~Section~~Article 12, you and your owners agree to sign and deliver to us a revised Attachment 3 to reflect any permitted changes in the information that Attachment 3 now contains;

(f) Each of your owners who holds an interest in the Entity during this Agreement's Initial Term will sign a guaranty, in the form we prescribe, undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is set out in Attachment 7;

(g) You will appoint a shareholder, or member, ~~or partner~~, as applicable, who owns at least fifty one percent (51%) of the interests in the Entity, to be your "Operating Owner," responsible for overseeing and supervising the operation of the Center. The Operating Owner, as of the Effective Date, is identified in Attachment 3. The Operating Owner will be the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person from your Entity that we will recognize as having authority to communicate for and on your behalf and on behalf of your Entity. You may not change the Operating Owner without our prior written consent, which we will not unreasonably withhold provided that the proposed new Operating Owner meets our then-current qualifications and standards and successfully completes our then-current training programs as we may require.

~~(h)~~ The Operating Owner must be a physical therapist fully licensed to provide physical therapy services in the jurisdiction where the Center is located. If you operate the Center under a Management Services Agreement (defined below), the Operating Owner must be a physical therapist employed by the PC (defined below).

1.7 Structure and Operation of Center.

(a) If you can certify to us, and provide support for the conclusion through a writing of an attorney that you are permitted to both own and operate a Center in the state where the Center will be located, including hiring Clinical Staff and providing physical therapy services to patients at the Center, then you, as the franchisee, must enter into our form of Waiver of Management Services Agreement. "Clinical Staff" means personnel requiring medical or physical therapy licensure, including all physical therapists providing physical therapy services at the Center. You will be solely responsible for operating the Center and providing or arranging for and supervising the provision of physical therapy services to patients of the Center, in addition to performing all of the obligations imposed upon you by this Agreement. ~~You acknowledge and agree that we will not provide any clinical care, physical therapy services, or medical services, nor will we supervise, direct, or control the Clinical Staff, nor, as applicable, we will not direct, control, or supervise the manner in which medical, physical therapy, or clinical services are provided to patients at the Center.~~

(b) Management Services Agreement.

(i) If you cannot provide the foregoing certification, or your offered support is not deemed sufficient to us, then prior to commencing operations of the Center, you must enter into a Management Services Agreement ("Management Services Agreement") we approve with an independent professional corporation, professional limited liability company, or licensed ~~medical~~professional services providers (each is a "PC") whereby you will provide management and administrative services and support consistent with the System, to support the PC's clinical physical therapy practice and its delivery of clinical physical therapy services and related products to patients, consistent with all applicable laws

and regulations, ~~as provided in this Section.~~ Under this structure, the PC shall employ or contract with and control all Clinical Staff. The Management Services Agreement shall be deemed to amend this Agreement where necessary to reflect that you will be administering and managing the Center and not in any way practicing ~~medicine or~~ physical therapy. You shall not provide any actual ~~medical or~~ physical therapy services, nor shall you supervise, direct, or control the PC or its Clinical Staff or employees, the manner in which the PC or its Clinical Staff or employees provides or may provide ~~medical care services and~~ physical therapy services to its patients. You may not sign the final Management Services Agreement with the PC before you obtain our prior written approval.

(ii) We must ~~approve~~accept the PC ~~candidate~~. We are not obligated to assist you in finding a PC candidate. Neither our ~~approval~~acceptance of the PC nor any of our incidental efforts to help you find a suitable PC will make us liable for the performance of the PC. Our involvement in ~~approving~~accepting or incidental help in locating a suitable PC will not give us the right to directly or indirectly impinge on or interfere with the ability of the Clinical Staff to exercise professional judgment in practicing physical therapy and providing patient services.

(iii) The Management Services Agreement must remain in effect with a PC at all times during the operation of the Center and the Initial Term of this Agreement. You and the PC may not amend the Management Services Agreement before you obtain our prior written approval of the terms of any such amendment.

(iv) If you are required to enter into a Management Services Agreement with a PC, the management and administrative services that you must provide to the PC include, but are not limited to the following all in compliance with the applicable law and all of these services must comply with the System: general business management; bookkeeping; reporting; management information services including patient scheduling; billing and collection services; administering cash disbursements; advice regarding licensing, permits, and Clinical Staff credentialing; human resource support; recruitment assistance; payroll services; arranging for services necessary for business operations; providing advertising and marketing services; assistance in negotiating contracts and managing supply relationships; maintain files and patient records; file annual reports and tax documents; advice regarding and procurement of insurance; management of the inbound and outbound sales processes; assistance with patient retention and communication; providing of the Premises and certain equipment and maintaining them.

(v) For all these management and administrative services, you will receive a service fee (~~the~~ "Service Fee") from the PC. Service Fees are equal to Gross Revenues less the Direct PC Expenses.

(1) "Gross Revenues" means all revenue that is actually collected and received from operating the ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Center, including, but not limited to, all services and products sold, all amounts that the PC charges, invoices, collects, or receives at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from patients or other customers and paid to the appropriate taxing authority. Gross Revenues includes the proceeds of any business interruption insurance or similar insurance payments you or the PC receives to replace revenue

that you lose from the interruption of the business of the Center due to a casualty or other similar event.

(2) "Direct PC Expenses" equals (A) Clinical Staff Compensation; (B) all federal, state and local income, franchise or gross receipts taxes, and any other taxes payable in lieu of income taxes, paid or payable by PC or its ~~owner physical therapists owners~~; and (C) costs of maintaining malpractice insurance and professional licenses for PC and Clinical Staff.

(3) "Clinical Staff Compensation" equals all salaries, wages, and the cost of employee benefits for all Clinical Staff employed by PC as in effect from time to time, including life, disability, medical and workers' compensation insurance premiums, pension plan contributions and other employee benefits, and all taxes and assessments payable to local, state, and federal governments in connection with the employment of such personnel.

(vi) Neither you nor we shall have any control with respect to the fees charged by the PC for the services it renders to its patients. The PC shall be solely responsible for and have full authority and control over the practice of physical therapy and the provision of ~~medical, physical therapy, and patient care by or at the COMPETITIVE EDGE PHYSICAL THERAPY~~ Center and other aspects of the clinical practice of ~~medicine and physical therapy~~, including: ~~(i1)~~ the control of a patient's medical records, including determining the contents thereof; ~~(ii2)~~ the selection, oversight, and hiring/firing (as it relates to clinical competency or proficiency) of Clinical Staff; ~~(iii3)~~ setting the parameters under which Clinical Staff will enter into contractual relationships with third-party payers; ~~(iv4)~~ final decisions regarding coding and billing procedures for patient care services; ~~(v5)~~ approving of the selection of medical equipment and medical supplies for the Center; ~~(vi6)~~ the determination of fees for such care, goods and services; ~~(vii7)~~ diagnostic tests, treatment plans, clinical necessity and course of care and the necessity and appropriateness of the foregoing; ~~(viii8)~~ hours of operation and scheduling of patients and Clinical Staff, including determining how many patients Clinical Staff must see in a given period or how many hours a Clinical Staff member must work; ~~(ix9)~~ determining the need for referrals to or consultation with another healthcare provider; ~~(x10)~~ equipment and supplies used in treating each patient; (11) determining the fees to be charged for physical therapy services; and ~~(xi12)~~ any and all other matters included within the definition of "medicine," "physical therapy," "practice of physical therapy," or "practice of medicine" under applicable laws governing the practice of medicine.

(vii) The PC has the right to establish the Clinical Staff Compensation. However, unless you obtain prior written approval from us, if Clinical Staff Compensation for any Clinical Staff member exceeds the market average compensation (including employee benefits, insurance, etc.) for comparable Clinical Staff by greater than ten percent (10%), we have the right to assess a Royalty Fee as if the Direct PC Expense reflected Clinical Staff Compensation equal to the market average compensation for comparable Clinical Staff in your region. The market average compensation is identified in the data provided by the Economic Research Institute or such other data that we deem a reliable indicator of market averages.

1.8 Representations and Warranties. You make the following representations and warranties to us:

(a) You understand and agree that you are solely responsible for operating the Center in full compliance with all laws. Applicable laws include, without limitation, federal, state and local regulations relating to the practice of physical therapy and the operation and licensing of physical therapy services, the relationship of providers and suppliers of health care services, anti-kickback laws, telemedicine requirements, restrictions on the corporate practice of medicine and physical therapy, laws applying to prescriptions, restrictions or prohibition on fee splitting, self-referral restrictions, payment systems for benefits available to individuals through insurance and government resources, privacy and security of patient records, use of medical devices, and advertising of physical therapy services, and or any other law, rule, or regulation applicable to the provision of medical services, as they may be revised, enacted to or otherwise modified after the date of this Agreement (collectively, the “Professional Regulations”). You acknowledge and agree that if there are (i) any changes in Professional Regulations, (ii) changes in the goods and services that you offer at the Center, or (iii) changes to the System, that would render your operation of the Center in violation of any Professional Regulations you will immediately advise us of such change and of the corrective actions you propose to take in order to come into compliance with Professional Regulations. You represent and warrant to us that you understand you are solely and exclusively responsible to ensure that your Center is operated, and that all services and goods you are authorized to offer are rendered, in accordance with all applicable laws, including the Professional Regulations. You represent and warrant that the structure, entity, and agreements you select for ownership and operations of the Center, its relationship to, as applicable, Clinical Staff and a PC are compliant with and permitted by applicable law, including Professional Regulations.

(b) You represent and warrant to us that you have conducted independent research regarding the Professional Regulations that are applicable to physical therapy services generally, and the Center specifically in the Territory, including retaining the services of qualified professional advisers.

(c) You acknowledge and agree nothing in this Agreement, the Manual, the training provided, or otherwise shall be interpreted as authorizing us to exert control over the delivery of physical therapy services, to the extent that any such services require the judgment, treatment, and/or action of a Clinical Staff member in the applicable jurisdiction of the Center. Such judgment, treatment, and/or action shall be exclusively determined by a Clinical Staff member and the Manual shall be interpreted consistently therewith. Any training and assistance we provide relates solely to the performance of activities not regulated by Professional Regulations; under no circumstances shall training and assistance constitute the practice of physical therapy. Under no circumstances will our standards, procedures, requirements relate to the delivery of physical therapy. You acknowledge and agree that we will not provide any clinical care, physical therapy, nor will we supervise, direct, or control the PC or its Clinical Staff the manner in which the PC provides physical therapy to its patients.

(d) You represent and warrant that the structure, entity, and agreements you select for ownership and operations of the Center, its relationship to, as applicable, Clinical Staff and a PC are compliant with and permitted by applicable law, including Professional Regulations.

2. DEVELOPMENT OF THE CENTER

2.1 Location ApprovalAcceptance.

(a) You must lease, sublease, or acquire a site for the Center, in accordance with all applicable laws and the Site Selection Addendum attached as Attachment 2 (the “Site Selection Addendum”). As described in the Site Selection Addendum, you must have a site to us for

~~approval~~acceptance within ninety (90) days of the Effective Date of this Agreement. Upon our ~~approval~~acceptance of a location, and after you secure the location, in accordance with the Site Selection Addendum, that location will be the "Premises" for the Center, and we will insert its address into Section 1 of Attachment 1 and describe the Territory in Section 2 of Attachment 1.

(b) You agree to obtain our written ~~approval~~acceptance of the proposed location for the Center before signing any lease, sublease, or other document for the site. You acknowledge that our ~~approval~~acceptance is not a guaranty, warranty, promise or representation that the proposed location will be successful or attain any level of income or profit. Our ~~approval~~acceptance merely indicates that the proposed location meets our criteria for COMPETITIVE EDGE PHYSICAL THERAPY centers.

(c) We will have fifteen (15) days after you submit your complete request in which to ~~approve or disapprove~~accept or reject the site. You must obtain lawful possession of the Premises through a lease or purchase within thirty (30) days after ~~approval~~acceptance of the site by us. If the site is rejected you must promptly submit another site selection package for another site. You must obtain our acceptance of the lease. Any lease for the Premises shall, in form, be satisfactory to us. All leases pertaining to the Premises shall also include an Addendum in the form of Attachment 6 attached hereto, or shall contain terms and conditions substantially similar to those contained in Attachment 6 which we have approved in writing. You shall deliver a copy of the signed lease, sublease, or lease assignment to us within ten (10) days of its execution.

(d) Unless you receive prior written approval from us, you may operate the Center only from the Premises, and you may not relocate the Center except with our prior written consent. Any site to which you desire to relocate must meet our then-current standards for an approved site. Additionally, you will pay us a relocation fee equal to Twenty Five Percent (25%) of the then-current initial franchise fee. Half of the relocation fee will be due at the time you request our review of the new site and half will be due at the time we notify you of our ~~approval~~acceptance of the site. The Premises may be used only for the operation of a Center and other related activities approved by us in writing. You shall not allow the Premises of the Center to be used for any other purpose.

2.2 Center Development

(a) You are solely responsible for developing the Center, including completing the construction and/or remodeling, equipment, fixture, furniture, and sign installation and decorating of the Center in full and strict compliance with plans and specifications approved by us and all applicable statutes, rules, ordinances, building codes and permit requirements. We will provide ~~assistance in the following ways:~~

(i) ~~provide~~ certain recommended or required specifications for your Premises, including recommended layout and design. You are solely responsible for ensuring the plans for the Center comply with applicable ordinances, building codes, and permit requirements; and

We will (ii) provide mandatory and recommended specifications for the recommended or required equipment, fixtures, furniture, and supplies;

(b) You agree to do the following, at your own expense, to develop the Center at the Premises: (i) secure all financing required to develop and operate the Center (we will not provide you with any financing for Center development); and (ii) purchase or lease, and install, all required fixtures, furniture, equipment (including required or recommended physical therapy and biomechanics equipment, office and waiting room furniture, fixtures and equipment, computer,

facsimile, and point-of-sale information system), furnishings, and signs (collectively, "Business Assets") for the Center.

(c) It is your sole responsibility to make sure that the design and construction of the ClinicCenter and the Premises are in compliance with all applicable laws and regulations including without limitation, the Americans with Disabilities Act. ~~You~~The Franchisee Indemnifying Parties shall indemnify and hold ~~us~~the Franchisor Indemnified Parties harmless against any and all claims, actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the ClinicCenter fail in any way to comply with any applicable laws, ~~including, without the limitation, the Americans with Disabilities Act.~~ You must present us with the architectural, engineering, and design plans for your Center and obtain our acceptance of them before commencing any construction or remodeling. You must obtain our acceptance of any material deviations from the construction plans previously accepted. You agree to provide us with updates about the construction as we request them.

2.3 Business Assets

2.3 Business Assets. You agree to use in operating the Center only those Business Assets that we approve for ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ centers as meeting our specifications and standards for quality, design, appearance, function, and performance. You agree to place or display at the Premises (interior and exterior) only the signs, lettering, logos, and display materials that we approve from time to time, subject to, and only in strict compliance with, the local rules and regulations regarding the operation and advertising of or for a physical therapy center. You agree to purchase or lease approved brands, types, or models of Business Assets only from suppliers we designate, suggest, or approve (which may include or be limited to us and/or our affiliate(s).) We reserve the right to charge you a fee for our review. You and we acknowledge and agree that the selection and use of any equipment and products used in connection with physical therapy ~~or medical services~~ provided by the PC will be subject to the PC's approval based on the professional opinion of the Clinical Staff. The foregoing is only to the extent that we have them, and nothing shall require us to provide a designation, suggestion, or approval where we do not have a requirement.

2.4 Technology.

(a) You must obtain and use the Technology we require from time to time. "Technology" means hardware; electronics; computer systems; mobile devices; applications; software, online services, and cloud-based systems; communications links, systems, robotics, providers, and applications; and other technologies available now or developed in the future, including practice management systems and/or electronic medical records systems. We may modify specifications for and components of the Technology. Our modification of specifications for the Technology might require you to purchase, lease, and/or license new or modified Technologies and to obtain service and support for the Technologies. There are no limitations on the frequency or cost of your obligations to change, upgrade, and update your Technologies. We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Technologies. Although we cannot estimate the future costs of the Technology or required service or support, you agree to incur the costs of obtaining the components comprising the Technology. You must ensure that the installation and operation of the Technology complies with all laws, including the Professional Regulations.

(b) We may develop proprietary or non-proprietary Technology. Accordingly, we may require that you enter into a license agreement with us or our affiliate, which may require you to pay us commercially reasonable fees and/or enter into license agreements directly with vendors. Additionally, if we enter into a license agreement with a vendor and sublicense the Technology to

you, we may charge you for all amounts we pay to the vendor based on your use, plus a reasonable amount to compensate us for the services that we or our affiliate provide.

(c) Despite the fact that you agree to buy, use, and maintain the Technology according to our standards and specifications, you will have sole and complete responsibility for: ~~(1i)~~ the acquisition, operation, maintenance, and upgrading of the Technology; ~~(2ii)~~ the manner in which your Technology interfaces with our and any third party's computer system; and ~~(3iii)~~ any and all consequences if the Technology is not properly operated, maintained, and upgraded. You may not install any software, other than authorized upgrades, or make any hardware modifications to the Technology that might hamper or interfere with the operation of the Technology in the manner we require.

(d) Data that we reasonably believe to be necessary or desirable for the operation or management of the Center is or may be currently stored on your Technology, subject to your and our compliance with the applicable requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), including all pertinent regulations (45 CFR Parts 160 and 164) issued by the U.S. Department of Health and Human Services, as either have been amended by Subtitle D of the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), Title XIII of Division A and Title IV of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5), and with all other applicable state and federal laws and regulations, as they may be amended from time to time. Subject to applicable laws, we and our agents shall have the right to access all information related to the operation of the Center that is accessed or stored on the Technology, whether in-person or from a remote location, without the need for your consent, at the times and in the manner we prescribe and you must establish and maintain your Technologies so that we can exercise this right 24/7. We may use data from the Technology in any way we deem fit. There is no limitation on our right to access your Technology. You must provide us with usernames, passwords, and other login credentials needed to access your Technology.

(e) Neither we nor our affiliates are responsible for, nor shall be liable to any party, for any loss of data related to your business or the Center, including in circumstances where we or our affiliate is the supplier of the Technology with which the data is collected, maintained, stored, or processed and in circumstances where we have required you to use a specific Technology provider. ~~You are solely responsible for the backing up and storage of data related to your business and the Center. You are solely responsible for retaining data in compliance with the requirements of any law, rule, or regulation.~~

(f) You acknowledge and agree that changes to Technology are dynamic and not predictable within the term of this Agreement. To provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of Technology in the System; and you agree that you will abide by those reasonable new standards established by us, at your sole cost and expense. You may be required to pay additional or increased fees to us, our affiliates, or third-party vendors, as a result of these changes to Technology. You may be required to purchase new or additional Technology.

2.5 Opening of the Center

You agree not to open the Center until:

(a) we notify you in writing that the Center meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that the Center complies with any licensing, labor, building, fire, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations nor a waiver of our right to require continuing compliance with our requirements, standards, or policies);

(b) you have retained legal counsel to advise you on all applicable federal, state and local healthcare laws, rules and regulations and to counsel you on your compliance with them, including ~~those regarding licensure and structure of the Center's ownership and operation~~ the Professional Regulations;

(c) you have received all required state and local government certifications, permits and licenses necessary for the operation of the Center, including any required licenses and certifications for its personnel;

(d) your Operating Owner satisfactorily completed all training that we require;

(e) you pay the initial franchise fee and other amounts then due to us;

(f) you have signed all agreements required prior to the opening of the Center, including, but not limited to, this Agreement, any required Management Services Agreement, any lease, and any software license agreements;

(g) you are not in default under or in violation of any agreements by and between you and us or any of our affiliate(s) or suppliers; ~~and~~

(h) you give us certificates for all required insurance policies; and

(i) you have our express authorization to open.

Subject to your compliance with these conditions, and except as we may otherwise approve, you agree to open the Center for business within one hundred twenty (120) days from the Effective Date ~~pursuant to Section 2.1 above.~~

2.6 Telephone

You shall establish a local telephone number for the Center. You shall keep us notified as to the current telephone number for the Center. In no event shall you use such number for any other business. You further covenant that in the event you obtain any additional or substitute telephone service or telephone number at the Center, including personal cellphone numbers, you will promptly notify us and such additional or substitute number shall be subject to the terms of this subsection. You agree to assign all such numbers to us on our request.

3. FEES

3.1 Initial Franchise Fee

You agree to pay us a nonrecurring ~~an~~ initial franchise fee, in the amount set forth in Attachment 1. This fee is due, ~~and fully earned by us,~~ when you sign this Agreement. ~~The initial franchise fee~~ and is nonrefundable.

3.2 Royalty

3.2 Royalty. In consideration of the license granted to use the Marks and the System, you agree to pay us, ~~in the manner provided below (or as the Manual otherwise prescribes),~~ a recurring monthly fee (the “Royalty Fee”) equal to ten percent (10%) of the Service Fees. The Royalty Fee must be transmitted in the manner and on the dates we specify, which may include, as provided for in Section ~~3.5~~3.7, an automatic, electronic debit of funds on a monthly basis. In addition, you agree to send us on a form we require, or as we otherwise direct, a signed statement of the Service Fees for the preceding month. The Royalty Fee shall not commence until the ClinicCenter has opened for operations.

3.3 Technology Fee
We reserve the right to establish a “Technology Fee” for our development, implementation, and maintenance of third party or proprietary technologies to be used by our franchisees. We have the right to increase this fee with thirty (30) days’ notice. You agree to pay us the Technology Fee, as adjusted from time to time by us, should we implement it. We have the sole right to change, modify, delete, and add goods and services provided for under the Technology Fee.

3.4 Software Fee
We reserve the right to charge you a one-time software licensing fee not to exceed Two Thousand Five Hundred Dollars (\$2,500) and an ongoing licensing fee of One Thousand Dollars (\$1,000) per year. You agree to pay us the Software Fee, as adjusted from time to time by us, should we implement it.

3.5 Late Fees, Insufficient Funds, and Interest
All amounts which you owe us for any reason, will bear interest accruing as of their original due date at One and One-Half Percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for late fees and interest. You acknowledge that this Section 3.5 is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Center. We reserve the right to charge you up to Two Hundred and Fifty Dollars (\$250) per occurrence for failure to have sufficient funds available for payments due to us.

3.6 Application of Payments
Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliate(s) or key suppliers against any amounts we or our affiliate(s) owe you or your owners. You may not offset or withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

3.7 Method of Payment
Before the Center opens, you agree to sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty Fee, and other amounts due under this Agreement and for your purchases from us and/or our affiliate(s) (the “Electronic Funds Transfer Authorization” or “EFTA”). Our current form of EFTA documents is attached as Attachment 8. We will debit the account subject to the EFTA for these amounts on their due dates. You agree to ensure that funds are available in the account subject to the EFTA to cover our withdrawals. You must advise us at least fifteen (15) days prior to any change in your business checking account or financial institution and no change will be permitted without our prior authorization. Notwithstanding the foregoing, our access to your business checking account by EFTA shall be utilized by us only for your payments required under this Agreement. We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic debit (e.g., by check) whenever we deem

appropriate. We may require the payments, or automatic debits, be made more or less frequently than specified ~~in Section 3.2~~ under the due date of a specific fee, but not more frequently than once a week. You agree to comply with our payment instructions as they may be modified from time to time. You must comply with all of our payment policies, procedures, and requirements, as described in the Manual, which we may modify from time to time. All payments are due upon the "Due Dates" set forth in this Agreement, the Manual, or other written communications from us and may be changed upon thirty (30) days prior notice.

3.8 Payment of Taxes

You must pay in a timely manner all local, state, and federal sales, business, property, goods and services taxes and all other taxes, rates, levies, and fees levied or assessed by any governmental authority directly or indirectly in connection with the Center. The Franchisee Indemnifying Parties must indemnify the Franchisor Indemnified Parties and hold them harmless against any penalties, interest, and expenses incurred by or assessed against us as result of your failure to withhold taxes or timely remit them to appropriate taxing authorities.

3.9 Other Fees

If we or our affiliate(s) are the designated supplier for any required product or service for the Center, you shall pay us or our affiliate(s)' then-current rates for such products or services. We also reserve the right to modify the System, which changes may require additional fees and expenses to be paid to us, our affiliates, or third parties.

3.10 Security Agreement

You agree to give no security interests, pledges or encumbrances in your inventory, leasehold, fixtures, vehicles, equipment, or securities or franchise agreement without our prior written approval, which shall not be deemed a consent to assignment. We will not unreasonably withhold approval, but we are legitimately concerned to ensure: (a) that you do not lose the business; (b) that the business not be lost to the franchise system; and (c) that we do not have to defend a claim to franchisee rights by anyone it shall not have agreed to accept as a franchisee. In order to secure the prompt performance of your obligations under this Agreement, you grant us and we take a first priority security interest in all of your assets, including without limitation, all present and after acquired inventory and equipment wherever located, accounts, deposit accounts, chattel paper, instruments, contract rights (including your rights under this Agreement) and general intangibles, including payment intangibles, and all proceeds and products thereof including insurance proceeds. All items in which a security interest is granted are referred to as the "Collateral". We agree to subordinate our security interest in the Collateral to the prime lender for the purchase of the Center and/or development of the Center. This Agreement and the Franchise granted to you hereunder may not be used by you as collateral or be the subject of a security interest, lien, levy, attachment or execution by your creditors, any financial institution, or any other party, except with our prior written approval. The security interest is to secure payment of the following (the "Indebtedness"): ~~(a)~~ all amounts due under this Agreement or otherwise by you; ~~(b)~~ all sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; ~~(c)~~ all expenses, including reasonable attorneys' fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the security interest and this Agreement; and ~~(d)~~ all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not we execute any extension agreement or renewal instruments. You

will from time to time as we require join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us. Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral. You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under the Uniform Commercial Code of ~~California~~Delaware (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above. This Agreement shall be deemed a security agreement and a financing statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

3.11 Modifications Required By Law

~~If applicable law in a state prohibits us from collecting fees as a percentage of the Service Fees or if the Service Fees paid by the PC to the you are required to be calculated in a different manner, we reserve the right to require you to pay us flat fees instead. If applicable, you will sign Attachment 10 as an addendum to this Agreement, which sets for the flat fees for the Royalty Fee, Brand Fund Contribution, and local marketing expenditures. You must authorize us to debit your business checking account automatically for the fees. We will debit this account on the specified dates that payments are due.~~

3.12 Inflation Adjustments. We and our affiliates reserve the right to increase the amount of any flat fee provided for hereunder, or due to us or our affiliates under this Agreement or a related agreement ("Inflation Adjustment"). An Inflation Adjustment shall be in relation to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor, the cost-of-living-adjustment ("COLA") using the COLA factors determined by the United States Department of Labor, or such other measure determined reliable by us. We will notify you of the amount or percentage adjustment thirty (30) days prior to their effective date.

4. **TRAINING AND ASSISTANCE**

4.1 Initial Training

~~(a)~~ We will conduct an initial training program for up to two (2) attendees, one of which must be your Operating Owner. ~~The initial training program will be conducted within the three (3) months prior to your opening date.~~ We will provide the initial training program at our headquarters or at a designated location of our choice. We also reserve the right to implement remote, online training that may be required in addition to the live training or replace elements of the live training. We will provide the initial training for two (2) attendees for no additional fee. You agree to pay for all travel and living expenses which your Operating Owner and all of your employees incur and for your employees' wages and workers' compensation insurance while they attend any training program.

~~(b)~~ Your Operating Owner must complete initial training to our satisfaction and receive our certification. If we determine that your Operating Owner cannot complete initial training to our satisfaction, we may terminate this Agreement.

~~(c)~~ We may, at any time during the Initial Term of this Agreement, decertify any previously certified personnel if we deem or determine that a person is no longer complying with our standards and procedures. Any person that has been decertified must satisfactorily complete a training or re-training program to receive our certification. We reserve the right to charge for training personnel that have been decertified and to deny recertification to any person who fails to meet our standards and procedures for certification, as we, in our discretion, may determine.

~~(d)~~ In addition, all management personnel and other personnel working at the Center must satisfactorily complete all state and local government required training and must meet all required licensing requirements.

~~(e)~~ Before your Center opens for business, we will, at our cost, send a representative to your Center for up to three (3) days to assist with the pre-opening and opening of your Center.

4.2 Additional Training; Ongoing Training; Training of Replacement Personnel.

(a) If we require you to receive additional training because you are not operating the Center in accordance with our standards or if you request additional training outside of the normal course of training we provide, we reserve the right to charge you an additional training fee. We will charge you our then-current additional training fee, and in all events, you will be solely responsible for the travel, lodging, food and other living expenses of the trainer(s) and your employees. Similarly, from time to time we may make trainings, meetings, and conventions available for franchisees and their representatives to attend. We can mandate attendance at these meetings and charge an attendance fee. You will be solely responsible for the travel, lodging, food, and other living expenses of the representatives who attend these meetings.

(b) We may require your Operating Owner and/or other previously trained and experienced employees to attend and complete satisfactorily various training courses or refresher courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions, regional meetings, and conferences that we specify. We reserve the right to charge fees for these courses. Additionally, you agree to pay all the travel, lodging, food, and other personal costs of the attendees.

(c) At your election, you may send those of your employees who attended the initial training program to our headquarters for additional or refresher training. We reserve the right to charge a tuition fee for these refresher sessions. Additionally, you will be responsible for the travel, living and other costs of attendance of the attendees at any refresher training sessions. Refresher training programs will be conducted simultaneously with the initial training program.

(d) We can require your Operating Owner and other key employees to attend trainings we provide. If you are approved to have a replacement Operating Owner, that replacement Operating Owner must satisfactorily complete such training programs as we may require. You agree to pay all travel and living expenses incurred during all training courses and programs by your employees.

(e) You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time. If you request advice, information, or assistance at a level greater than what is provided to other franchisees, we reserve the right to charge you our then-current training fee. In addition, all

management personnel and other personnel working at the Center must satisfactorily complete all state and local government required training and must meet all required licensing requirements.

(f) We may, at any time during the Initial Term of this Agreement, decertify any previously certified personnel if we deem or determine that a person is no longer complying with our standards and procedures. Any person that has been decertified must satisfactorily complete a training or re-training program to receive our certification. We reserve the right to charge for training personnel that have been decertified and to deny recertification to any person who fails to meet our standards and procedures for certification, as we, in our discretion, may determine.

4.3 General Guidance

We will advise you from time to time regarding the Center's operation based on your reports to us and/or our direct or indirect observations, and we will provide general guidance, including, but not limited to: (a) standards, specifications, and operating procedures and methods regarding operation of a Center System and System Standards; (b) advertising and marketing materials and programs; (c) Center employee training; and (d) administrative, bookkeeping, and accounting procedures. We may, but are not obligated to, provide you with information, recommendations, or suggestions with regard to new services, products, methods, techniques and procedures for use in your Center. We will provide guidance through our Manual; in bulletins or other written materials; by electronic media; by telephone consultation; and/or at our location or the Center. Our guidance does not constitute and is not intended to be used as a substitute for individual legal advice and counsel or guidance from regulatory agencies, as appropriate.

4.4 Policy and Procedures Brand Standards Manual

(a) During the Initial Term, we will provide you with access to our Policy and Procedures Brand Standards Manual ("Manual"), which may include written materials, policy and procedure statements, audiotapes, videotapes, other electronic media, information distributed electronically or via the Internet. The Manual contains mandatory and suggested specifications, standards, operating procedures, and rules ("System Standards") that we periodically prescribe for the operation of a Center and information on your other obligations under this Agreement. We may modify the Manual as frequently as we feel is in our best interests to keep our brand relevant and competitive to consumers and will make corresponding changes to the Manual and you must adopt and conform to all changes at your expense within the time we allow, which will be reasonable for the specific type of change that we implement. The Manual is designed to protect our Marks, System, brand image, good will, and standards and not to control the day-to-day operations of the Center.

(b) You agree that the Manual's contents are confidential and that you will not disclose the Manual to any person other than your employees and advisors who need to know its contents to perform the duties for which they have been hired or engaged. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual. At all times, the Manual will be our property. You must promptly return the Manual to us upon the expiration, nonrenewal, transfer, or termination of this Agreement for any reason. The Manual is deemed Confidential Information (defined in Section 6 below).

(c) At our option, we may post some or all of the Manual through online or digital methods and provide you with credentials which will allow you to access the Manual. You agree to monitor and access any such methods for any updates to the Manual or System Standards. Any passwords or other digital identifications necessary to access the Manual on online or through digital methods will be deemed to be part of the Confidential Information ~~(defined in Section 6 below).~~

(d) The Manual is intended to be used as a general reference guide, to set out our System Standards, and is not intended to be used as a substitute for individual legal advice and counsel or guidance from regulatory agencies, as appropriate. Notwithstanding any unanticipated effect of any provision of the Manual, you agree to operate the Center in full compliance with all applicable laws.

4.5 Delegation of Performance

~~You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.~~

4.6 Advisory Council

~~We reserve the right to create a franchisee advisory council ("Advisory Council") comprised of COMPETITIVE EDGE PHYSICAL THERAPY franchisees or representatives of franchisees for the purpose of fostering communications among franchisees and with us. If we create an Advisory Council, you must participate and contribute such dues that may be required, if any, of, or assessed to, franchisees to support the Advisory Council by the members of the Advisory Council. We reserve the right to establish the legal, administrative, and organizational framework for the Advisory Council. The Advisory Council will serve in an advisory capacity only and will have no operational or decision-making power.~~

4.7 Employee Training

4.5 Employee Training. It is solely your responsibility to ensure that all new employees and current employees are trained to perform their duties in a proper manner. You shall implement an employee training program at your expense and subject to our System Standards. You shall ensure that all employees have necessary certifications credentials as required by applicable laws to fulfill their responsibilities. ~~If you are unable to or fail to provide the employee training, we may train your employees at our then-current rate and you shall reimburse us for our expenses in doing so. In the event that we provide training to your employees upon your request, you hereby release, indemnify, and hold harmless us and our affiliates, agents, and employees from all claims, causes of action, expenses, costs, debts, fees, liabilities, and damages of every kind arising out of or related to the training and/or the continuing education of your employees as set forth herein. Nevertheless, you shall not have the obligation to train Clinical Staff in matters regarding the practice of medicine, practice of physical therapy, or any other services requiring professional licensure. All management personnel and other personnel working at the Center must satisfactorily complete all state and local government required training and must meet all required licensing requirements.~~

5. INTELLECTUAL PROPERTY

5.1 Ownership and Goodwill of Marks

We have the right to use and license the Marks in connection with the franchising, development, and operation of COMPETITIVE EDGE PHYSICAL THERAPY centers. Your right to use the Marks is derived only from this Agreement and limited to your operating the Center according to this Agreement and all System Standards we prescribe. Your unauthorized use of the Marks is a breach of this Agreement and infringes on our and our affiliate's rights in the Marks. You acknowledge and agree that your use of the Marks and any goodwill arising from the Marks are exclusively for our and our affiliate's benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Center under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional trade and service marks we authorize you to use. You may not at any time during or after this Agreement's

Initial Term or any successor term contest or assist any other person in contesting the validity, or our or our affiliate's ownership, of the Marks. You shall not commit any act of infringement, any act that impairs the value of the Marks or goodwill associated with the Marks, or take any other action to disparage the Marks. We and/or our affiliates have and retain all rights associated with the Marks other than those expressly licensed herein. You shall execute any documents deemed necessary by us and our affiliates or our counsel for the protection of the System and the Marks or to maintain their validity or enforceability, or to aid us and our affiliates in acquiring rights in or in registering any of the System and the Marks or any trademarks, trade names, service marks, slogans, logos, and emblems subsequently adopted by us.

5.2 Limitations on Your Use of Marks

You agree to use the Marks as the Center's sole identification, except that you agree to identify yourself as its independent operator in the manner we prescribe or as legally required under applicable law (i.e., for tax, licensing, or other purposes). You may not use any Mark, any derivatives of the Marks or similar mark: (1a) as part of any corporate or legal business name, except as a fictitious name pursuant to state law; (2b) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); (3c) in selling any unauthorized services or products; (4d) as part of any domain name, homepage, electronic address, or otherwise in connection with a Website Online Presence; or (5e) in any other manner that we have not expressly authorized in writing. You acknowledge that use of the Marks after termination or expiration of this Agreement constitutes unauthorized use of an identically or virtually indistinguishable Mark. You may not use any Mark in advertising the transfer, sale, or other disposition of the Center or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the Center and on forms, advertising, supplies, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law. You agree not to attempt to register or otherwise obtain any interest in the Marks or any other word, name, symbol, or device which is likely to cause confusion with any of the Marks.

~~5.3~~ 5.3 Notification of Infringements and Claims

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, copyright, patent, or of any person's claim of any rights in any Mark, copyright, patent and not to communicate with any person other than us, our and/or our affiliate's attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and/or our affiliate may take the action we or they deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office or U.S. Copyright Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our and/or our affiliate's attorneys, are necessary or advisable to protect and maintain our interests in any litigation or other proceeding or otherwise to protect and maintain our interests in the Marks— and, as applicable, copyrights and patents. We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Manual, and other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

5.4 Discontinuance of Use of Marks

It if it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the Center's signs, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark. Our rights in this Section 5.4 apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions. The use of substitute marks shall be governed by the terms of this Agreement. You must comply with our directions regarding any discontinued or modify marks within thirty (30) days' notice from us, or if such modification or discontinuance is court-ordered, immediately.

5.5 Indemnification for Use of Marks

~~We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Manual, and other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.~~

~~5.6~~5.5 Copyrights and Patents

You acknowledge that as between you and us, any and all present or future copyrights and patents relating to the System or the COMPETITIVE EDGE PHYSICAL THERAPY concept, including, but not limited to, designs, the Manual, plans and specifications, and marketing materials belong solely and exclusively to us, whether or not developed by you or us. You have no interest in our copyrights or patents beyond the nonexclusive Franchise granted in this Agreement. We will not indemnify you for any use or misuse of our copyrights, patents, or indicia. If we require, you must immediately modify or discontinue using any copyrighted materials or patents. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification. We or our affiliate has the right to control all litigation related to the copyrighted materials or patents used in connection with the Center. We claim a copyright in our Manual, other training materials, and in the adverting, marketing, and promotional materials used in connect with the Center. You shall execute any documents deemed necessary by us and our affiliates or our counsel for the protection of any of any copyrights or patents we or our affiliates own, or to maintain their validity or enforceability, or to aid us and our affiliates in acquiring rights in or in registering any of copyrights or patents we and our affiliates own. If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute copyrights or patents, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of ceasing to use copyrights or patents or implementing use of additional or substitute copyrights or patents.

5.75.6 Designation as Franchisee

You shall take such additional action as may be necessary under the laws of the state in which the Center is operated to make clear to the public that you are an independent franchisee of us and not owned by us. You shall post on invoices, purchase orders, marketing materials and the like for all Center concepts that "This COMPETITIVE EDGE PHYSICAL THERAPY franchise is independently owned and operated by [your entity name] under license from COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC." You shall hold yourself out to the public as an independent contractor, including displaying required signage and identifying yourself as a franchisee on public records, checks, stationery, contracts, receipts, marketing, letterhead, business cards, employment applications, employment documents, invoices, and other communications.

5.85.7 Changes in Laws Affecting Marks

In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, you shall sign any documents and do such other act as in our opinion may be necessary to effect the intent and purpose of the provisions of this Agreement.

6. CONFIDENTIAL INFORMATION

6.1- Definition of Confidential Information

6.1 Obligations. You understand and agree that we have disclosed or will hereafter disclose to you certain Confidential Information. Except as necessary in connection with the operation of the Center and as approved by us, you shall not, during the Initial Term or at any time after the expiration, non-renewal, transfer, or termination of this Agreement, regardless of the cause thereof, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity Confidential Information. You shall disclose to your employees only such Confidential Information as is necessary to operate its business hereunder and then only while this Agreement is in effect. You will require all personnel having access to any Confidential Information to execute an agreement requiring them to maintain the confidentiality of information they receive in connection with their employment at the Center. Those confidentiality agreements will be in a form satisfactory to us. "Confidential Information" means the information, not generally known to the public, in any form, relating to the Center and its operations, including all trade secrets of the Center; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Center not generally known to the public; all records pertaining to patients, suppliers, and other service providers of, and/or related in any way to, the Center (such as all names, addresses, phone numbers, e-mail addresses for patients and suppliers; patient service records and mail lists); electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; and any other data and information that we or our affiliates designates as confidential, including all information contained in the Manuals.

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information"), relating to developing and operating COMPETITIVE EDGE PHYSICAL THERAPY centers, including (without limitation): (a) training and operations materials and manuals; (b) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating the Center and providing physical therapy services to patients; (c) marketing and advertising programs for the Center; (d) physical therapist and employee recruitment, training, retention programs; (e) knowledge of specifications for and suppliers of Business Assets, and other products; (f) any Technology which is proprietary to us or the System; (g) biometric data and analyses collected at the COMPETITIVE EDGE PHYSICAL THERAPY centers; (h) physical therapy and sports training know-how; and (i) knowledge of the operating results and financial performance of COMPETITIVE EDGE PHYSICAL THERAPY centers (subject to compliance with HIPAA and other requirements). Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the health care and/or physical therapy industries through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the health care and/or physical therapy industries through publication or communication by others (without violating an obligation to us). Anyone who claims

that anything deemed Confidential Information is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

6.2 Patient Data. You shall maintain a current list of the names, service history, purchase history, home addresses, work addresses, e-mail addresses, and telephone numbers of, or other information identifying, the patients and past patients who have provided such information to the Center; provided, however, that the protected health information of a patient shall not be included ("Patient List"). You shall provide the Patient List to us upon request. Subject to applicable laws, the Patient List shall be our property and we shall have the right to use the Patient List for any purposes, in our sole discretion. You shall not disclose such information to any person or entity other than us, or sell such list(s) or any portions thereof to any person or entity without the express written consent of us. Likewise, other data collected by us or your Technology (Patient List and the other data collectively referred to herein as "Center Data") is deemed to be owned by us and you agree to furnish the Center Data to us at any time that we request it; however, that the protected health information of a patient shall not be included. We hereby grant you a limited license to use Center Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that you establish periodically and applicable law. Upon termination, non-renewal, transfer, or expiration of this Agreement for any reason, we shall be the exclusive owner of Center Data and you shall not use or disclose the Center Data in any form or manner. You shall not be due any compensation based upon our use of the Center Data. You may not sell, transfer, delete, or use Center Data for any purpose other than marketing COMPETITIVE EDGE PHYSICAL THERAPY products and services and all uses must comply with applicable law. If for any reason you gain an interest in the Patient List or Center Data, you shall assign them to us upon expiration, termination, or non-renewal of this agreement. To the extent that confidential or protected data under applicable Professional Regulations cannot be transmitted or shared with us, this Agreement shall be interpreted so as to comply with those limitations.

6.2 Your Obligations for Confidential Information

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the Center during this Agreement's Initial Term, and that Confidential Information is proprietary and is disclosed to you only on the condition that you agree that you:

- (a) will not use Confidential Information in any other business or capacity;
- (b) will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's Initial Term and then thereafter, for as long as the item is not generally known;
- (c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and
- (d) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. We have the right to regulate the form of agreements that you use and to be a third-party beneficiary of those agreements with independent enforcement rights. You are obligated to maintain in your files those signed confidentiality agreements we specify and make them available to us upon request.

6.3 Ownership of Inventions and Ideas, Etc.

All concepts, designs, inventions, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, techniques, materials, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that you or any of your owners, guarantors, directors, officers, or employees may develop,

invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Term that relate in any way, either directly or indirectly, to the Center and/or the System (collectively referred to as "Inventions and Ideas"), either in whole or in part during the Initial Term, shall be our exclusive property. You must promptly disclose the existence of any and all Inventions and Ideas to us. To the extent any Invention or Idea does not qualify as a "work made-for-hire" for us, you or any of your owners, guarantors, directors, officers, or employees hereby assign to us, without compensation, all right, title and interest in such Inventions and Ideas, and agree that they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in us the entire right, title and interest in such Inventions and Ideas. We may incorporate such Inventions or Ideas into the System.

7. EXCLUSIVE RELATIONSHIP

~~(a)~~ 7.1 In-Term Covenant Against Unfair Competition. You acknowledge that we have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us. You also acknowledge that you will receive valuable, specialized training and Confidential Information regarding the operations of a physical therapy business concept that we have developed through our monetary and other resource expenditures that provide competitive advantages to our System. You therefore agree that, during this Agreement's Initial Term, you, any of your owners, and any of your owners' spouses for yourself (or themselves), or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not, unless expressly authorized in writing by us:

~~(ia)~~ own, ~~maintain~~manage, operate, engage in, ~~franchise or license~~, advise, make loans to, or have any ~~controlling or non-controlling~~other interest in as a partner, owner, officer, executive, managerial employee, director, sales person, or consultant for ~~whether of record, beneficially, or otherwise~~ in a Competitive Business (defined below), wherever located or operating (except that equity ownership of less than ~~Five Percent~~five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this ~~subparagraph~~subsection); or

~~(ib)~~ become a franchisee or licensee of any Competitive Business; or

~~(c)~~ offer or grant franchises or license for any Competitive Business; or

~~(iia)~~ perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System; ~~or~~

7.2 In-Term Covenant of Non-Solicitation. You also acknowledge that you will receive valuable patient and vendor information that is considered Confidential Information. You therefore agree that, during this Agreement's Initial Term, you, any of your owners, and any of your owners' spouses for yourself (or themselves), or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not, unless expressly authorized in writing by us:

~~(iva)~~ solicit, divert, or attempt to solicit or divert any person or party who is or was a patient or customer ~~or patient that has done business with or has been a customer or patient of~~ the Center at any time during the term of this Agreement, to any Competitive Business, ~~by direct or indirect inducement or otherwise; or~~

~~(v)~~ b use any vendor relationship established through your association with us for any purpose other than to purchase solicit, divert, or attempt to solicit or divert, any vendor that has done business with the Center to provide supplies, products, equipment, merchandise, or services for use or retail sale in the Center to a Competitive Business.

~~(b)~~ 7.3 Competitive Business. The term "Competitive Business" means

(i) any clinic, practice, or business that offers or provides

(1) physical therapy services, sports orthopedic services, biomechanics analysis, gait analysis, or athletic training, or

(2) management services for a physical therapy center, sports medicine clinic, or athletic training business, or

(3) any other product or service or management services that are similar to the services and products authorized to be offered, sold or provided under the Marks and the System; or

(ii) any business granting franchises or licenses to others to operate the type of business specified in ~~subparagraph~~ subsection (i) (other than a COMPETITIVE EDGE PHYSICAL THERAPY Center operated under a franchise agreement with us).

~~(c)~~ 7.4 Similar Agreements. You agree to obtain similar covenants from the personnel and persons we specify, including directors, managers, officers, and other employees attending our training program or having access to Confidential Information and owners' spouses. We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights.

8. SYSTEM STANDARDS

8.1 Condition and Appearance of the Center. You agree that:

~~You agree that:~~

(a) You will maintain the condition and appearance of the Center and its Business Assets and the Premises and facilities in accordance with System Standards and consistent with the image of a COMPETITIVE EDGE PHYSICAL THERAPY Center as an efficiently operated business offering high quality and professional services and products and observing high standards of patient service and care, and providing efficient, courteous service, and in that connection will take, without limitation, the following actions during the Initial Term of this Agreement: ~~(a)~~ repainting, repair, and refurbishing of the Premises at intervals we prescribe; ~~(b)~~ repair or replacement of damaged, worn out or obsolete Business Assets; and ~~(c)~~ place or display at the Premises only those signs, photographs, artwork, logos, and display and advertising materials that we from time to time approve;

(b) If at any time in our reasonable judgment, the general state of repair, appearance or cleanliness of the Premises or its Business Assets, do not meet our standards, we have the right to notify you, specifying the action you must take to correct the deficiency. You will have ninety (90) days to comply and make these corrections. ~~If you do not initiate action to correct such deficiencies~~

~~within ninety (90) days after you receive our notice, we have the right, in addition to all other remedies, to enter the Premises and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur in that connection; and~~

(c) On notice from us, you agree to remodel, expand, redecorate, reequip and/or refurbish the Premises and the Center to reflect changes in the operations of ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Centers which we prescribe and require of new franchisees. There is no limitation on the amount you may be required to remodel, expand, redecorate, reequip and/or refurbish the Premises and the Center.

(d) In the event you delay, refuse, or fail to make repairs or modifications to the Premises, we or our agents may enter the Premises, without further notice and without liability for trespass or other tort and with your complete cooperation, and remove, repair, and/or replace, at your expense, any items which do not conform to our then-current standards and specifications or which are not in conformity with your obligation to maintain the Center and the Premises in the highest degree of repair and condition. In addition to any and all other remedies that we may have in law or in equity, you shall reimburse us for all out-of-pocket expenses we incur in connection with any refurbishing work performed by us pursuant to this ~~section~~Section 8.1, plus an administrative fee of Fifteen Percent (15%) of the total aggregate amount of expenses we incur.

8.2 Center Services, Specifications, Standards and Procedures

You agree that: ~~(1a)~~ the Center will provide, in compliance with all applicable laws, all of the ~~medical,~~ physical therapy, biomechanics, and patient care services, that we specify from time to time; ~~(2b)~~ the Center will offer and sell approved services and products only in the manner we have prescribed and in compliance with applicable laws; ~~(3c)~~ you will not offer for sale or sell at or from the Center, any services or products we have not approved; (d) you will sell all products and services we designate as mandatory, to the extent allowed under applicable laws; and ~~(4e)~~ we have the right to revoke our approval of services or products to be offered or sold at or from the Center, and you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove including by revoking an earlier approval in writing.

8.3 Approved Products, Distributors and Suppliers.

(a) We have developed or may develop standards and specifications for types, models and brands of required Business Assets, and other products. We reserve the right from time to time to approve specifications or suppliers and distributors of the products that meet our reasonable standards and requirements. If we do so, you agree to purchase only such products meeting those specifications, and if we require it, only from distributors and other suppliers we have approved.

(b) We may designate a single distributor or supplier (collectively, "supplier") for any product, service, equipment, supply, or material and may approve a supplier or distributor only as to certain products.

(c) Approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier or distributor from time to time.

(d) Subject to the professional judgment of the Clinical Staff in providing physical therapy services and using medical equipment, all products and services you make available at the Center, and all equipment, fixtures, furniture, exterior and interior signs and decorations, uniforms, forms and supplies and materials used in the operation of the Center, must be approved and conform to the specifications and quality standards established by us from time to time.

(e) If you propose to offer, conduct, or utilize any services, products, Business Assets, materials, forms, items, or supplies in connection with or for sale through your Center that are not approved by us, you shall first notify us in writing requesting approval. We may withhold such approval for any reason at our sole discretion; however, in order to make such determination, we may require submission of specifications, information, or samples of such services, products, Business Assets, materials, forms, items, or supplies. We will advise you within ninety (90) days of our receipt of all information we require in order to make a decision whether your request meets our specifications; provided, however, that if we have not provided you with written acceptance within such ninety (90) day period, the request will be deemed rejected. A charge not to exceed the actual cost of the review may be made by us and shall be paid by you.

(f) If, at any time (including after our initial approval), we determine that you fail to meet our specifications and standards in connection with the provision of any products or services, we may permanently or temporarily terminate your right to offer such products or services; provided that nothing contained herein shall be deemed a waiver of our right to terminate this Agreement pursuant to Section 14 hereof. You must cease to use any product, service, or supplier upon thirty (30) days' notice from us if that product, service, or supplier no longer meets our criteria.

(g) At the time the Center opens for business, you will stock the initial inventory of supplies, equipment and materials prescribed by us. Thereafter, you will stock and maintain all types of supplies, equipment, and materials which we prescribe or are required, in quantities sufficient to meet reasonably anticipated patient demand. The selection and use of any equipment and products used in connection with physical therapy ~~or medical services~~ provided by the PC will be subject to the PC's approval based on the professional opinion of the Clinical Staff.

(h) Notwithstanding anything to the contrary contained in this Agreement, you acknowledge and agree that, at our sole option, we may establish one or more preferred vendor programs with one or more nationally or regionally known suppliers who are willing to supply all or some ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ centers with some or all of the products and/or services that we require for use and/or sale in the development and/or management of ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ centers. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all products and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ centers. We will have the unlimited right to approve or disapprove of the suppliers who may be permitted to sell products to you.

(i) We reserve the right to create purchase and/or distribution cooperatives.

(j) We or our affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with us, our affiliates, you, or other franchisees. We, our affiliates, and our owners reserve all rights to receive rebates or other benefits from your use, lease, or purchase of products or services or use of suppliers. If we or our affiliate receives payments or other

compensation from a supplier, we have no obligation to pass these amounts on to you or to use them for your benefit.

(k) You shall have the right during the Initial Term to set prices provided that, subject to applicable laws, such pricing: ~~(1i)~~ complies with any minimum or maximum prices set by us; and ~~(2ii)~~ complies with any prices specified by us; ~~(3iii)~~ conforms to any bona fide promotional programs periodically established by us, and ~~(4iv)~~ complies with our Preferred Account program. For the avoidance of doubt, we will not set the prices for ~~the medical services~~ physical therapy provided by the PC and Clinical Staff. We retain the right to modify its pricing policies from time to time in its sole discretion. You must provide to us a price list containing all of the prices charged for the products and services supplied by the Center. The price list must be sent to us upon our request and, in any event, at least annually. We specifically reserve the right, in our sole discretion and as it may deem in the best interests of you or other franchisees, to vary pricing standards and policies for the Center or any other center based upon peculiarities of particular location or circumstances, including, but not limited to, density of population and other demographic factors, size of a franchisee's territory, business practices or customs, cost of a franchisee's rent or mortgage payments, or any other condition which we deem to be of importance to the operation of such Center or the network of centers. You acknowledge that because of these factors and others, there may be variations from standard pricing policies and practices throughout the network of centers and that you shall not be entitled to require us to grant like or similar variations or privileges to you.

8.4 Compliance with Laws, Licensing Regulations, and Good Business Practices

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Center and the other licenses applicable to the operation of physical therapy centers, and must operate the Center in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all applicable labor and employment laws and regulations, all data privacy laws, ~~the federal Stark Law, the federal Anti-Kickback Statute, comparable state laws, other state and local health care laws and regulations,~~ Professional Regulations, the Federal Food, Drug, and Cosmetic Act, HIPAA and the HITECH Act, government regulations relating to occupational hazards, health, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files. You must comply with all state and local laws and regulations regarding the staffing and management of a physical therapy business. All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. The Center must in all dealings with its patients, suppliers, us, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other COMPETITIVE EDGE PHYSICAL THERAPY centers. You must notify us 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 your operation or financial condition or that of the Center and of any notice of violation of any law, ordinance, or regulation relating to the Center. You shall at all times operate the Center in a financially sound, prudent, and business-like manner and, without limiting the generality of the foregoing, pay all your bills and accounts promptly and take no action, or omit to take any action, which would tend to disrupt, damage, or jeopardize your relationship with suppliers, ~~customers,~~ or patients, our reputation or the reputation of our other franchisees.

8.5 Management of the Center

You or your Operating Owner will be charged with responsibility for direct supervision of the Center on a full-time basis. Your failure to have the Center managed on a full-time basis by you or your Operating Owner is a default for which we may terminate this Agreement if such default persists for thirty (30) days after notice from us. You must keep us informed at all times of the identity of any supervisory employee(s) acting as additional managers of the Center. You acknowledge that ultimately you are responsible for the day-to-day operation of the Center, including hiring, wages, schedule, hours of work, workplace health and safety, assignment, rules regarding the manner, means, or methods of work performance; setting the conditions of employment, supervision, discipline and termination of all personnel, purchases and maintenance of equipment and supplies, preparing your own marketing plans and funding and implementing those marketing plans, maintenance of employment records, and daily maintenance, safety, security and the achievement of compliance with the Manual. Our ability to approve certain matters, to inspect the Center and its operations and to enforce our rights, exists only to the extent necessary to protect our interest in the System and the Marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters that are clearly reserved to you. You shall at all times operate the Center in a financially sound, prudent and business-like manner and, without limiting the generality of the foregoing, pay all your bills and accounts promptly when due and shall take no action, or omit to take any action, the result of which would be to tend to disrupt, damage or jeopardize your relationship with suppliers or patients, our good reputation, or the good reputation of our other franchisees. You will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of you, us, the Center, the Marks, the services and/or products sold at the Center, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

8.6 Insurance

8.6 Insurance. During the Initial Term of this Agreement you must maintain in force at your sole expense comprehensive public liability coverage, motor vehicle coverage, property damage coverage, errors and omissions liability coverage, malpractice specialty coverage and other insurance as we may specify in the Manual, all containing the minimum liability coverage we prescribe from time to time. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name us and any affiliate(s) we designate as additional insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. You must furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums no less than annually. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Center on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance. We encourage you to seek advice from an independent risk management provider who may specify higher limits. All insurance policies must be underwritten by companies having an A.M. Best rating of A or higher. All policies of insurance required to be maintained hereunder shall: (i~~a~~) be written as primary policy coverage and not "excess over" or contributory with any other applicable insurance, including our insurance; (ii~~b~~) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer(s)' liability; (iii~~c~~) shall not contain any special limitations on the scope of coverage afforded to us; (iv~~d~~) shall provide that any failure by you or any of your employees, agents, subcontractors, or suppliers, to comply with any notice, reporting, or other similar provisions of such policies shall not

affect the coverage provided to us. Additionally, your insurance policy must waive on behalf of your insurer any right of subrogation by the insurance company against us and our officers, owners, and employees. You understand that doing so does not necessarily furnish you with protection levels adequate to your needs and that your obligation to indemnify us as set forth above in this Agreement may exceed the amount of insurance you are required to obtain or do obtain. Your insurer must be required to defend both you and us and any other additional insured in any action while reserving our right to involve counsel of our own choosing in protection of our own and system side interests. We and our insurer shall have the right to participate in discussions with your insurance company or any claimant regarding ~~with~~ any claim of liability, and you agree to adopt our reasonable recommendations regarding the settlement of any such claims.

8.7 Compliance with System Standards.

(a) You acknowledge and agree that, unless otherwise required or prohibited by applicable law, operating, and maintaining the Center according to System Standards are essential to preserve the goodwill of the Marks and all COMPETITIVE EDGE PHYSICAL THERAPY centers. Therefore, you agree at all times to operate and maintain the Center according to all of our System Standards, as we periodically modify and supplement them. Although we retain the right to establish and periodically modify System Standards that you have agreed to maintain, the right and responsibility for the day-to-day management and operation of the Center and implementing and maintaining System Standards at the Center is solely yours. If you fail to implement, maintain, and/or comply with System Standards, we may terminate your right to operate the Center, and/or take other actions to enforce the System Standards.

(b) However, System Standards will not control the PC's practice of physical therapy as the PC shall be solely responsible for and have full authority and control over the practice of physical therapy, the Clinical Staff, and the provision of ~~medical~~, physical therapy, and patient care by or at the Center. You agree that the System Standards we prescribe in the Manual, or otherwise communicate to you in writing or another tangible form (for example, via the digital systems), are part of this Agreement as if fully set forth herein. All references to this Agreement include all System Standards as modified from time to time.

(c) We may, in our sole discretion, institute various programs for verifying patient satisfaction and/or your compliance with all operational and other aspects of the System, including, without limitation, marketing research surveys, a toll-free number, customer comment cards, secret shoppers, or otherwise. We will share with you the results of such programs as they pertain to your business and you agree to reimburse us for all costs associated with any and all such programs, including a fee for these programs, which amounts may be drafted by EFT at the sole discretion of us or we may require you to pay the third-party vendors directly.

8.8 Modification of System Standards

We periodically may modify System Standards, and these modifications may obligate you to invest additional capital in the Center and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve refurbishing or remodeling the Premises or any other aspect of the Center, buying new Business Assets, adding new services, or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date. If any System Standards change results in the need for Clinical Staff to provide any goods or services at the Center, you will be obligated to comply with all applicable laws. Compliance may require you to identify a PC and enter into a Management Services Agreement in order to accommodate the changed System Standards. You agree there is no limit to our ability to

modify the System and the System Standards. You may be required to pay additional or increased fees to us, our affiliates, or third-party vendors, as a result of these System or System Standard changes

8.9 Secret Shoppers

8.9 Quality Assurance. We may, in our sole discretion, institute various programs for verifying customer and patient satisfaction and/or your compliance with all operational and other aspects of the System and System Standards, including, without limitation, marketing research surveys, a toll-free number, customer comment cards, secret shoppers, or otherwise. We will share with you the results of such programs as they pertain to your business and you agree to reimburse us for all costs associated with any and all such programs, which cost may be drafted by EFT at our sole discretion.

8.10 Promotional Requirements

Other than setting the prices for the ~~medical~~physical therapy services provided by the PC and Clinical Staff, we have the right to require you to participate in national, regional, and local giveaways and promotions. You may be required to provide free or discounted products or services as a result of such giveaways or promotions. We are not required to reimburse you for your costs and expenses incurred as a result of these giveaways and promotions.

8.11 Crisis

8.11 Crisis. You shall notify us immediately upon the occurrence of any situation that may have a material impact on you, us, the Center, or which would have a deleterious effect on the COMPETITIVE EDGE PHYSICAL THERAPY brand, Marks, or System. You shall follow all of our policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by us or as specified in the Manual, whether or not you have retained outside counsel or a public relations firm to assist with such matters. A Crisis includes, but is not limited to, any event that occurs at, with, or about the Premises that has or may cause harm or injury to customers, patients, or employees. Examples include, but are not limited to, car accidents, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or image or reputation of the Center, the System or us. You will cooperate fully with us with respect to our response to the Crisis. In the event of the occurrence of a Crisis, we may establish emergency procedures which may require us to temporarily cease to operate the Center to provide services to customers and patients, in which event we shall not be liable to you for any loss or costs, including consequential damages or lost profits occasioned thereby.

8.12 Fines

8.12 Fines. For each instance where you fail to obtain prior written approval for advertisements, fail to attend required training or sponsored conventions, offers unauthorized products, or services or otherwise fails to comply with our operating standards set forth in the Manual or this Agreement, we shall, at our option, have the right to levy a fine in an amount up to One Thousand Dollars (\$1,000) per occurrence. The imposition of a fine pursuant to this subsection shall not act as a waiver of any of our other remedies under this Agreement. Furthermore, we have the right to collect any such fines by means of EFT.

8.13 Data

(a) You shall comply with, or, as applicable, adopt policies consistent with the then-current version of our data protection and security policies as may be described in the Manual ("Data

Protection and Security Policies”). Such policies may govern how Franchisee Data and Personal Information (as defined below) contained in such data shall be accessed, shared, stored, protected, disposed of, or destroyed. We have the right, but not the obligation to create such Data Protection and Security Policies. You acknowledge that we may supplement, modify, or amend the Data Protection and Security Policies from time to time in our sole discretion, and that you shall comply with such modifications or amendments within thirty (30) days of notice from us. We may require you to institute a data privacy policy for your Center. You shall not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.

(b) You warrant and represent and covenant that you shall comply with (i) applicable prevailing industry standards concerning privacy, data protection, confidentiality and information security, including, without limitation, the then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council (the “PCI-DSS”), (ii) those Security and Data Protection Policies mandated by the Manuals, if any, (iii) HIPAA, and (iv) all applicable international, federal, state, and local laws, rules, and regulations, as the same may be amended or supplemented from time to time, pertaining in any way to the privacy, confidentiality, security, management, disclosure, reporting, and any other obligations related to the possession or use of Personal Information (collectively, “Privacy Laws”).

(c) You warrant and represent not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text, or other electronic media without first obtaining our written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”), and to use of automatic dialing systems, SMS text messages, and artificial or prerecorded voice messages, including but not limited to the Telephone Consumer Protection Act of 1991 (“TCPA”). You must comply with the Fair and Accurate Credit Transactions Act (FACTA) and all other consumer protection laws and regulations.

(d) You shall cooperate with us in any audit that we may conduct from time to time of our data storage and management systems and your storage of Personal Information. In addition, if you become aware of any actual or suspected unauthorized access, processing, loss, use, disclosure, alteration, destruction or other compromise or acquisition of or access to any information, whether such information is stored in paper or electronic form, (i) that can be used to identify, locate or contact an individual, including but not limited to your employees, patients and customers (collectively, “Personal Information”); (ii) that is subject to any of the Privacy Laws and/or PCI-DSS; or (iii) that might reasonably expose us to any harm or prejudice of any type or actual or suspected intrusion by an unauthorized third party into your or our computers, networks, servers, IT resources, or paper files (a “Security Breach”), you shall immediately notify our officer via telephone of such matter and shall thereafter cooperate with us to investigate and remedy such matter. Except to the extent required by applicable law, no public disclosure of any instance of such unauthorized access or breach shall be made by you unless we have authorized the provision of notice and the form of such notice in writing. You shall reimburse us for all reasonable Notification and Remediation Related Costs (hereinafter defined) incurred by us arising out of or in connection with any such Security Breach that is directly or indirectly caused by you or you personnel. “Notification and Remediation Related Costs” shall include our internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications to affected individuals, regulators and attorneys general; (ii) preparation and mailing or other transmission of such other communications to

customers, patients, agents or others as we deem reasonably appropriate; (~~iii~~3) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (~~iv~~4) engagement of information technology consultants, public relations and other similar crisis management services; (~~v~~5) payment of legal and accounting fees and expenses associated with our investigation of and response to the Security Breach; and (~~vi~~6) payment of costs for commercially reasonable credit reporting services that are associated with legally required notifications or are advisable under the circumstances. ~~You agree to~~The Franchisee Indemnifying Parties shall hold harmless, defend and indemnify ~~us and our officers, directors, agents, and employees~~the Franchisor Indemnified Parties from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which we shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with a Security Breach or your or your officers, directors, agents or employees' violation of any Privacy Law or regulation, consumer protection-related law or regulation, e-mail marketing and other marketing laws and regulations, and the PCI-DSS.

(e) We through our employees and/or any agents designated by us from time to time, may at any time during business hours, and without prior notice to you enter upon and inspect the Premises and examine your Technology, databases, business records and other supporting records and documents in order to verify compliance with its Data Protection and Security Policies, and Privacy Laws. Any such inspection shall be made at our expense, provided that if such inspection is necessitated by your repeated or continuing failure to comply with the Data Protection and Security Policies, Privacy Laws, or this Agreement, we may charge you for the costs of making such inspection, including without limitation, travel expenses, room and board, and compensation of our employees and/or agents.

(f) You shall fully comply with Data Protection and Security Policies as they relate to requests regarding individuals' personal information, as it may be defined under international, federal, state, and local law. If requested by us, you must cooperate or coordinate with us to identify personal information you have accessed, collected, retained, or used in any way.

(g) Subject to applicable law, you shall not use, disclose, retain, transfer, share, or sell Personal Information, or personal information as it may be defined under international, federal, state, and local law, unless such action is permitted by (i) the terms of this Agreement, (ii) the terms of the Data Protection and Security Policies, (iii) the standards in the Manual, and/or (iv) written approval of us.

(h) You agree to use such credit card processing services approved by us and to purchase and maintain, at your expense, any equipment necessary to permit such credit card processing functionality. Notwithstanding the credit card processing requirement, we do not represent, nor does we certify or warrant, to you or your customers and patients that the credit card processing service approved by us is compliant, whether or not certified as such, with the PCI Data Security Standards.

8.14 Patient Complaint

If you receive a patient or customer ~~complaint~~complaint, you agree to follow the complaint resolution process that we specify in the Manual to protect the goodwill associated with the Marks and the System.

8.15 Payments Accepted

You hereby agree that you will not accept (i) Medicare, Medicaid, or any other state or federal government funded benefit plans or fiscal intermediaries or (ii) third party, private payors such as insurance companies, health plans, and health maintenance organizations as payment for the goods and services provided by the Center. The Center shall provide services for cash-only.

8.16 The Running Blueprint

~~(a)~~ We or our affiliate has the sole right to sell The Running Blueprint programs, products, and services (collectively, "TRB Products") If you elect to market TRB Products, you may earn a commission for certain sales. You will not have any exclusive rights to market TRB Products. Your right to market TRB Products is not the right to sell TRB Products as goods and services of your Center.

~~(b)~~ You must market TRB Products only in compliance with our policies, terms, and conditions. We or our affiliate has the right to change the commission amount paid to you upon thirty (30) days' notice and to designate what sales qualify for earning a commission. We, our affiliates, and designees have the right to sell TRB Products anywhere in the world and without any compensation due to you for sales to customers in your Territory. You agree to comply with the policies set forth in the Manual related to TRB Products. You have no right to sell TRB Products through any channel of distribution. If you violate any or our or our affiliate's policies, we have the right to (i) cease all payments to you related to TRB Products and (ii) terminate your right to market TRB Products. We and our affiliate reserve the right to change the content of TRB Products at any time.

~~(c)~~ Your marketing of TRB Products does not create an agency, joint venture, partnership or other form of joint enterprise, employment or fiduciary relationship between you and either us or our affiliates or an employee/employer relationship, nor does it grant you the express or implied right or authority to assume or create any obligations on behalf of or in the name of the other us and our affiliate or to bind the other us and our affiliate to any contract, agreement or undertaking with any third party.

~~(d)~~ You acknowledge and agree that there is no guarantee of success of the TRB Products and you are not guaranteed any amounts under this agreement.

~~(e)~~ We and our affiliates make no representations or warranties (and specifically disclaim all warranties including the implied warranty of merchantability or fitness for a particular purpose), and shall have no liability to you, with respect to TRB Products we or our affiliate sell and/or that you market.

8.17 Advisory Council. We reserve the right to create a franchisee advisory council ("Advisory Council") comprised of COMPETITIVE EDGE PHYSICAL THERAPY franchisees or representatives of franchisees for the purpose of fostering communications among franchisees and with us. If we create an Advisory Council, you must participate and contribute such dues that may be required, if any, of, or assessed to, franchisees to support the Advisory Council by the members of the Advisory Council. We reserve the right to establish the legal, administrative, and organizational framework for the Advisory Council. The Advisory Council will serve in an advisory capacity only and will have no operational or decision-making power.

8.18 No Warranties. We, our owners, and our affiliates make no warranty with respect to any products, services, equipment, supplies or other items we or they approve, designate, or supply, and we, our owners, and our affiliates expressly disclaim all warranties, express and implied, including implied warranties of merchantability and fitness for a particular purpose, with respect to any such products, equipment, supplies, or other approved, designated, or supplied products or services.

9. MARKETING

9.1 Generally

You acknowledge and recognize the value of the ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Marks, the need to develop, enhance, and promote the ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Marks, and the need to advertise and market the COMPETITIVE EDGE PHYSICAL THERAPY name. You also acknowledge and recognize the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the COMPETITIVE EDGE PHYSICAL THERAPY name. Therefore, you agree to: (i) make local advertising and marketing expenditures pursuant to Section 9.2; (ii) make contributions to the Brand Fund pursuant to Section 9.3; and (iii) if created, join, and make contributions to a Cooperative pursuant to Section 9.4. Nothing in this Agreement shall be deemed or construed to require us to, and we are not responsible for, marketing, advertising, or expanding the business of your Center.

9.2 Marketing by You.

(a) You must spend the amount set forth on Attachment 1 for grand opening advertising, marketing, and promotional programs for your Center. We must approve the grand opening marketing program. You must spend this minimum amount during the period that is thirty (30) days prior to grand opening and thirty (30) days after. Your grand opening expenditures will be counted toward the local advertising and promotional expenditures described below.

(b) You must spend at least Three Percent (3%) of Service Fees per month on local marketing for your Center. You must send us, in the manner we prescribe, an accounting of your expenditures for local marketing at such times, and for such reporting periods, as we may specify from time to time. Failure to expend the required minimum amount constitutes a default of this Agreement.

(c) You have the right to conduct in your separate expense supplemental marketing and advertising in addition to the expenditures specified above. All such marketing and advertising shall be prepared by or approved by us. Your local marketing must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our ~~Website's (defined below) domain name~~ Online Presences in the manner we designate.

(d) You may not develop, maintain, or authorize, without our prior written approval, any ~~Website~~ Online Presence that mentions or describes you or the Center or displays any of the Marks. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. You may use direct advertising only directed to customers and patients located within your Territory. When required by applicable law, the advertising that you conduct to promote your Center must also identify the name of the PC that furnishes the Clinical Staff that render professional services at your Center.

9.3 Brand Fund.

(a) Each month during the Term for which a brand fund ("Brand Fund") has been established, you shall contribute to the Brand Fund such amount as we may designate from time to time, which amount shall not exceed One Percent (1%) of Service Fees. We have the sole discretion to settle or forgive any accrued and unpaid Brand Fund contributions owed by any franchisee. You shall make your monthly contribution to the Brand Fund on the date and in the manner as we may

designate from time to time, including bank drafting. The Brand Fund contributions shall not commence until the ~~Clinic~~Center has opened for operations.

(b) We have the sole discretion to determine where the Brand Fund contributions will be spent to promote, enhance, or further the growth of the COMPETITIVE EDGE PHYSICAL THERAPY brand, businesses, and System, including, but not limited to: research; promotional marketing, public relations, and advertising expenses to promote the brand; hiring marketing, public relations and advertising agencies, or technology companies, or paying the salaries of in-house personnel to assist in developing the COMPETITIVE EDGE PHYSICAL THERAPY brand name; developing, evaluating, or using technologies that we believe may benefit the brand, the customers, the patients, the franchisees, or the brand's reputation; developing new goods and services and franchisee revenue sources; expenses associated with listings on websites, contest registrations, digital marketing content, influencer marketing, radio, billboards, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, or digital or social media content, including, but not limited to, advertisements, coupons, and other promotional materials; expenses incurred in developing and maintaining non-franchise sales portion of ~~the Website or social media pages~~any Online Presence; and expenses incurred in using search engine optimization, pay-per-click, or other digital marketing software, services, or companies to help promote the brand. While we do not anticipate that any part of Brand Fund contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Brand Fund for public relations or recognition of the COMPETITIVE EDGE PHYSICAL THERAPY brand, for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available" or similar language.

(c) The Brand Fund is not and shall not be an asset of us or our designee. The Brand Fund is administered by our accounting and marketing personnel under our direction. The Brand Fund is not audited. We have no obligation to provide you with an accounting. At our option, we can create a separate entity to be the recipient of Brand Fund contributions and you agree, upon our request, to tender Brand Fund payments to said entity. We, in our sole discretion, may spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Fund in that year, and the Brand Fund may borrow from us or other lenders to cover deficits of the Brand Fund or cause the Brand Fund to invest any surplus. You acknowledge that other franchisees may not be required to contribute to the Brand Fund or may be required to contribute at a different rate. We are not obligated to maintain the Brand Fund contributions or income earned in a separate account from our other funds. We may terminate the Brand Fund at any time. We will not terminate the Brand Fund, however, until all money in the Brand Fund has been spent for brand development purposes or returned to the contributors of the Brand Fund on the basis of their respective contributions. Brand Fund contributions that we, our affiliates, or third parties elect to contribute to the Brand Fund shall be subject to the same terms of the Brand Fund as set forth in this Agreement.

(d) You agree and acknowledge that we do not undertake any obligation to ensure that expenditures from the Brand Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Fund by franchisees operating in such geographic area or that you or the Center will benefit directly or in proportion to its contribution to the Brand Fund.

(e) Neither we nor our affiliates nor any of the respective officers, directors, agents, or employees, shall be liable to you with respect to the maintenance, direction, or administration of the

Brand Fund, including without limitation, with respect to contributions, expenditures, investments or borrowing, except for acts constituting willful misconduct. THE BRAND FUND IS NOT A TRUST FUND. WE SHALL HAVE NO FIDUCIARY DUTY TO YOU IN CONNECTION WITH THE COLLECTION OR USE OF THE BRAND FUND MONIES OR ANY ASPECT OF THE OPERATION OF THE BRAND FUND. YOU ACKNOWLEDGE AND AGREE THAT WE WILL HAVE NO LIABILITY TO YOU FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED TO THE BRAND FUND OR ANY ADVERTISING PROGRAMS OR OUR MODIFICATION OR DISCONTINUANCE FOR ANY REASON OF THE BRAND FUND OR ANY MARKETING, BRANDING, OR ADVERTISING PROGRAMS, OR YOUR PARTICIPATION THEREIN.

9.4 Cooperatives.

(a) We have the right at any time, and from time to time, to create Co-op Advertising Regions ("Cooperatives"). If and when we create a Cooperative for the geographic region in which your Center is located, you will become a member and participate in the Cooperative. Each Cooperative will be organized (including, but not limited to Bylaws and other organizational documents) and governed in a form and manner that we set forth in writing in advance. At all meetings of the Cooperative, each participating franchisee and affiliate-owned unit shall be entitled to one (1) vote for each COMPETITIVE EDGE PHYSICAL THERAPY center located within the geographic boundaries of the Cooperative. At any time, upon reasonable notice, Twenty Percent (20%) of the eligible member votes, or a majority of the directors of the Cooperative, may call a meeting of all members of a Cooperative. Except as provided in Section 9.4(b) below, all matters concerning operation of a Cooperative shall be decided by majority vote, provided that a quorum is present, and such vote will bind all members of the Cooperative. A quorum shall consist of at least Fifty Percent (50%) of the total number of members entitled to cast votes in the Cooperative.

(b) Each Cooperative will be organized and governed in a form and manner, and will commence operations on a date, approved in advance by us, in writing, as follows:

(i) Each Cooperative will be organized for the exclusive purposes of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising; and

(ii) No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval.

(c) Each member can be required to contribute to the Cooperative, an amount as determined by a majority of the Cooperative's members eligible to vote. In the event of the approval of Cooperative advertising contributions, each franchisee, including you, shall submit its required contribution to the Cooperative, together with such statements as may be required by the Cooperative. The maximum fee that can be imposed by Cooperative members is a fee of Four Percent (4%) of Service Fees. All franchisees and affiliate-owned units will contribute at the same rate if they are members of the Cooperative.

(d) Your payment of any Cooperative obligation, in accordance with Section 9.4(c), will be credited against your local advertising requirement described in Section 9.2.

(e) Although once established, each Cooperative is intended to be of perpetual duration, we will have the right to terminate any Cooperative. A Cooperative will not be terminated, however,

until all monies in that Cooperative have been expended for advertising and/or promotional purposes.

9.5 Approvals

9.5 Approvals. For any advertising you conduct, you must use advertising, marketing, and promotional plans approved or provided by us. Unless provided by us, for all proposed advertising, marketing, and promotional plans, you will submit samples of such plans and materials to us ~~(by means described in Section 18 below)~~, for our review and prior written approval (except with respect to prices to be charged by you). If written approval is not received by you from us within ten (10) days of the date of receipt by us of such samples or materials, we will be deemed to have not approved them. You acknowledge and agree that any and all copyright in and right to advertising and promotional materials developed by you or on your behalf will be our sole property, and you must sign such documents (and, if necessary, require your independent contractors to sign such documents) as may be deemed reasonably necessary by us to give effect to this provision.

9.6 WebsitesOnline Presence and Email Address.

(a) You will not, directly, or indirectly, establish or operate an Online Presence that in any way concerns, discusses or alludes to us, the System, or the Center without our written consent, which we are not obligated to provide. An "Online Presence" includes (i) a website, other webpages, URLs, or domain names, (ii) accounts, pages, or profiles on social media sites, social networking sites, news sites and groups, online, internet, or digital directories, video, photography, audio, and messaging services, blogs, or forums, (iii) e-commerce sites or accounts, (iv) digital or online advertising and marketing content and services, (v) mobile applications, (vi) virtual reality platforms, (vii) identifiers of an Online Presence, or (viii) a presence on any other type of online, internet, or digital tool, good, or service that may be developed. Similarly, you shall not develop an email address for use with the Center without our consent. If approved to establish an Online Presence or email address, you shall comply with our policies, standards, and specifications with respect to the creation, maintenance, and content of any such Online Presence or email address. We shall have the right to modify the provisions of this Section 9.6 relating to any Online Presence as we shall solely determine is necessary or appropriate.

(ab) We have the right to establish, maintain, and modify (i) one or more websites that identify the "COMPETITIVE EDGE PHYSICAL THERAPY" brand, system, and businesses that operate under the Marks, (ii) applications to be access on mobile devices, and (iii) accounts or pages on social and business networking media sites or forums (collectively, the "Websites" and each a "Website"). We will have the sole right to control all aspects of the Website, including its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Website at any time without notice to you. We retain the right to all online sales. You may not establish or operate a website, web page, domain name, Internet address, blog, forum or email address that in any way concerns, discusses or alludes to us, the System or your Center without our written consent. The Marks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums or social media sites, exceptOnline Presence or email address, unless specifically approved by us, which approval we are not obligated to provide. You maywill not post, and mustwill take such steps as necessary to ensure thatyou're your employees do not post, any information to any Websitean Online Presence relating to us, the System, the Marks, or the Center that (ai) does not comply with our social networkingthen-current brand, social media, or Online Presence guidelines described in the Manual, (bii) is derogatory, disparaging, or critical of us, the System, or the Marks, (ciii) is offensive, inflammatory or indecent, or (dii) harms the goodwill and/or public image of the System and/or the

Marks. You shall not use the Marks or any abbreviation or other name associated with us and/or the System as part of any of your Online Presence or email addresses, except as permitted by our then-current policies.

(b) Subject to the terms of this Agreement and the Manual, we may make available to you a sub-page on the Website that will be located at a sub-domain of the Website to be specified by us (the "Subpage"). You will not have access to modify your Subpage. We will modify content that you submit (e.g., new photography, number changes) on your behalf. The purpose of the Subpage is solely to promote your Center and to provide customers and patients information related to your Center. The Subpage may not contain content which references any other business other than yours. We may, at any time, cease to make the Subpage available to you or the public. Upon the termination, non-renewal, or expiration of this Agreement for any reason or a default under this Agreement for any reason, we will not upload content for you, you may not use the Subpage and we may cease to make the Subpage available to you.

(c) Nothing in this Agreement shall be deemed or construed to require us to, and we are not responsible for, marketing, advertising or expanding the business of your Center.

(c) You shall not establish or permit or aid anyone else to establish any links to any Online Presence which we may create. You specifically acknowledge and agree that any Online Presence will be deemed "advertising" under this Agreement, and will be subject to (among other things) our approval under this Agreement. We alone have the right, but not the obligation, to establish, maintain, modify, or discontinue all internet and electronic commerce activities pertaining to the System, including through any Online Presence. We shall not be liable for downtime that may occur to any Online Presence or brand email address, whether such downtime is caused by us or a third-party. We alone will be, and at all times remain, the sole owner of the copyrights to all material which appears on any Online Presence, including any and all material you may furnish to us for use on an Online Presence. Ownership of all URLs and other identifiers with any such Online Presence shall vest exclusively in us. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without our prior written consent as to your plan for transmitting such advertisements.

(d) We shall have the right, but not the obligation, to designate one or more webpage(s) or other form of Online Presence to describe you or the Center, with such webpage(s) or Online Presence to be located within our website or another Online Presence. You shall comply with our policies with respect to the creation, maintenance, and content of any such web page(s) and any other Online Presence and email addresses; and we shall have the right to refuse to post and/or discontinue posing any content and/or the operation of any webpage or Online Presence. You shall not establish a separate website or Online Presence or business email address, without our prior written approval (which we shall not be obligated to provide).

(e) For any Online Presence (and all URLs and other identifiers related to any Online Presence) or email address you are approved to create or use, we reserve the right, at our sole option and discretion, to have the Online Presence directly owned by us or to require any such Online Presence or email address be transferred to us upon the termination, expiration, or non-renewal of this Agreement for any reason. We have the right to require that any Online Presence or email address you are permitted to create, use, or maintain be registered in our name. Upon request, you must provide us with any login credentials for any Online Presence or email address you are authorized to create, use, or maintain. We have the right to access any Online Presence to take corrective action if any content or post on the Online Presence is in violation of our policies and we may take ownership of any Online Presence upon expiration, non-renewal, transfer, or termination of this Agreement and operate it in our sole discretion.

9.7 Directory

You shall arrange for the listing of the Center's telephone number, address, and email address in print or online directories we designate under the names we designate. All directory listings shall be subject to our approval. We have the right to arrange for such listings at your expense.

9.8 Franchisor Advertising

We may, from time to time, expend our own funds to produce such promotional materials and conduct such advertising as we deem necessary or desirable. In any advertising conducted solely by or for us, we shall have the sole discretion to determine the products and geographical markets to be included, and the medium employed, and we shall not have any duty or obligation to supply you with any advertising or promotional materials produced by or for us at our sole expense. We may, from time to time, offer to provide to you such approved advertising and promotional plans and materials as we deem advisable. We expressly disclaim and you hereby acknowledge that you have not received or relied upon any warranty regarding the success of any advertising and/or promotional plans or materials recommended by us for use by you. Further, you acknowledge and agree that all advertising and promotional plans and materials created in whole or in part by us are and remain our exclusive property.

9.9 Ownership of Advertising

We shall be the sole and exclusive owner of all materials and rights which result from advertising and marketing program produced and conducted, whether by you, us, the Cooperative or the Brand Fund. Your participation in any advertising, whether by monetary contribution or otherwise, shall not vest you with any rights in the Marks employed in such advertising or in any tangible or intangible materials or rights, including, copyrights, generated by such advertising. If requested by us, you shall assign to us any contractual rights or copyright you acquire in any advertising.

10. **RECORDS, REPORTS AND FINANCIAL STATEMENTS**

(a) You shall maintain during the Initial Term and shall preserve for at least five (5) years from the dates of their preparation, and shall make available to us at our request and at your expense, full and complete and accurate books, records, and accounts in accordance with generally accepted accounting principles. We have the right to require you to grant us unlimited, remote, 24/7 access to your books, records, and accounts that are provided through Technology. You agree to prepare, and if requested by us, to provide to us or our designee, in the manner and format that we prescribe from time to time:

(i) unless we designate otherwise with thirty (30) days prior notice to you, a report on Service Fees and Gross Revenues, by the fifth (5th) day of each month for the prior month, and a bi-monthly a report on Service Fees and Gross Revenues and a profit and loss, statement of cash flows, and balance sheet due on the fifteenth (15th) and thirtieth (30th) day of each month, other operating statistics of the type and in the form and manner that we specify;

(ii) quarterly profit and loss and source and use of funds financial statements and a balance sheet for the Center as of the end of the prior calendar quarter;

(iii) on such due dates as we establish, other forms, reports, records, information, and data as we may designate;

(iiiiv) within ~~ninety~~forty-five (9045) days after the end of each calendar year or our fiscal year, the operating statements, financial statements, statistical reports, and other information we request regarding you and the Center covering the previous calendar year or our fiscal year, which we can require to be prepared and certified by a certified public accountant; and

(ivv) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to the Center.

(b) You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly. Moreover, we or our designee may, as often as we deem appropriate (including on a continual basis), access the Technology, and retrieve all information relating to the Center's operation.

(c) In the event you have been in default of any financial, payment, or reporting obligation under this Agreement, even if cured, more than twice during the Initial Term of this Agreement, in addition to any other remedy available to us pursuant to this Agreement or under applicable law, we reserve the right to require that you prepare, and provide us, audited financial statements on an annual basis. In addition, you must provide us with audited financial statements in the event you prepare them for any other purpose.

(d) You agree to preserve and maintain all records in a secure location at the Center for at least five (5) years (including, but not limited to, sales ~~checks~~receipts, purchase orders, invoices, payroll records, customer and patient lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

(e) You agree to use the standard chart of accounts we require and to prepare and submit to us any reports and records we may require, including, without limitation, financial, operational, employee, billing, and third-party payor information. We may require such information about both your business and the PC if applicable. You also shall immediately notify us in writing when one (1) or more liens or judgments are filed against the you, the Center and/or any of the personal guarantors, under this Agreement.

11. INSPECTIONS AND AUDITS

11.1 Our Right to Inspect the Center

To determine whether you and the Center are complying with this Agreement and to assess your operations and adherence to System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1a) inspect and observe the operation of the Center; (2b) interview the Center's personnel and any of your architects, designers, vendors, suppliers, and contractors; and (3c) inspect and observe the construction, remodeling, and upfitting of the Center; and (d) inspect and copy any books, records, and documents relating to the Center's operation. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with the Center's operation. We may conduct inspections remotely via communications technology and may photograph and/or videotape during the inspection. Your cooperation includes having your representatives use communications technology to facilitate the

remote inspection by us ~~our~~ or our agents. You will take such steps as may be necessary to correct any deficiencies detected during our inspections and immediately desist from any use of the Premises of Center that does not conform to our then-current plans and specifications.

11.2 Our Right to Audit

We may, ten (10) days after our request, and our designated agents have the right at all times to examine the Center's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with us, our representatives, accountants, auditors, representatives, and/or contractors in any examination. We may conduct our audit or examination at our offices, your Center or the locations of our representative, accountant, auditor, or contractor. If any examination discloses an understatement of the Center's Service Fees or the Gross Revenues, you agree to pay us, within ten (10) days after receiving the examination report, the Royalty Fee due on the amount of the understatement, plus our service charges and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Service Fees or Gross Revenue exceeding Three Percent (3%) of the amount that you actually reported to us for the period examined; then: (a) you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees; and (b) we may require you to provide us with periodic audited statements. These remedies are in addition to our other remedies and rights under this Agreement and applicable law. If you are required to enter into a Management Services Agreement with a PC, upon our written request, you must audit the books and records of the independent professional medical corporation or the licensed medical personnel that render professional physical therapy services at your ~~COMPETITIVE EDGE PHYSICAL THERAPY~~ Center so that we may verify the accurate reporting to us of all Service Fees and Gross Revenues.

12. **TRANSFER**

12.1 By Us

We may change our ownership or form and/or assign this Agreement and any other agreement and/ or all of our rights and/or obligations under them to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement. We may be sold and/or we may sell any or all of our assets to a competitive or other entity, or we may participate in an initial or other public offering, merge or acquire other assets and/or entities (competitive or not); undertake refinancing or any other transaction. You waive any and all claims, demands, and/or damages with respect to any such transactions.

12.2 By You.

(a) You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted you the Franchise in reliance on your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval (which we will not unreasonably withhold if the terms and conditions of this Section 12 are satisfied): (i) this Agreement (or any interest in this Agreement); (ii) the Center; (iii) the lease for the Premises; (iv) substantially all of the assets of the

Center; (v) any ownership interest in you (regardless of its size); or (vi) any ownership interest in any of your owners (if they are legal entities).

(b) In this Agreement, the term “transfer” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. Any transfer without our approval is a breach of this Agreement and is of no effect. A transfer includes the following events:

(i) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;

(ii) merger or consolidation or issuance of additional securities or other forms of ownership interest;

(iii) any sale of a security convertible to an ownership interest;

(iv) transfer of an interest in you, this Agreement, the Center or substantially all of its assets, or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(v) if you, one of your owners, or an owner of one of your owners dies, a transfer of an interest in you, this Agreement, the Center or substantially all of its assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(vi) pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security, foreclosure upon the Center, or your transfer, surrender, or loss of the Center’s possession, control, or management.

12.3 Conditions for Approval of Transfer.

(a) If you (and your owners) are fully complying with this Agreement and other agreements between you, your owners, or your affiliates, and us, then, subject to the other provisions of this Section 12, we will approve a transfer that meets all of the requirements in this Section 12.3.

(b) If you are an Entity, your owners add a non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur) if; ~~(1i)~~ the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and otherwise meet our then applicable standards for a Center franchisee (including no ownership interest in or performance of services for a Competitive Business); ~~(2ii)~~ you give us prior written notice of the transfer; ~~(3iii)~~ you and the new owner execute the documents we require to document the additional owner and have such owner agree to be bound by the terms of this Agreement, the personal guaranty, and non-compete agreement, and ~~(4iv)~~ you pay us a transfer fee equal to One Thousand Five Hundred Dollars (\$1,500), due at the time you notify us of the transfer. A “non-controlling ownership interest” means an ownership interest that is less than the percentage of the voting rights in an Entity necessary to make binding decisions for the Entity under its governing documents.

(c) For any other proposed transfer, all of the following conditions must be met before or concurrently with the effective date of the transfer:

(i) the transferee has sufficient business experience, aptitude, and financial resources to operate the Center and provide us with all documentation that we reasonably require;

(ii) you have paid all Royalty Fees and other amounts owed to us and our affiliate(s) and have submitted all required reports and statements, and are not in violation of this Agreement at the time of transfer. You will remain liable for all obligations to us in connection with the Center which arose prior to the effective date of the transfer;

(iii) neither the transferee nor its owners (if the transferee is an Entity) or affiliate(s) have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(iv) the transferee (or its ~~Operating Owner~~operating owner) satisfactorily completes our training program at the then-current training cost;

(v) your landlord allows you to transfer the lease or sublease the Premises to the transferee;

(vi) the transferee must (if the transfer is of this Agreement), or you must (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement. This agreement will terminate once an approved transfer is completed;

(vii) you ~~or the transferee pays~~pay us a transfer fee equal to one of the fees below:

(1) For a transfer to an Out-of-Network Transferee, a fee equal to Seventy Five Percent (75%) of the then-current initial franchise fee. A non-refundable deposit of Five Thousand Dollars (\$5,000) shall be due at the time you notify us of your intent to transfer with the remainder due at the time of transfer. "Out-of-Network Transferee" means a person or party who is not a current COMPETITIVE EDGE PHYSICAL THERAPY franchisee in good standing; or

(2) For a transfer to an In-Network Transferee, a fee equal to Fifty Percent (50%) of the then-current initial franchise fee. A non-refundable deposit of Five Thousand Dollars (\$5,000) shall be due at the time you notify us of your intent to transfer with the remainder due at the time of transfer. "In-Network Transferee" means a person or party who is a current COMPETITIVE EDGE PHYSICAL THERAPY franchisee in good standing.

(viii) you ~~(and your transferring owners and guarantors)~~ sign (each for itself and on behalf of your and their respective predecessors, parents, affiliates, subsidiaries, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns) assign a general release, in a form satisfactory to us, of any and all claims arising before the effective date of the transfer against us and our, our predecessors, parents, affiliates, and subsidiaries; and our and their respective shareholders, members, partners, officers, directors, managers, employees, and agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities;

(ix) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Center;

(x) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Center are subordinate to the transferee's obligation to pay Royalty Fees, and other amounts due to us, our affiliate(s), and third-party vendors and otherwise to comply with this Agreement;

(xi) ~~(i1)~~ you have corrected any existing deficiencies of the Center of which we have notified you in writing or by electronic communications, and/or ~~(ii2)~~ the transferee agrees to upgrade and refurbish the Center in accordance with our then current requirements and specifications for COMPETITIVE EDGE PHYSICAL THERAPY centers within the time period we specify following the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken);

(xii) you and your transferring owners (and your and your owners' spouses) will comply with the covenants and obligations contained in Section 15, as applicable; and

We may review all information regarding the Center that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding the Center.

12.4 Transfer to a Wholly Owned Corporation or Limited Liability Company

Despite Section 12.3 above, if you are fully complying with this Agreement, and other agreements with us and our affiliate(s), and after providing us with written notice, you may transfer this Agreement to a corporation or limited liability company which conducts no business other than the Center and, if applicable, other Centers, in which you maintain management control, and of which you own and control One Hundred Percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the Center's assets are owned, and the Center's business is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of your obligations under this Agreement. Transfers of ownership interests in the corporation or limited liability company are subject to Section 12.3 above. You agree to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur.

12.5 Your Death or Disability.

(a) Upon the death or ~~permanent~~ disability of you or ~~the Operating Owner~~ an owner, the executor, administrator, conservator, or other personal representative of such person shall transfer his interest to a party approved by us within six (6) months thereof. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to all conditions set forth in this ~~Section~~ Article 12, including our right of first refusal, provided that if the transfer is by devise or inheritance, the transferor will not be obligated to pay a transfer fee. Failure to so dispose of such interest within said period of time shall constitute a breach of this Agreement. ~~Our consent to a transfer of any interest subject to the restrictions of this Section 12 of this Agreement, shall not constitute a waiver of any claims we may have against the assignor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of~~ The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the owner from supervising from operating the Center in the

manner required by this Agreement and the Manual or from performing its, his, or her obligations under this Agreement by and the transferee Manual.

~~(b) The term “disability” means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Operating Owner from supervising the Center’s management and operation for a period of ninety (90) days.~~

~~(c) Upon the death or permanent disability of you or the Operating Owner, an owner, the executor, administrator, conservator, or other personal representative of such person shall within a reasonable time, not to exceed thirty (30) days from the date of death or disability, appoint a manager. Thean operations manager unless you or an owner had previously appointed an operation who remains responsible for the day-to-day operation of the Center. The operations manager must complete our standard training program at the sole cost of the franchisee, sign our then-current form of confidentiality and non-compete agreement, and comply with any of our then-current requirements for approval of an operations manager.~~

~~(d) Upon the death or permanent disability of you or the Operating Owner, we must operate the Center for any period of time, you, or any person duly appointed to hold the interest, will pay to us an additional fee of Twenty Percent (20%) of Gross Revenues of the Clinic plus any expenses we incur in managing the Center (“Temporary Management Fee”). You shall pay the Temporary Management Fee for as long as we are operating the Clinic. The Temporary Management Fee is due weekly.~~

~~(c) Not in lieu of any additional rights we may have, upon death or disability of you or any owner, we may, but need not, assume operational authority for the Center (or appoint a third party to assume operational authority) and take possession of the Premises until the transfer pursuant to Article 12 is completed. The terms and conditions for the exercise of our step-in right are set forth in Section 16.7.~~

12.6 Effect of Consent to Transfer

Our consent to a transfer of this Agreement and the Center, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the Center’s or transferee’s prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee’s full compliance with this Agreement. Further, our consent to a transfer will not constitute a waiver of any claims we have against the transferring party nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement.

12.7 Our Right of First Refusal.

(a) If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement or your Center, or a direct or indirect ownership interest in you (except as in a transaction described in 12.3(a) and 12. 4), you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, signed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement or your Center. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

(b) We may, by written notice delivered to you or your selling owner(s) within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to

purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

(i) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a ~~privately held~~privately held entity);

(ii) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);

(iii) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and

(iv) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable.

(c) We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 12.7.

(d) If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in, Sections 12.2 and 12.3 above.

(e) If you do not complete the sale to the proposed buyer within ninety (90) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us about promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the ninety (90) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

(f) Upon the close of the sale of the Center to us, this Agreement shall terminate and you and your owners shall comply with the covenants and obligations set forth in Section 15, as applicable.

13. EXPIRATION OF THIS AGREEMENT

~~13.1 Your Right to Acquire a Successor Franchise.~~

If you (and each of your owners) have (a) substantially complied with this Agreement during its ~~Initial Term~~; and (b) are, both on the date you give us written notice of your election to acquire a successor franchise ~~(as provided in Section 13.2 below)~~ and on the date on which the term of the successor franchise would commence, in full compliance with this Agreement and all System Standards and are current with all debts and obligations you undertook under this Agreement; (c) you have not received more than three (3) notices of default during any consecutive two (2) year period during the Term; (d) you give us written notice of your intent to obtain a successor term not less than nine (9) months nor more than twelve (12) months prior the expiration of the Term; (e) you shall make or provide for in a manner satisfactory to us, such renovating, upgrading, and equipping of the Center as we may require, including without limitation, renovation, upgrading, and/or replacement of signs, equipment, furnishings, fixtures, Technology, and décor, to reflect the

then-current standards and image of the System; (f) you and your owners and Operating Owners comply with our then-current training requirements; and (g) provided that (i) you maintain possession of and agree (regardless of cost) to remodel and/or expand the Premises, add or replace improvements and Business Assets, and otherwise modify your Center as we require to comply with System Standards then applicable for new COMPETITIVE EDGE PHYSICAL THERAPY Centers, or (ii) at your option, you secure substitute premises that we ~~approve~~accept and you develop those premises according to System Standards then applicable for ~~COMPETITIVE EDGE PHYSICAL THERAPY centers~~Centers, and continue to operate the Center at the Premises until operations are transferred to the substitute premises; then, subject to this Section 13, you may acquire ~~a successor franchise to operate your Center for one (1) successor franchises to operate your Center for a "First Successor Term" of five (5) year term~~years. You agree to sign the franchise agreement we then use to grant franchises for ~~COMPETITIVE EDGE PHYSICAL THERAPY centers~~Centers (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement; provided that we will waive the initial franchise fee ("Successor Franchise"). However, you must pay a fee of in an amount equal to Ten Percent (10%) of the then-current initial franchise fee. If you (and each of your owners) are not, both on the date you give us written notice of your election to acquire a Successor Franchise and on the date on which the term of the Successor Franchise commences, in full compliance with this Agreement and all System Standards, you acknowledge that we need not grant you a Successor Franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement under Section 14.

Additionally, you, your owners, guarantors, (each for itself and on behalf of your and their respective predecessors, parents, affiliates, subsidiaries, shareholders, members, partners, officers, directors, managers, employees, agents, representatives)~~13.2 Grant of a Successor Franchise~~

~~In order to be granted a Successor Franchise, you agree to give us written notice of your election to acquire a Successor Franchise during the first ninety (90) days of the ninth (9th) year of the Initial Term of this Agreement. If you fail to notify us of your decision for a Successor Franchise within the time period set forth, we need not grant you a Successor Franchise. We agree to give you written notice ("Response Notice"), not more than ninety (90) days after we receive your notice, of our decision:~~

- ~~(a) to grant you a Successor Franchise; or~~
- ~~(b) to grant you a Successor Franchise on the condition that deficiencies in your operation of the Center are corrected; or~~
- ~~(c) not to grant you a Successor Franchise based on our determination that you and your owners have not substantially complied with this Agreement during its Initial Term or were not in full compliance with this Agreement and all System Standards on the date you gave us written notice of your election to acquire a Successor Franchise; or~~
- ~~(d) not to grant you a Successor Franchise because we are no longer granting franchises for COMPETITIVE EDGE PHYSICAL THERAPY centers.~~

~~If applicable, our Response Notice will:~~

- ~~(i) describe any remodeling, expansion, improvements or modifications required to bring the Center into compliance with then applicable specifications and System Standards for new Centers; and~~
- ~~(ii) state what you have to do to correct operating deficiencies and the time period in which such deficiencies must be corrected.~~

~~If we elect not to grant a Successor Franchise, the Response Notice will describe the reasons for our decision. If we elect to grant you a Successor Franchise, your right to acquire a Successor Franchise is subject to your continued compliance with all of the terms and conditions of this Agreement~~

~~through the date of its expiration, in addition to your compliance with the obligations described in the Response Notice.~~

~~If our Response Notice states that you must cure certain deficiencies of the Center or its operation as a condition to the grant of a Successor Franchise, we will give you written notice of a decision not to grant a successor Franchise based upon your failure to cure those deficiencies, unless you cure such deficiencies not less than ninety (90) days prior to the expiration of this Agreement. However, we will not be required to give you such notice if we decide not to grant you a Successor Franchise due to your breach of this Agreement during the ninety (90) day period prior to its expiration. If you fail to notify us of your election to acquire a Successor Franchise, within the prescribed time period, we do not have to grant you a Successor Franchise.~~

~~If applicable law requires that we give notice of expiration to you prior to the expiration of the Initial Term, this Agreement shall be deemed to remain in effect on a month-to-month basis until we have given to you that notice of expiration so required and the applicable period required to pass before the notice becomes effective shall have expired.~~

~~13.3~~ Agreements/Releases

~~If you satisfy all of the other conditions for the grant of a Successor Franchise, you and your owners agree to sign the form of franchise agreement and any ancillary agreements we are then customarily using in connection with the grant of Franchises (modified as necessary to reflect that fact that it is for a Successor Franchise), the terms of which may differ materially from the terms of this Agreement. You and your owners further agree to sign, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns) sign a general releasesrelease, in a form satisfactory to us, of any and all claims against us ~~and our, our predecessors, parents, affiliates, and subsidiaries; and our and their respective~~ shareholders, members, partners, officers, directors, managers, employees, agents, successors and assigns. Failure by you or your owners to sign such agreements and releases and deliver them to us for acceptance and execution (together with the Successor Franchise fee) within thirty (30) days after their delivery to you representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities. If you fail to perform any of the acts set forth above in a timely fashion, your failure will be deemed anyour election not to acquireexercise your right to obtain a Successor FranchiseTerm and will cause your right to expire without further action or notice by us.~~

~~13.4~~ Training and Refresher Programs

~~Our grant of a Successor Franchise is also conditioned on the satisfactory completion of any new training and refresher programs as we may require. You are responsible for travel, living and compensation costs of attendees.~~

14. TERMINATION OF AGREEMENT

14.1 Automatic Termination

You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, if you shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the Center premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or

personal property of your Center shall be sold after levy thereupon by any sheriff, marshal, or constable.

14.2 Regulatory Termination

If, prior to the expiration of the Initial Term, any federal, state or local regulatory body, including, but not limited to, the Centers for Medicare and Medicaid Services, the Department of Health and Human Services (~~“HHS”~~) or the Internal Revenue Service determines that this Agreement ~~is illegal~~ violates any law, or otherwise materially affects either party's ability to perform under this Agreement, then the affected party shall give the other party such notice as is reasonable under the circumstances and shall make available a reasonable period within which to cure. If no cure is implemented by the parties, then we, in our sole discretion, may terminate this Agreement with such notice as is, in our sole discretion, reasonable under the circumstances.

14.3 Termination Upon Notice Without Opportunity to Cure

You shall be deemed to be in default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon the delivery of written notice to you, ~~unless otherwise stated below,~~ upon the occurrence of any of the following events or upon the occurrence of any default that is not curable:

(a) you (or any of your owners) have made or make any material misrepresentation or omission in your application for, or in acquiring, the license and franchise rights, or in operating the Center; or breach any warranty or representation made to us, whether in this Agreement or otherwise.

(b) you (or any of your owners) make or attempt to make any transfer in violation of Section 12;

(c) you (or any of your owners) or the PC fail to maintain any required licenses, permits, or certifications to open or operate the Center;

~~(d) you (or any of your owners) or the PC fail to comply with any federal, state, or local law regulation;~~

(ed) you (or any of your owners) or the PC operate the Center in an unsafe manner;

~~(fe)~~ you, any of your owners, the PC, or any of your employees fail to meet the state and local certifications or other requirements regarding physical therapy businesses, or you, any of your owners, or the PC fail to meet state and local certifications or other requirements for the operation or employment of physical therapists and other professionals in a physical therapy center, and you fail to cure this default within ten (10) days after you receive notice thereof, or, alternatively, you fail to prohibit any such employees from working in the Center, until the requirements are met;

~~(gf)~~ your, your Operating Owner's, or the PC's license to practice physical therapy in any state is restricted, suspended or revoked;

~~(hg)~~ you ~~(or any of your owners),~~ or the PC or any ~~owners~~ owner of the PC are ~~or have been convicted by a trial court of, or plead guilty or have pleaded no contest to, (i) a felony, (ii) a crime involving moral turpitude, (iii) a crime harming children, (iv) fraudulent conduct, or (v) any other crime or offense that is reasonably likely to have an adverse effect on the Center, the Marks or the goodwill associated therewith, or you or any of your owners are proven to have engaged in any of the above.~~

~~(h)~~ you (or any of your owners), the PC, or any owners of the PC engage in any dishonest or unethical conduct which, in our opinion, adversely affects the Center's reputation or the goodwill associated with the Marks;

~~(i)~~ you (or any of your owners), or the PC knowingly make any unauthorized use or disclosure of any part of the Manual or any other Confidential Information;

~~(j)~~ you interfere with our relations with third parties and the ability to operate, and/or grant franchises under, our System;

~~(k)~~ you (or any of your owners) ~~(a)~~ fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, for which we notified you of the failures, whether or not you correct the failures after our delivery of notice to you; or ~~(b)~~ fail on two (2) or more separate occasions within any eighteen (18) consecutive month period to comply with the same obligation under this Agreement, for which we notified you of the failures, whether or not you correct the failures after our delivery of notice to you;

~~(l)~~ your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation;

~~(m)~~ you fail to secure an approved site for the Center within the time period prescribed in Section 2.1;

~~(n)~~ you understate your Service Fees or Gross Revenues for any period by Three Percent (3%) or more or knowingly maintain false books or records or knowingly submit such false books or records to us;

~~(o)~~ you (or any of your owners or affiliates) are in default of any other agreement with us or any of our affiliate(s), and you have failed to cure the default within the time period, if any, provided for such cure under such agreement(s); ~~or~~

~~(p)~~ your Operating Owner ceases to own at least Fifty One Percent (51%) of the Center or ceases to be an owner with a controlling interest in the PC;

~~(q)~~ you or any of your owners materially impair the value of or the goodwill associated with the Center, any of the Marks, or the System;

~~(r)~~ you begin operations of the Center prior to receiving prior written approval from us;

~~(s)~~ you operate under any trademark not approved by us or otherwise use any trademark we do not approve;

~~(t)~~ a transfer is not effected within six (6) months after the death or disability of any individual franchisee, or an owner; or

~~(u)~~ you abandon or fail actively to operate the Center for three (3) or more consecutive business days, unless you close the Center for a purpose we approve or because of casualty or government order.

14.4 Termination After Opportunity to Cure

~~Except as otherwise provided in Sections 14.1 and 14.2, and 14.3~~ above, upon any other default by you of your obligations hereunder, which is capable of being cured, including those identified below, we may terminate this Agreement by giving written notice of termination, setting forth the nature of such default to you at least thirty (30) days prior to the effective date of termination or any shorter period set forth below; provided, however, that you may avoid termination if the default is curable by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us, all within the thirty (30) day or shorter period. If any such default is not cured within the specified time or is not curable, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day or shorter period or such longer period as applicable law may require. The following is a non-exclusive list of illustrative events of default for which you have an opportunity to cure the default to avoid termination:

(a) you do not open the Center for business within the time period prescribed in Section 2.5 or obtain the site acceptance within the time set forth in Section 2.1;

(b) you (or your Operating Owner) do not satisfactorily complete the initial training program;

(c) ~~you abandon or fail actively to operate the Center for three (3) or more consecutive business days, unless you close the Center for a purpose we approve or because of casualty or government order;~~(or any of your owners) or the PC fail to comply with any federal, state, or local law or regulation.

(d) you (or any of your owners), the PC, or any of the Clinical Staff misuse our Marks, or System or use our Marks ~~at any other location owned or operated by you (or any of your owners) or the System~~ without our authorization;

~~(e) you make any unauthorized use of our proprietary Technology;~~

~~(f) you fail to operate the Center during the days and hours specified in the Manual without our prior approval, which we will not unreasonably withhold;~~

~~(g) you fail to operate the Center from the Premises or any substitute premises approved by us;~~

~~(h) you fail to pay when due any federal or state income, service, sales, or other taxes due on the Center's operation, unless you are in good faith contesting your liability for these taxes;~~

~~(i)~~ you fail to promptly pay your suppliers, including any of our affiliate(s), when such payments are due except in connection with a good faith dispute that you have with third-party suppliers: or

~~(j)~~ you or the PC fail to obtain or maintain the insurance we require or you fail to repay us for the insurance that we have paid on your or the PC's behalf and you do not correct the failure within thirty (30) days after we deliver written notice of that failure to you;

~~(k)~~ you fail to pay us (or our affiliate(s)) any amounts due and do not correct the failure within five (5) days after we deliver written notice of that failure to you, or immediately if payment has not been made within thirty (30) days of its due date;

~~(l) you, your owners, the PC, or the Clinical Staff violate any law, ordinance, rule or regulation of a governmental agency in connection with the operation of your Center and fail to~~

~~correct such violation within seventy-two (72) hours after you receive notice from us or any other party; provided, however, that if the violation is curable but is (a) of a nature which cannot reasonably be cured within such seventy-two (72) hour period and (b) not of a nature which presents an imminent health or safety concern, and you have commenced and are continuing to make good faith efforts to cure the violation, you will be given an additional reasonable period of time to complete the cure of the violation, not to exceed thirty (30) days, in the aggregate; provided that if the notice from the governmental agency sets a shorter time period for correction of the violation, such shorter time period shall control;~~

~~(mh)~~ the Center fails to provide services to Preferred Account customers according to our standards, including standards relating to pricing, timing, and service quality;

~~(ni)~~ you (or any of your owners) fail to comply with any other provision of this Agreement, the Manual, or any System Standard;

~~(j)~~ you fail to obtain our prior permission to conduct any off-Premises or out-of-Territory activities or you fail to cease any out-of-Territory or off-Premises activities upon notice from us.

~~(k)~~ we receive repeated patient complaints about the Center.

~~(l)~~ you make use of any unauthorized supplier, good, or service, or offer or sell any unauthorized good or service.

14.5 Extended Notice of Termination

If any law applicable to this Section 14, or Section 13 above, requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor franchise agreement, than is specified in this Agreement, a different standard of "good cause," or the taking of some other action not required under this Agreement, the prior notice, "good cause" standard, and/or other action required by such law will be substituted for the comparable provisions in this Agreement. Notwithstanding anything in this Agreement, we reserve the right to grant to you in our sole discretion an extended cure period for any breach. You acknowledge that our decision to grant such an extended cure period shall not operate as a waiver of any of our rights and that may choose to condition such an extension upon the signing of a general release by you, your owners, and your guarantors.

14.6 Remedies other than Termination

If you commit any act, or any other event occurs, which constitutes grounds for termination of this Agreement by us under any provision of this Agreement, we may instead elect to reduce the Territory or terminate your territorial protection set forth in Section 1.2, which will take effect immediately upon our written notice to you or institute an appropriate legal proceeding. Our election of any of these remedies will not preclude us from invoking our right to terminate if the act or event constituting grounds for termination continues to exist.

14.7 Notification

14.7 Notification. You authorize us to notify any of your lenders, creditors, patients, customers, vendors, or landlords upon the occurrence of any default, or any event or circumstance which the giving of notice or passage of time or both would constitute an event of default, and to otherwise communicate with such lenders, creditors, patients, customers, vendors, or landlords with respect to any such default, event, or circumstance.

14.8 Limitation of Service or Benefit.

We shall have the right, but not the obligation, to temporarily or permanently limit or remove certain services or benefits provided or required to be provided to you hereunder in lieu of exercising our right to terminate this Agreement pursuant to the terms hereof, including, without limitation, eliminating your right to use ~~the Website~~any Online Presence, restricting or removing your right to purchase products directly or indirectly from the us or our affiliates, and restricting or removing your right to use the Technology. Nothing in this subsection constitutes a waiver of any of our other rights and remedies under this Agreement. You acknowledge that our exercise of its rights pursuant to this subsection shall not be deemed a constructive termination. Any services or benefits removed or limited pursuant to this subsection may be reinstated at any time in our sole discretion.

14.9 Cross Defaults

Any default by you under this Agreement shall be a default under any other agreement between us (or our affiliates) and you (or any of your owners or affiliates). Any such default under any other agreement or any other obligation between us (or our affiliate) and you (or any of your owners or affiliates) shall be a default under this Agreement. Any default by you (or any of your owners or affiliates) under any lease, sublease, loan agreement, or security interest may be regarded as a default under this Agreement, regardless of whether or not any such agreements are between you (or any of your owners or affiliates) and us (or our affiliates).

~~14.10~~ Notice of Noncompliance

~~Without waiving any rights that we may have, and in our sole discretion, we may elect not to terminate your franchise agreement as a result of a default. In the event a default occurs, we may elect to give written notification (a "Notice of Noncompliance") to you that the Center is not in compliance with the terms and conditions of this Agreement. Such Notice of Noncompliance shall state a period for you to cure the noncompliance, which shall be a period not less than thirty (30) days. For a period of six (6) months from and after the date of such Notice of Noncompliance, you shall reimburse us for reasonable costs that we incur with respect to the Center, including without limitation the costs of any audit or inspection of the Center in excess of our audit program, any mystery shopping for the Center during such six (6) month period in excess of our normal mystery shopping program applied to all Centers, additional training that we determine is required to bring the Center up to our standards, and any personnel costs incurred by us at the Center site to ensure the proper management and operation of the Center. Nothing in this subsection shall limit our termination rights as otherwise set forth in this Agreement, which we reserve the right to exercise at any time.~~

~~14.11~~ 14.10 Termination by You

If we fail to perform any material obligation imposed upon us by this Agreement, and such failure is not cured within ninety (90) days after you deliver written notice of such failure to us, then, provided you are otherwise compliant with your obligations under this Agreement and any other agreement with us, you may terminate this Agreement at any time thereafter by delivering thirty (30) days' written termination notice to us.

14.11 Step-In Rights. In addition to our right to terminate this Agreement, and not in lieu of such right, or any other rights we may have against you, upon a failure to meet any of the requirements of this Agreement or upon a failure to cure any default within the applicable time period (if any), we have the right, but not the obligation, to, assume operational authority for the Center (or appoint a third party to assume operational authority) and take possession of the Premises until such time as we determine that the default has been cured, and you are otherwise in compliance with this Agreement, or until such time as we determine to cease exercising our right. The terms and conditions for the exercise of Franchisor's step-in right are set forth in Section 16.7.

15. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION, NON-RENEWAL, OR EXPIRATION OF THIS AGREEMENT

15.1 Payment of Amounts Owed to Us

You agree to pay us within fifteen (15) days after this Agreement expires, does not renew, or is terminated, or on any later date that we determine, the Royalty Fees, interest, and all other amounts owed to us (and our affiliate(s)) which then are unpaid. You shall promptly pay to us all damages, costs and expenses including reasonable attorneys' fees, incurred by us subsequent to the termination, non-renewal, or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement. You and we also agree that it would be difficult if not impossible to determine the amount of damages that we would suffer due to a termination of this Agreement because of your default or termination without cause. Therefore, you and we agree that a reasonable estimate of those damages (as liquidated damages and not as a penalty) is the net present value of an amount equal to the average of the preceding twenty-four (24) months of Royalty Fees due and payable pursuant to Section 3.2, multiplied by the lesser of ~~(i)~~ thirty six (36) or ~~(ii)~~ the number of full months (pro-rated for partial months) left in the term of this Agreement, except that the liquidated damages will not, under any circumstances, be less than Seventy Thousand Dollars (\$70,000). You shall pay all costs, expenses and attorneys' fees incurred by us in enforcing the terms and conditions of this provision. Nothing contained herein shall be construed as prohibiting us from additionally pursuing any other remedies which may be available to us for such breach, including recovery of actual damages.

15.2 Marks

When this Agreement expires, does not renew, or is terminated for any reason:

(a) you may not directly or indirectly at any time or in any manner (except as we may otherwise approve, and except with respect to other COMPETITIVE EDGE PHYSICAL THERAPY centers you own or as required by law, or as necessary to accurately respond to any inquiry, or as required by law, regarding your business operations prior to the expiration or termination) identify yourself or any business as a current or former COMPETITIVE EDGE PHYSICAL THERAPY center or as one of our current or former franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a COMPETITIVE EDGE PHYSICAL THERAPY center in any manner or for any purpose as such provides us with the right to seek appropriate remedies under the counterfeiting provisions of the Federal Trademark Act (the Lanham Act); or use for any purpose any trade name, trade dress, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

(b) you agree to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(c) you agree to deliver to us within thirty (30) days all (i) signage, marketing materials, forms, and other materials containing any Mark or otherwise identifying or relating to a COMPETITIVE EDGE PHYSICAL THERAPY center that we request and (ii) all property held or used by the Center which is owned by us, and allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove these items from the Center;

(d) if we do not have or do not exercise an option to purchase the assets of Center under Section 15.5 below, you agree promptly and at your own expense to make the alterations we specify in our Manual (or otherwise) to distinguish the Center and the Premises clearly from its former

appearance and from other COMPETITIVE EDGE PHYSICAL THERAPY centers in order to prevent public confusion;

(e) in connection with your obligations under Attachment 5, you agree to notify the telephone company, all telephone directory publishers, and all domain name registries and Internet service providers and providers of any Online Presence of the termination or expiration of your right to use any telephone, facsimile, ~~URLs and domain names~~ Online Presences, or other numbers names and telephone directory listings associated with any Mark; to authorize the transfer of these numbers, names, and directory listings to us or at our direction; and/or to instruct the telephone company, domain name registries, and Internet service providers, or providers of any Online Presence to forward all calls, e-mails and electronic communications made to your names, numbers, or addresses to names, numbers, or addresses we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events;

(f) you agree to immediately cease to operate the ~~business licensed under this Agreement~~ Center;

(g) you agree to immediately deliver to us all login credential associated with any Technologies, directory, marketing, ~~Website, point of sale, social media~~ system, Online Presence, and all other accounts and systems affiliated with the Center;

(h) you and your owners ~~agree to~~ must comply with the covenants contained in this Agreement, ~~including but not limited to the covenants against unfair competition~~;

(i) if we so request, assign to us or our designee any interest which you have in any lease for the Premises or any other agreement related to the Premises. You will do whatever is necessary to effectuate and complete the assignment; ~~and~~

(j) you immediately transfer at our request all ownership interest in the Patient List and Center Data, at our request and in accordance with all applicable law.

(k) you shall comply with our instructions relating to the Technology;

(j) if we so request and if you own the real property on which the Center is located, lease the Premises to us on substantially the same terms and conditions contained in your lease for the Premises, or if no lease exists or if the existing lease is not commercially reasonable, then on commercially reasonable terms. The lease shall be for an initial five (5) year term, with two (2) five (5) year renewal terms (at our option). If the parties cannot agree on the rent to be charged under the lease within thirty (30) days after the expiration, termination, or non-renewal of the Agreement, the rent will be determined by a qualified independent appraiser. Each party shall present its proposed rent, and the independent appraiser will select the most commercially reasonable rent from the two proposals. The independent appraiser's determination will be binding on the parties. If the parties are not able to agree on an independent appraiser within forty-five (45) days of the termination, non-renewal, or expiration of this Agreement, each party will select an independent appraiser. The independent appraisers chosen will then select a third independent appraiser whose determination will be binding on the parties. The parties agree to select their respective appraisers within fifty-five (55) days after the termination, non-renewal, or expiration of this Agreement and the two appraisers chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the last of the two party-appointed appraisers is appointed. Each party will bear the cost of its own appraisers and share equally the reasonable fees and expenses of the third appraiser. The parties will take reasonable actions to cause the third appraiser to complete his or her appraisal within fifteen (15) days after the third appraiser's appointment; and

(k) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

15.3 Confidential Information

You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including Technology and digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the System) in any business or otherwise and return to us all copies of the Manual and any other confidential materials that we have loaned you.

15.4 Covenant Not to Compete~~Covenants Against Unfair Competition.~~

(a) Upon termination, expiration ~~(if we offer, but you elect not to sign, a successor franchise agreement, or if we do not offer you a successor franchise agreement due to your failure to satisfy the conditions for a successor franchise agreement set forth in Section 13)~~, transfer, or non-renewal of this Agreement, for any reason:

(i) You and your owners agree that, for two (2) years beginning on the later to occur of (i) the effective date of termination, transfer, non-renewal, or expiration or (ii) the date on which all persons restricted by this Section 15.4 begin to comply with this Section 15.4 or (iii) if legal proceedings are necessary to enforce this Agreement, the date of entry of an order by a court of competent jurisdiction or arbitrator enforcing the Agreement (the "Restrictive Period"), you and your owners, and your and their spouses, for yourself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not do any of the following in the ~~Protected~~Restricted Territory (defined below):

(ii) own, maintain, operate, engage in, franchise or license, advise, make loans to, or have any controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, manager, managerial employee, consultant, or sales person for any Competitive Business (as defined in Section ~~7~~7.3 above); provided,

however that equity ownership of less than Five Percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 15.4.

(iii) engage in any Competitive Business as an officer, director, employee, consultant, or independent contractor in any capacity in which such person would be in a position to use or disclose Confidential Information;

(b) You and your owners agree that, for during the Restrictive Period, you and your owners, and your and their spouses, for yourself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not do any of the following in the Restricted Territory:

(vi) solicit, divert, or induce or attempt to solicit, divert, or induce for, or on behalf of, any Competitive Business any person or entity who was an employee of, independent contractor to, consultant to, or other service provider to the Center as of the date of termination, expiration, transfer, or non-renewal of this Agreement or who was an employee of, independent contractor to, consultant to, or other service provider to the Center during the one (1) year period prior to the date of termination, expiration, or non-renewal of this Agreement, to work for the Competitive Business; or

(vii) solicit, divert, induce or attempt to solicit, divert, or induce any person or entity who is an employee of, independent contractor to, consultant to, or other service provider to us, our affiliates, or our other franchisees to terminate or alter in any way its, his, or her relationship with us, our affiliates, or our other franchisees; or

(viii) solicit, divert, or induce or attempt to solicit, divert, or induce any persons who were employees of, independent contractors to, consultants to, or any other service provider to us, our affiliates, or our other franchisees at the time of the termination, expiration, or non-renewal of this Agreement for, or on behalf of, any Competitive Business to work for any Competitive Business; or

(viiiiv) solicit, divert, or attempt to solicit or divert to any Competitive Business any customer or patient to which the Center sold any product or for which the Center performed any service at any time within the one (1) year period prior to the termination, expiration, or non-renewal of this Agreement or any prospective customer or patient that the Center called on at any time or had any communications within the one (1) year period prior to the termination, expiration, or non-renewal of this Agreement; or

(v) solicit, divert, or attempt to solicit or divert, any vendor that has done business with the Center within one (1) year of the Restrictive Period to provide supplies, products, equipment, merchandise, or services to a Competitive Business.

(b~~c~~) For purposes of this Section ~~15~~15.4, the term "~~Protected~~Restricted Territory" means the following:

(i) An area which combined includes (a~~1~~) the Territory defined in Attachment 1 as of the date of termination, expiration, transfer, or non-renewal of this Agreement, including the Premises, (b~~2~~) the territories in which we, our affiliates or our other franchisees operate any COMPETITIVE EDGE PHYSICAL THERAPY businesses or locations as of the date of termination,

expiration, transfer, or non-renewal of this Agreement, and (~~e~~3) any area which is within fifteen (15) miles of the boundaries of any of those territories; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, an area which combined includes (~~a~~1) the Territory defined in Attachment 1 as of the date of termination, expiration, transfer, or non-renewal of this Agreement, including the Premises, and (~~b~~2) any area which is within fifteen (15) miles of the boundaries of the Territory; or

(iii) Only in the event the foregoing is determined by a court of law to be too broad, the Territory defined in Attachment 1 as of the date of termination, expiration or non-renewal of this Agreement, including the Premises.

(iv) Only in the event the foregoing is determined by a court of law to be too broad, the Premises, defined in Attachment 1.

(~~e~~d) The foregoing covenants against unfair competition and covenant of non-solicitation with respect to similar Competitive Businesses shall apply regardless of how or why the Agreement terminates, expires, or does not renew. The parties agree that the foregoing covenants contained in this Section ~~15~~15.4 contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect our goodwill or our other business interest and our franchisees, and the provisions do not prevent you or your owners from earning a living. You agree that the scope of activities prohibited in this Section ~~15~~15.4, and the length of the term and geographical restrictions in this Section ~~15~~15.4, are necessary to protect the legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Your full, uninhibited, and faithful observance of each of the covenants in this Section ~~15~~15.4 will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Section ~~15~~15.4 will not impair your or your owners' ability to obtain employment commensurate with your or your owners' abilities or on terms fully acceptable to you or otherwise to obtain income required for the comfortable support of you or your owners and their families, and the satisfaction of the needs of all of your and your owners' creditors. Your and your owners' special knowledge of the Center and of Competitive Businesses (and anyone acquiring this knowledge through you or your owners) is such as it would cause us serious injury and loss if you and your owners (or anyone acquiring this knowledge through you and your owners) were to use this knowledge to the benefit of a competitor or were to compete with us or our franchisees. The covenants in this Section ~~15~~15.4 are to be construed as independent of any other covenant or provision of this Agreement. The existence of any claim you or any of your owners may have against us or any of our affiliates (regardless of whether arising under this Agreement) is not a defense to the enforcement of these covenants against you or your owners. In the event of any violation of the provisions of this Section ~~15~~15.4, the Restrictive Period shall be extended by a period of time equal to the period of the violation. You and we agree that the running of the applicable post-termination Restrictive Period shall be tolled during any period of such violation.

(~~d~~e) You agree to obtain similar covenants from the personnel and persons we specify, including owners, directors, managers, officers, and other employees attending our training program or having access to Confidential Information and owners' spouses. We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights.

15.5 Our Right to Purchase Certain Assets of the Center.

(a) Upon termination of this Agreement, non-renewal, or upon expiration of this Agreement if you do not enter into a successor franchise agreement, we will have the right and option, but not the obligation, to purchase any and all of the assets of the Center at a purchase price equal to their Fair Market Value (defined below). If we elect to exercise this option, we will deliver written notice to you of our election within thirty (30) days after the date of termination or expiration of this Agreement. We will have the right to inspect any assets at any time prior to or during this thirty (30) day period. If we elect to purchase the assets, we will be entitled to, and you must provide, all customary warranties and representations relating to the assets purchased, including, without limitation, representations, and warranties as to the maintenance, function and condition of the assets and your good title to the assets (including that you own the assets free and clear of any liens and encumbrances).

(b) "Fair Market Value" shall mean the fair market value of the assets excluding the value of the Franchise, the Marks, ~~any proprietary Technology~~, customer and patient base, and other assets owned by us and the assets' associated goodwill.

(c) If you disagree with our determination of Fair Market Value, then you must, within ten (10) days of receiving our proposal of the Fair Market Value, give us notice, which notice shall contain your alternative calculation of the Fair Market Value of the assets, applying the same methodology discussed above. Within ten (10) days of you giving notice of your disagreement, we and you shall mutually agree upon a qualified independent appraiser who shall select from the two proposals of Fair Market Value the one that is the most commercially reasonable. The independent appraiser's determination shall be binding on the parties. If you do not provide written notice of your disagreement with the Fair Market Value determined by us within ten (10) days of receiving our proposal, then our determination of the Fair Market Value shall be deemed accepted.

(d) Notwithstanding the foregoing, we shall be entitled to offset the purchase price by the amount of money used by you to us for any payments necessary to acquire clear title to the property or for other debt. If we exercise our option to purchase, pending the closing of such purchase, we have the right to appoint a manager to maintain operation of the Center, or we may require that you close the Center during the period without removing any assets. You are required to maintain in force all insurance policies required under this Agreement until the date of closing.

15.6 Continuing Obligations

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire. You must continue to comply with your obligations under Article 6 of this Agreement.

16. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**

16.1 Independent Contractors.

(a) You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, patients, suppliers, public officials, Center personnel, and others as the Center's owner under a Franchise we have granted and to place notices of

independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time.

(b) Your employees are solely yours; we have no control, obligation, or responsibility for or to your employees or your employment policies or decisions. As to your employees, you are solely responsible for: their hiring, firing; promotion or demotion; employment policies, including employee relations; human resources matters; controlling work schedules and conditions of employment (e.g., meal and rest breaks, time-keeping); determining pay rates, method of payment and classification; benefits and maintenance of employment records; monitoring performance; and training and supervision. You shall obtain from each of your employees and acknowledgement signed by such persons providing that such individual understand, acknowledges, and agrees that (i) he or she is an employee of you and not us and (ii) he or she shall look to you and not to us, or our affiliates, agents, or employees, for his or her compensation and for other employment matters.

(c) You acknowledge that while we have responsibility for the integrity, promotion and quality of the COMPETITIVE EDGE PHYSICAL THERAPY brand, the Marks and the services associated therewith, you are solely responsible for the day-to-day decisions and operations of the Center consistent with System Standards. Furthermore, you acknowledge that, if applicable law requires that you enter into a Management Services Agreement with a PC, the PC shall be solely responsible for and have full authority and control over the practice of physical therapy and the provision of ~~medical, physical therapy,~~ and patient care by or at the Center and other aspects of the clinical practice of physical therapy.

(d) Our ability to approve certain matters, to inspect the Center and its operations and to enforce our rights, exist only to the extent necessary to protect our interest in the System, the System Standards, and the marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters that are reserved for you.

16.2 No Liability for Acts of Other Party

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Center's operation or the business you conduct under this Agreement.

16.3 Taxes

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, employment, or other taxes, whether levied upon you or the Center, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

16.4 Indemnification.

(a) You and any of your owners and guarantors ("Franchisee Indemnifying Parties") agree to fully protect, indemnify, defend, and hold harmless us, our affiliate(s), and our ~~reimburse, and hold us; our predecessors, parents, affiliates, and subsidiaries; and ours~~ and their respective shareholders, members, partners, officers, directors, managers, ~~officers,~~ employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns ~~(the "~~in both their corporate and individual capacities (collectively, "Franchisor Indemnified Parties") ~~against, and to~~

~~reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the Center's operation, including all federal, state and local employment and labor laws and regulations, all data privacy laws, the business you conduct under this Agreement, or your breach of this Agreement.~~harmless from and against all liabilities, losses, obligations, claims, demands, damages (consequential or otherwise), penalties, fines, costs, and expenses (including attorneys' fees) of any nature whatsoever (collectively, "Losses") incurred in connection with any action, suit, proceeding, claim, demand, judgment, investigation, inquiry, assessment, or formal or informal inquiry (regardless if reduced to judgment), or any settlement of the foregoing, of whatsoever nature (collectively, "Action"), or arising from, any of the following: (i) Franchisee Indemnifying Parties' actual or alleged violation of any law, rule, regulation, or ordinance; (ii) damage to property; (iii) injury to or death or disability of any person; (iv) negligence, recklessness, misconduct, or criminal conduct by the Franchisee Indemnifying Parties', or any of your employees or agents; (v) data breaches; (vi) Franchisee Indemnifying Parties' breach of this Agreement or any representations and warranties they make herein; (vii) infringement of any intellectual property rights; (viii) product recalls; (ix) any failure to warn or give instructions related to any products or services provided by Franchisor Indemnified Parties or by you; (x) any labor or employment law disputes relating to the Premise or the Center or claims arising out of Franchisee's employment practices, including claims that any of the Franchisor Indemnified parties are the employer, joint employer, or co-employer of you or your agents, employees, or contractors; (xi) any acts, errors, or omissions of the Center, the Franchisee Indemnifying Parties, and their employees, contractors, and agents; or (xii) any third party claim that arises from or is connected with the ownership, establishment, use, non-use, possession, condition, operation, closure, or maintenance of the Premises, and the Center. Franchisee Indemnifying Parties agree that this obligation to indemnify is regardless of the cause or concurrent or contributing fault or negligence of the Franchisor Indemnified Parties. Franchisee Indemnifying Parties hereby waive all claims against Franchisor Indemnified Parties arising from any of the foregoing. Franchisor Indemnified Parties shall not be liable for any act or omission of Franchisee Indemnifying Parties or their employees, contractors, or agents connected to or arising from the ownership, establishment, use, non-use, possession, condition, operation, or maintenance of the Premises and the Center.

~~(b) For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. We have the right to designate attorneys that you must retain to defend any claims subject to this indemnification provision.~~

~~(c) This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not~~You will also notify us by telephone of any Action within forty-eight (48) hours after such Action is initiated and in writing within four (4) days after such Action is initiated. Franchisor Indemnified Parties shall have the right, in their sole discretion, and at your expense and risk, to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into settlements or take any other mitigating, remedial, corrective, or other actions they deem appropriate. Franchisee Indemnifying Parties must reimburse Franchisor Indemnified Parties for all of Franchisor Indemnified Parties' costs, expenses, and all attorneys' fees immediately upon Franchisor Indemnified Parties' request. Franchisee Indemnifying Parties shall not, without the prior written consent of the Franchisor Indemnified Party, (1) settle or

compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Franchisor Indemnified Parties, or (2) settle or compromise any claim in any manner that may adversely affect the Franchisor Indemnified Parties. Franchisee Indemnifying Parties agree to give their full cooperation to Franchisor Indemnified Parties in assisting with the defense of any such claim. Franchisor Indemnified Parties' undertaking of defense and/or settlement will in no way diminish Franchisee Indemnifying Parties' obligations to indemnify Franchisor Indemnified Parties and to hold Franchisor Indemnified Parties harmless. Under no circumstance will Franchisor Indemnified Parties be required to seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order Franchisor Indemnified Parties' or the third parties' losses to maintain and recover fully a claim for indemnification against you under this subparagraph. You Franchisee Indemnifying Parties. Franchisee Indemnifying Parties agree that any failure to pursue a recovery from third parties or mitigate a loss will not in no way reduce or alter the amounts that are recoverable by Franchisor Indemnified Party may recover Parties from you under this subparagraph.

(c) Any and all of the Franchisee Indemnifying Parties' indemnification obligations under this Agreement shall survive the expiration, non-renewal, or sooner termination of this Agreement.

16.5 Business Associate

You and we understand and agree that certain protected health information may be disclosed to us in the course of providing services hereunder, and we may be considered a "business associate" of yours, as defined in HIPAA, and may be required by applicable law, including, without limitation, HIPAA, the HITECH Act, and applicable state laws and regulations, to enter into a Business Associate Agreement. In the event we are required to enter into a Business Associate Agreement, we mutually agree to enter into an agreement in the form attached hereto as Attachment 9.

16.6 Delegation of Performance. You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

16.7 Step-In Rights Generally. In the event we exercise our step-in rights in accordance with the terms as set forth above, you must (in addition to paying all other amounts owed due under this Agreement) pay us a "Temporary Management Fee" which is twenty percent (20%) of the Center's Gross Revenues. Additionally, you must reimburse us or a designated third party for all reasonable costs and overhead, if any, incurred in connection with its operation of the Center including, without limitation, costs of personnel for supervising and staffing the Center and their travel and lodging accommodations. You agree that we or the third party may use monies from the Gross Revenues of the Center for these reimbursements and fees. If we (or a third party we appoint) undertake to operate the Center pursuant to the exercise of our step-in rights, the Franchisee Indemnifying Parties agree to indemnify and hold the Franchisor Indemnified Parties or the third party (and our or the third party's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of our or the third party's operation of the Center. We (or a third party) have a duty to utilize only reasonable efforts to operate the Center and will not be liable to you, your owners, their respective heirs, beneficiaries, or devisees for any debts, losses, or obligations the Center incurs, or to any of your or your owners' creditors for any products, other assets, or services the Center purchases, while we (or a third party) manages it. You shall pay the Temporary Management Fee for as long as we or the third party is operating the Center. The Temporary Management Fee is due weekly.

17. ENFORCEMENT

17.1 Severability and Substitution of Valid Provisions.

(a) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

(b) If any covenant which restricts unfair competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

(c) If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

17.2 Waiver of Obligations.

(a) We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

(b) We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other COMPETITIVE EDGE PHYSICAL THERAPY centers; the existence of franchise agreements for other Centers which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

17.3 Costs and Attorneys' Fees

If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement during or after the Term, you agree to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, attorneys' and related fees. However, in the event of litigation or arbitration, In any claims, lawsuit, arbitration, or litigation arising out of or relating in any way to this Agreement or the parties' business relationship, the non-prevailing party agrees to reimburse the prevailing party shall be entitled to recover, at all trial and appellate levels, its costs for all attorneys' fees, costs, and expenses, including reasonable attorney's fees incurred in the prosecution or defense of any such claim, lawsuit, arbitration, or litigation.

17.4 Rights of Parties are Cumulative

Our rights under this Agreement are cumulative, and our exercise or enforcement of any right or remedy under this Agreement will not preclude our exercise or enforcement of any other right or remedy which we are entitled by law to enforce.

17.5 Dispute Resolution

~~(a) Mediation.~~

~~(ia) Before you and we may bring an action against the other, Subject to the exception below, before you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the CPR Center for Alternative Dispute Resolution, under the rules established by the International Franchise Association endorsed National Franchise Mediation Program, and in accordance with its then-current rules for mediation of franchise disputes (and in the event such program is not then in existence, by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes). Notwithstanding the previous sentence, the parties may mutually agree on a mediator and/or procedures and/or venue for mediation. Notwithstanding anything to the contrary, this Section 17.5 shall not bar us from obtaining judicial or injunctive relief for claims that are based solely on demands for money owed, or from obtaining injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks.~~

~~(ii) The non-binding mediation provided for under this Section 17.5 shall be commenced by the party requesting mediation (the "complainant") providing written notice of the request for mediation (the "request") to the party with whom mediation is sought (the "respondent"). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to us if we are not a complainant or respondent.~~

Mediation (iii) Non-binding mediation commenced under this Section 17.5 shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service. The mediator selected shall have at least ten (10) years' experience in franchise matters.

~~(b) Arbitration.~~

(b) You acknowledge that you have and will continue to develop a substantial and continuing relationship with us at our principal offices in the State of California, where our decision-making authority is vested, franchise operations are conducted and supervised, and where Agreement was rendered binding. Therefore, the parties agree that, subject to the exception below, to the extent that any disputes cannot be resolved directly between you and us, and following compliance with the applicable mediation requirements set forth in Section 17.5(a) above, any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days written notice by either party be resolved, ~~except as elsewhere expressly provided in this Agreement~~, upon application by any such party by binding arbitration in San Jose, California, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection (“AAA”), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. You and we agree that arbitration shall be conducted on an individual - not a class-wide basis. ~~The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions.~~ Any award by the arbitrator(s) shall be final, binding, and non-appealable, ~~except for errors of law~~. The matter shall be heard by one (1) arbitrator mutually selected by the parties who shall have at least ten (10) years’ experience in practicing franchise law during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of franchise agreements and franchise disclosure documents. You understand that by agreeing to arbitrate you give up jury and appeal and other rights you might have in court.

(c) Notwithstanding Section 17.5(a) and (b) and anything else in the Agreement to the contrary, nothing in this Agreement bars our right to seek and obtain specific performance of the provisions of this Agreement and injunctive relief against actual or threatened conduct that that (i) could materially damage the good will associated with the System, the Marks, and the Chain (including but not limited to conduct related to trademark or other intellectual property infringement), (ii) that involves the disclosure or use of our Confidential Information, or (iii) that relates to your, the owners’, the guarantors’, or a managerial employee’s covenants against unfair competition and solicitation. You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). If you counter, as you may, by initiating arbitration, we agree to arbitrate the entire dispute thereafter except preliminary injunctive relief (and permanent injunctive relief also, if you will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement.

17.6 Governing Law and Venue

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws for the State of Delaware and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the State of Delaware~~and the Federal Arbitration Act~~, which laws shall prevail in the event of any conflict of law. The venue for any arbitration concerned with the enforcement and interpretation of this Agreement shall be San Jose, California. Nothing in this Section 17.6 is intended, or shall be deemed, to make any Delaware law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise

be applicable. Any and all claims and actions arising out of or relating to this agreement, the relationship of you and us, or your operation of the Center, brought by you or your owners against us, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

17.7 Waiver of Punitive Damages and, Jury Trial, and Class Action Rights.

EXCEPT FOR ~~YOUR OBLIGATION~~ (I) THE FRANCHISEE INDEMNIFYING PARTIES' OBLIGATIONS TO INDEMNIFY US UNDER SECTION 16.4 AND THE FRANCHISOR INDEMNIFIED PARTIES UNDER THIS AGREEMENT, OR (II) CLAIMS WE BRING AGAINST YOU FOR YOUR OR ANY OWNER'S UNAUTHORIZED USE OF THE MARKMARKS, UNAUTHORIZED USE OR OF DISCLOSURE OF CONFIDENTIAL INFORMATION, OR BREACH OF THE YOUR OR AN OWNER'S NON-COMPETITION AND NON-SOLICITATION COVENANTS AGAINST UNFAIR COMPETITION, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, CONSEQUENTIAL, MULTIPLE, INCIDENTAL, OR EXEMPLARY DAMAGES AGAINST THE OTHER IN EXCESS OF ECONOMIC DAMAGES ACTUALLY SUSTAINED AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

NEITHER YOU NOR WE SHALL SEEK TO LITIGATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THIS AGREEMENT. NO LITIGATION, ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN YOU AND US AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, YOU OR US, UNLESS BOTH YOU AND US CONSENT IN WRITING. WE HAVE THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. YOU AGREE AND ACKNOWLEDGE THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN YOU AND ANY OF OUR AFFILIATES WILL BE CONSIDERED UNIQUE ON ITS FACTS AND SHALL NOT BE BROUGHT AS A CLASS OR GROUP ACTION.

17.8 Binding Effect

~~This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly authorized officers. This Agreement shall not take effect until its acceptance and execution by our authorized officer. We shall have the right to delegate our duties under this Agreement to any affiliate or non-affiliated entity agent, or employee and you agree to such assignment without any right to approve such actions.~~

17.9 Limitations of Claims and Waiver of Class Actions

~~YOU AND YOUR OWNERS AGREE NOT TO BRING ANY CLAIM ASSERTING THAT ANY OF THE MARKS ARE GENERIC OR OTHERWISE INVALID. EXCEPT WITH REGARD TO YOUR OBLIGATION TO (i) INDEMNIFY US, (ii) COMPLY WITH THE COVENANTS OF CONFIDENTIALITY AND COVENANTS AGAINST UNFAIR COMPETITION IN THIS AGREEMENT, (iii) NOT USE THE~~

~~MARKS IN ANY UNAUTHORIZED WAY, and (iv) PAY US AND OUR AFFILIATE(S) ROYALTY FEE PAYMENTS, BRAND FUND CONTRIBUTIONS, COOPERATIVE CONTRIBUTIONS, AND OTHER PAYMENTS DUE FROM YOU PURSUANT TO THIS AGREEMENT OR OTHERWISE, ANY CLAIMS BETWEEN THE PARTIES MUST BE COMMENCED WITHIN TWELVE (12) MONTHS FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM, OR SUCH CLAIM SHALL BE BARRED. THE PARTIES UNDERSTAND THAT SUCH TIME LIMIT MIGHT BE SHORTER THAN OTHERWISE ALLOWED BY LAW.~~ YOU AND YOUR OWNERS AGREE THAT YOUR AND THEIR SOLE RECOURSE FOR CLAIMS ARISING BETWEEN THE PARTIES SHALL BE AGAINST US OR OUR SUCCESSORS AND ASSIGNS. YOU AND YOUR OWNERS AGREE THAT OUR MEMBERS, MANAGERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND AFFILIATE(S) SHALL NOT BE PERSONALLY LIABLE NOR NAMED AS A PARTY IN ANY ACTION BETWEEN US OR OUR AFFILIATE(S) AND YOU OR YOUR OWNERS. WE, YOU AND YOUR OWNERS FURTHER AGREE THAT, IN CONNECTION WITH ANY SUCH PROCEEDING, EACH MUST SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY 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 AS DESCRIBED ABOVE, WILL BE FOREVER BARRED. THE PARTIES AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS, AND THAT A PROCEEDING BETWEEN US AND YOU OR YOUR OWNERS MAY NOT BE CONSOLIDATED WITH ANOTHER PROCEEDING BETWEEN US AND ANY OTHER PERSON OR ENTITY, NOR MAY ANY CLAIMS OF ANOTHER PARTY OR PARTIES BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN US AND YOU. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. ~~NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.~~

17.8 Binding Effect. This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly authorized officers. This Agreement shall not take effect until its acceptance and execution by our authorized officer. We shall have the right to delegate our duties under this Agreement to any affiliate or non-affiliated entity agent, or employee and you agree to such assignment without any right to approve such actions.

17.1017.9 Our Discretion and Judgment

Whenever we have expressly reserved in this Agreement a right and/or discretion (or we are deemed to have a right and/or discretion) to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, which includes what we believe to be the best interests of the franchise network at the time our decision is made or our right or discretion is exercised even though (1a) there may have been other alternative decisions or actions that could have been taken; (2b) our decision or the action taken promotes our financial or other individual interest; or (3c) our decision or the action we take may apply differently to different franchisees or our company-owned or affiliate-owned operations. You acknowledge that this Agreement grants us the discretion to make decisions, take actions, and refrain from taking actions not inconsistent with our explicit rights and obligations. The exercise of such discretion may favorably or adversely affect your interests. We shall have no liability to you for the exercise of our discretion so long as our discretion is not exercised in bad faith towards you and in absence of such bad faith, no trier of fact in any legal action shall substitute its judgment of ours so exercised. We and you intend that the

exercise of our right or discretion will not be subject to limitation or review. No covenant of good faith and fair dealing shall be implied into this Agreement; but if applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

17.11 Construction

~~The preambles, background, exhibits, and Manual are a part of this Agreement, and this Agreement and the exhibits and attachments hereto, constitute the entire, full and complete agreement between the parties hereto, and supersede any and all prior or contemporaneous negotiations, discussions, understandings and agreements. There are no other oral or written understandings or agreements between us and you, or oral representations by us, or written representations by us (other than those set forth in our Franchise Disclosure Document that we provided to you), relating to the subject matter of this Agreement, the franchise relationship, or the Center. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. However, and notwithstanding the foregoing, nothing in this Agreement or in any related agreement is intended to disclaim any representations made by us in the Franchise Disclosure Document that we furnished to you.~~

~~Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.~~

~~Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval.~~

~~The headings of the sections and paragraphs are for convenience only and do not define, limit, or constrict the contents of these sections or paragraphs.~~

~~References in this Agreement to "we," "us," and "our," with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliate(s) with whom you deal. The term "affiliate" means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. "Control" means the power to direct or cause the direction of management and policies.~~

~~If two (2) or more persons are at any time the owners of the Franchise and the Center, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and the Center or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise, or the Center and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.~~

~~"Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.~~

~~Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.~~

~~This Agreement may be signed in multiple copies, each of which will be deemed an original. The parties may use electronic means to execute and transmit the Agreement. All such electronic copies of the Agreement shall be deemed as valid as originals.~~

~~You agree and acknowledge that time is of the essence with regarding to your obligations hereunder and that all of your obligations are material to us and this Agreement.~~

17.12 Injunctive Relief

~~Nothing in this Agreement bars our right to seek and obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Despite the provisions of Section 17.7 above, we may seek injunctive relief from an arbitrator or in the jurisdiction in which you have your principal place of business and in the jurisdiction in which the Center is operated and in which the acts or conduct which are the subject of such relief are being or are threatened to be performed. You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).~~

18. ~~NOTICES AND PAYMENTS~~

Except as otherwise provided in this Agreement, all notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given ~~(ia)~~ by personal delivery, ~~(iib)~~ by registered or certified mail, return receipt requested, postage prepared, or ~~(iiic)~~ by delivery to a nationally recognized overnight courier service, in each case, addressed as follows:

If intended for us, addressed to:

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC
375 Blossom Hill Rd #33, San Jose, CA 95118

If intended for you, addressed to:

The notice address set forth in Attachment 1, or,

If you have your Center, the address of the ~~approved~~accepted Premises of the Center, or

in either case, to such other address as may have been designated by notice to the other party.

Notice shall be deemed given and effective upon the first to occur of receipt, when proper delivery is refused, or two (2) calendar days after deposit in registered or certified U.S. Mail or with a nationally recognized overnight courier, as described above. Any notice that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

19. ~~COMPLIANCE WITH ANTI-TERRORISM LAWS~~

~~You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority~~

~~addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 14.1 above.~~

2019. ACKNOWLEDGMENTS

~~You hereby acknowledge the following:~~

YOU ACKNOWLEDGE THAT WE HAVE PROVIDED YOU WITH A FRANCHISE DISCLOSURE DOCUMENT NOT LATER THAN FOURTEEN (14) DAYS BEFORE THE EXECUTION OF THIS FRANCHISE AGREEMENT, OR FOURTEEN (14) DAYS BEFORE ANY PAYMENT OF ANY CONSIDERATION, UNLESS STATE LAW REQUIRES A DIFFERENT PERIOD. YOU FURTHER ACKNOWLEDGE THAT YOU HAVE READ SUCH FRANCHISE DISCLOSURE DOCUMENT AND UNDERSTAND ITS CONTENTS. IF REQUIRED BY STATE LAW, WE PROVIDED YOU WITH A FRANCHISE DISCLOSURE DOCUMENT AT THE FIRST PERSONAL MEETING HELD TO DISCUSS THE SALE OF A COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISE.

YOU ACKNOWLEDGE THAT YOU HAVE HAD AN OPPORTUNITY TO REVIEW THIS FRANCHISE AGREEMENT, AS WELL AS THE FRANCHISE DISCLOSURE DOCUMENT, AND THAT YOU HAVE CONSULTED WITH AN ATTORNEY OR OTHER PROFESSIONAL ADVISOR.

YOU ACKNOWLEDGE THAT IT IS A REQUIREMENT THAT YOU RETAIN INDEPENDENT HEALTH CARE COUNSEL TO ASSIST YOU IN COMPLYING WITH ALL APPLICABLE FEDERAL AND STATE LAWS BEARING ON THE STRUCTURING, ESTABLISHMENT AND OPERATION OF THE BUSINESS LICENSED BY THIS FRANCHISE AGREEMENT. THIS FRANCHISE AGREEMENT, SPECIFICALLY INCLUDING, BUT NOT LIMITED TO, THE STARK LAW (42 U.S.C. § 1395nn) AND ITS EXCEPTIONS, THE FEDERAL ANTI-KICKBACK STATUTE (42 U.S.C. § 1320a-7b(b)) AND ITS SAFE HARBORS, THE FEDERAL FOOD, DRUG, AND COSMETIC ACT, 21 U.S.C. § 301 ET. SEQ., AND THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996, AS AMENDED.

YOU ALSO CONFIRM YOUR UNDERSTANDING THAT THE SUCCESS OF THE BUSINESS LICENSED BY THIS FRANCHISE AGREEMENT IS SPECULATIVE AND DEPENDS TO A LARGE EXTENT ON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON AS WELL AS OTHER FACTORS. YOU ALSO RECOGNIZE AND ACKNOWLEDGE THAT YOU MAY INCUR EXPENSES OR OBLIGATIONS WHICH THIS FRANCHISE AGREEMENT MAY NOT ADDRESS.

YOU ACKNOWLEDGE AND AGREE THAT YOU HAVE NOT RECEIVED ANY REPRESENTATION, WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF A COMPETITIVE EDGE PHYSICAL THERAPY CENTER. IN FACT, YOU ACKNOWLEDGE THAT YOU HAVE ENTERED INTO THIS FRANCHISE AGREEMENT AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE BUSINESS AND OF US.

YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE OF OUR FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT(S), AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

YOU AGREE AND ACKNOWLEDGE THAT WE ARE NOT OBLIGATED TO PROVIDE ANY TRAINING OR ASSISTANCE TO YOUR LEVEL OF SATISFACTION, BUT AS A FUNCTION OF OUR EXPERIENCE, KNOWLEDGE, AND JUDGMENT. YOU ALSO ACKNOWLEDGE THAT WE ARE NOT OBLIGATED TO PROVIDE ANY SERVICES THAT ARE NOT SET FORTH IN THIS AGREEMENT. IF YOU BELIEVE WE

HAVE FAILED TO ADEQUATELY PROVIDE ANY PREOPENING OR POST-OPENING SERVICES TO YOU, YOU MUST NOTIFY US IN WRITING WITHIN THIRTY (30) DAYS FOLLOWING THE OPENING OF THE CENTER OR YOU WILL BE DEEMED TO CONCLUSIVELY ACKNOWLEDGE THAT ALL PRE-OPENING AND OPENING SERVICES REQUIRED TO BE PROVIDED BY US WERE SUFFICIENT AND SATISFACTORY IN YOUR JUDGMENT AND COMPLIED WITH ALL REPRESENTATIONS MADE TO YOU. IF YOU FAIL TO NOTIFY US, YOU WILL BE DEEMED TO HAVE WAIVED ALL CLAIMS RELATING TO OR ARISING FROM OUR OBLIGATIONS TO PROVIDE PREOPENING ASSISTANCE.

WE AND OUR AFFILIATES MAKE NO WARRANTY WITH RESPECT TO ANY PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES OR OTHER ITEMS WE APPROVE AND WE EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION AND ANY REQUIRED TECHNOLOGY), SUPPLIES, OR OTHER APPROVED ITEMS.

YOU RECOGNIZE THAT THE SYSTEM AND THE SYSTEM STANDARDS MAY EVOLVE AND CHANGE OVER TIME.

YOU COVENANT THAT DURING THE TERM YOU WILL AT ALL TIMES FAITHFULLY, HONESTLY, AND DILIGENTLY PERFORM YOUR OBLIGATIONS UNDER THIS AGREEMENT AND CONTINUOUS EXERT YOUR BEST EFFORTS TO PROMOTE AND ENHANCE THE BUSINESS OF THE CENTER.

2120. MISCELLANEOUS

This Agreement, the documents incorporated herein by reference and the attachments attached hereto, comprise the entire agreement between the parties and all prior understands or agreements concerning the subject matter hereof are canceled and superseded by this Agreement. This Agreement may not be amended orally but may be amended only by a written instrument signed by the parties. You expressly acknowledge that no oral promises or declarations were made to you and that the obligations of us are confined exclusively to those set forth in this Agreement. You understand and assume the business risks inherent in this enterprise. Notwithstanding the foregoing, nothing in this Agreement or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document.

If you or one of your owners has a change in marital status, you shall promptly inform us of that change and you agree that any new spouse will sign our Guaranty and Assumption of Obligations and agree jointly and severally guaranty your obligations under the Franchise Agreement. These individuals must also sign our form of Confidentiality, Non-Solicitation, and Non-Competition Agreement.

The preambles, background, exhibits, and Manual are a part of this Agreement, and this Agreement and the exhibits and attachments hereto, constitute the entire, full and complete agreement between the parties hereto, and supersede any and all prior or contemporaneous negotiations, discussions, understandings and agreements. There are no other oral or written understandings or agreements between us and you, or oral representations by us, or written representations by us (other than those set forth in our Franchise Disclosure Document that we provided to you), relating to the subject matter of this Agreement, the franchise relationship, or the Center. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. However, and notwithstanding the foregoing, nothing in this Agreement or in any related

agreement is intended to disclaim any representations made by us in the Franchise Disclosure Document that we furnished to you.

Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval.

The headings of the sections and paragraphs are for convenience only and do not define, limit, or constrict the contents of these sections or paragraphs. References in this Agreement to "we," "us," and "our," with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliate(s) with whom you deal. The term "affiliate" means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. "Control" means the power to direct or cause the direction of management and policies. "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, as the case may require.

If two (2) or more persons are at any time the owners of the Franchise and the Center, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and the Center or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise, or the Center and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

This Agreement shall be binding upon the heirs, successors, permitted assigns and legal representatives of the parties.

You agree and acknowledge that time is of the essence with regarding to your obligations hereunder and that all of your obligations are material to us and this Agreement. You acknowledge that this Agreement shall not take effect until its acceptance and execution by our authorized officer.

This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same Agreement. This Agreement may, but is not required to, be executed using electronic signatures. Electronic signatures shall be treated for all purposes as originals.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly signed as of the day and year first above written.

FRANCHISOR:

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC

By: _____

Print Name and Title

FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR ~~APPROVED~~ PREMISES IN OHIO: You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

FRANCHISEE

Name of Entity

By: _____

Print Name and Title

**~~{FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR
APPROVED PREMISES IN OHIO}~~**

Notice of cancellation

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver by hand or overnight courier service, a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, 1375 Blossom Hill Rd #33, San Jose, CA 95118, 415-795-8010, not later than midnight of _____.

I hereby cancel this transaction.

(Purchaser's Signature)

(Date) _____

**~~{FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR
APPROVED PREMISES IN OHIO}~~**

Notice of cancellation

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver by hand or overnight courier service, a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, 1375 Blossom Hill Rd #33, San Jose, CA 95118, 415-795-8010, not later than midnight of _____.

I hereby cancel this transaction.

(Purchaser's Signature)

(Date) _____

Attachment 1
TERRITORY AND FEES

1. The Premises of the Center will be located at:

2. The Territory shall be:

3. The Initial Term of this Franchise Agreement will expire Ten (10) years after the Effective Date; see Section 1.1.)

4. The initial franchise fee shall be: Thirty-Five Thousand Dollars (\$35,000).

5. The Grand Opening Marketing spend shall be _____ Dollars (\$_____).

6. The designated address for notices for the Franchisee Section 18 of the Agreement shall be as follows:

Telephone: _____

Attn: _____

~~COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC~~

[FRANCHISEE]

By: _____

By: _____

Print Name and Title

Print Name and Title

Date

Date

Attachment 2

SITE SELECTION ADDENDUM

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC ("we" or "us") and ("you") have this day of _____, ____ (the "Effective Date") entered into a COMPETITIVE EDGE PHYSICAL THERAPY Franchise Agreement ("Franchise Agreement") and desire to supplement its terms as set out below in this Site Selection Addendum (the "Addendum"). The parties hereto agree as follows:

AGREEMENT

1. TIME TO LOCATE SITE

Within ninety (90) days after the Effective Date (the "Search Period"), you must submit to us for ~~approval~~acceptance, as hereinafter provided, a commercial real estate site that is properly zoned for the use of the business to be conducted by you under the Franchise Agreement (a "Center"). Such site must be within the following area: _____ (the "Site Selection Area"). The Site Selection Area is described solely for the purpose of selecting a site for the Center. The Site Selection Area does not grant you any exclusive territorial rights, and we may establish, or franchise others to establish, a COMPETITIVE EDGE PHYSICAL THERAPY center operating under the System within the Site Selection Area during the Search Period. You acknowledge and agree that we will have no responsibility for, or liability to you for, any site review, analysis, evaluation, or recommendation undertaken by or on behalf of any real estate broker or advisor used or retained by you, even if such broker or advisor was approved or recommended by us. ~~If you fail to acquire or lease a site for the Center within the Search Period, such failure will constitute a default under Section 14.3 of the Franchise Agreement and under this Addendum, and we may have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 14.3 of the Franchise Agreement.~~

2. SITE EVALUATION SERVICES

We or our designee will assist you in your location selection process by providing you with our location guidelines and criteria. We will provide you with certain recommended or required specifications for your location. We or our designee will perform any on-site evaluation as we may deem advisable in response to your requests for site ~~approval~~acceptance; provided, however, that we are not required to provide on-site evaluation for any proposed site.

3. SITE SELECTION PACKAGE SUBMISSION AND ~~APPROVAL~~ACCEPTANCE

You must submit to us, in the form we specify, a site selection package which must include a copy of the site plan, financial information, and such other information or materials as we may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have fifteen (15) days after our receipt from you of a complete site selection package and request for ~~approval~~acceptance, and such information and materials as we may request, to ~~approve~~accept or ~~disapprove~~reject, the proposed site as the location for the Center. In the event we do not ~~disapprove~~accept a proposed site by written notice to you within said fifteen (15) days, such site will be deemed ~~disapproved~~rejected by us.

4. LEASE RESPONSIBILITIES

You must sign a lease which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site within thirty (30) days from the date that we issue ~~approval~~acceptance of your site.

5. ~~APPROVED~~ACCEPTED LOCATION

After the location for the Center is ~~approved~~accepted by us pursuant to the Section 3 hereof and leased or acquired by you pursuant to Section 4 hereof, the location shall constitute the Premises described in Section 1.1 of the Franchise Agreement. The Premises will be specified on Attachment 1 to the Franchise Agreement and shall become a part of the Franchise Agreement. The Territory, as defined under Section 1.1 of the Franchise Agreement, will be the geographic area thereafter described in Attachment 1 to the Franchise Agreement, and will become a part of the Franchise Agreement. You acknowledge and agree that, if we recommend or give you information regarding the Territory, or a site for the Premises, and if we ~~approve~~accept a location, our advice, action, or information is not a representation or warranty of any kind, express or implied, of the location's suitability for a COMPETITIVE EDGE PHYSICAL THERAPY center, or any other purpose. Our recommendation indicates only that we believe that the location meets our then-acceptable criteria. Applying criteria that have appeared effective with other locations and premises might not accurately reflect the potential for all locations and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a location and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a location and premises we recommend or ~~approve~~accept fail to meet your expectations. You acknowledge and agree that your acceptance of the Franchise is based on your own independent investigation of the Territory and the location. You acknowledge and agree that our location selection assistance is primarily for our benefit and not for your benefit.

6. ENTIRE AGREEMENT

This Addendum will be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein will have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly sign and deliver this Addendum on the date first ~~above~~ written above.

COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC

[Franchisee]

By: _____

By: _____

Print Name and Title

Print Name and Title

Attachment 3
LISTING OF OWNERSHIP INTERESTS

Effective Date: This Attachment 3 is current and complete as of _____, _____

1. ENTITY (CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

Registered Name: _____

You were incorporated, organized, or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____. The following is a list of your directors or managers, if applicable, and officers as of the effective date shown above:

<u>Name of Each Director/Manager/Officer</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. OWNERS

The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners (if an Entity), and fully describes the nature of each owner's interest (attach additional pages if necessary).

<u>Owner's Name</u>	<u>Percentage/Description of Interest</u>
_____	_____
_____	_____
_____	_____
_____	_____

3. IDENTIFICATION OF OPERATING OWNER

Your Operating Owner as of the Effective Date (must be one of the individuals listed in ~~paragraph~~Section 2):

Name of Operating Owner: _____

You may not change the Operating Owner without our prior written approval.

~~COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC~~

By: _____

Print Name and Title

~~FRANCHISEE~~
~~{ }~~

By: _____

Print Name and Title

Attachment 44A
NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement ("Agreement") is made and entered into as of _____ by and between COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, ("Franchisor"), and _____ ("Associate"), who resides at _____. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

RECITALS

A. The Franchisor is engaged in the business of selling franchises for the operation of a physical therapy management business that will, through various independent physical therapists and professionally licensed persons or entities, provide various physical therapy services, including sports orthopedics, biomechanics analysis, and conditioning, ("Center"). The Centers are operated under the Company's trademark "COMPETITIVE EDGE PHYSICAL THERAPY" and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the "Marks");

B. The Franchisor has developed methods for establishing, operating and promoting Centers pursuant to the Franchisor's Confidential Information (defined below) and ~~Trade Secrets (defined below)~~ and such Confidential Information ~~and Trade Secrets~~ as may be further developed from time to time by the Franchisor ("System");

C. The Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and customer service, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor;

D. Associate desires to become involved with _____ ("Franchisee"), a franchisee of the Franchisor that operates a Center in _____ in the capacity of an owner, officer, partner, director, or agent of the Center, or is a spouse or domestic partner of an owner of a Center, and will become privileged as to certain Confidential Information ~~and Trade Secrets~~. Associate may or may not have signed the Franchise Agreement or personal guaranty; and

E. Associate and the Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and ~~Trade Secrets~~ and with respect to noncompetition by Associate with the Franchisor and other franchisees of the Franchisor. Associate agrees to the terms of this Agreement as partial consideration for the Franchisor's willingness to allow Associate to engage in a business relationship with Franchisor or Franchisee using the Franchisor's Confidential Information ~~and Trade Secrets~~.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

1. Definitions.

(a) "Associate" shall mean the individual described in the first paragraph of this Agreement.

(b) "Competitive Business" as used in this Agreement means any clinic, practice, or business, other than a COMPETITIVE EDGE PHYSICAL THERAPY business that Franchisee is authorized by Franchisor to operate, that

(i) offers or provides

(1) physical therapy services, sports orthopedic services, biomechanics analysis, gait analysis, or athletic training,

(2) management services for a physical therapy center, sports medicine clinic, or athletic training business, or

(3) any other product or service or management services that are similar to the services and products authorized to be offered, sold or provided under the Marks and the System by the Center; or

(ii) any business granting franchises or licenses to others to operate the type of business specified in ~~subparagraph~~subsection (i).

(c) "Confidential Information" shall include, ~~without relating to developing and operating COMPETITIVE EDGE PHYSICAL THERAPY Centers, including (without limitation): (a) training and operations materials and manuals; (b) methods, formats, specifications~~means the information, not generally known to the public, in any form, relating to the Center and its operations, including all trade secrets of the Center; all knowledge, know-how, standards, systems, methods, and procedures, sales and marketing techniques, knowledge, and experience used in developing and operating COMPETITIVE EDGE PHYSICAL THERAPY businesses and providing physical therapy services to patients; (c) marketing and advertising programs for COMPETITIVE EDGE PHYSICAL THERAPY businesses; (d) physical therapist and employee recruitment, training, retention programs; (e) knowledge of specifications for and suppliers of Business Assets, and other products; (f) any Technology which is proprietary to us or the System; (g) biometric data and analyses collected at the COMPETITIVE EDGE PHYSICAL THERAPY centers; (h) physical therapy and sports training know-how; and (i) knowledge of the operating results and financial performance of COMPETITIVE EDGE PHYSICAL THERAPY businesses (subject to compliance with health care information laws and other requirements). related to the establishment and operation of the Center not generally known to the public; all records pertaining to clients, suppliers, and other service providers of, and/or related in any way to, the Center (such as all names, addresses, phone numbers, e-mail addresses for clients and suppliers; client purchase records and mail lists); product formulas; electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; and any other data and information that the Franchisor or its affiliates designates as confidential, including all information contained in the Manuals.

(d) "Franchise Agreement" shall mean the franchise agreement between Franchisor and Franchisee dated _____ as amended or renewed from time to time.

(e) "Premises" shall mean the ~~approved~~accepted location of Franchisee's Center.

(f) "~~Protected~~Restricted Territory" shall mean:

(i) an area which combined includes (~~a~~1) the Territory as of the first date of the Restrictive Period, including the Premises, (~~b~~2) the territories in which Franchisor, Franchisor's affiliates, or Franchisor's other franchisees operate any COMPETITIVE EDGE PHYSICAL THERAPY business as of the first date of the Restrictive Period, and (~~c~~3) any area which is within fifteen (15) miles of the boundaries of any of those territories; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, an area which combined includes (~~a~~1) the Territory as of the first date of the Restrictive Period, including the Premises, and (~~b~~2) any area which is within fifteen (15) miles of the boundaries of the Territory; or

(iii) Only in the event the foregoing is determined by a court of law to be too broad, the Territory as of the first date of the Restrictive Period, including the Premises; or

(iv) Only in the event the foregoing is determined by a court of law to be too broad, the Premises.

(g) "Restrictive Period" shall mean a period of two (2) years that begins the earlier of (i) the date of termination, expiration, or non-renewal of the Franchise Agreement, regardless of the reason for such termination, expiration, or non-renewal, or (ii) the date Associate's association with Franchisee or the Center ends for any reason, including but not limited to, divorce, separation, sale, termination, or transfer.

(h) "Term" shall have the meaning defined in the Franchise Agreement.

(i) "Territory" shall have the meaning defined in the Franchise Agreement.

~~(j) "Trade Secret(s)" shall mean information, including a pattern, compilation, program, device, method, technique or process related to the Center that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.~~

2. Confidential Information and Trade Secrets. Associate and the Franchisor acknowledge that the Confidential Information ~~and Trade Secrets~~ that ~~are~~is developed and utilized in connection with the operation of the Center are unique and the exclusive property of the Franchisor or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information ~~and Trade Secrets~~ would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates. Associate further acknowledges that the Franchisor or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information ~~and Trade Secrets~~, that the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information ~~and Trade Secrets~~, and that it would be very costly for competitors to acquire or duplicate the Confidential Information ~~and Trade Secrets~~.

3. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Center, any of the Confidential Information of the Franchisor or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was Communicated to Associate through no fault of Associate; (c) information that was in Associate's possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if Associate has notified the Franchisor before disclosure and used Associate's best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

~~5. Nondisclosure of Trade Secrets. During the Term and any renewal Term of the Franchise Agreement and for as long as such information constitutes a Trade Secret, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Center, any of the Trade Secrets of the Franchisor or its affiliates.~~

~~6~~5. In-Term Covenant Against Unfair Competition. During the Term, Associate will not, without Franchisor's prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(~~ia~~) own, manage engage in, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any Competitive Business; or

(~~ib~~) offer or grant franchises or licenses for any Competitive Business; or

(~~ic~~) become a franchisee or licensee of any Competitive Business; or

(~~id~~) perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System;~~or~~

(~~v~~) use any vendor relationship established through Associate's association with Franchisor or Franchisee for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use or retail sale in the Center; or

(~~vi~~) solicit, divert or attempt to solicit or divert any customer or patient of the Franchisee at any time during the Term of the Franchise Agreement, to any Competitive Business, by direct or indirect inducement or otherwise.

76. Post-Termination Covenant Against Unfair Competition. Associate covenants and agrees that for the Restrictive Period Associate shall not, within the ~~Protected~~Restricted Territory, engage in any of the following:

(ia) own, maintain, operate, engage in, franchise or license, advise, make loans to, or have any controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, manager, managerial employee, consultant, or sales person for any Competitive Business; provided, however that equity ownership of less than Five Percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subsection; or

(iib) engage in any Competitive Business as an officer, director, employee, consultant, or independent contractor in any capacity in which Associate would be in a position to use or disclose Confidential Information;

6. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

7. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information. In any litigation or arbitration concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Franchisor will entitle or permit Associate to disclose any such Confidential Information in any circumstances.

8. Effect of Waiver. The waiver by Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors, and assigns.

10. Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

11. Governing Law; Jurisdiction and Venue. The laws of Delaware (without giving effect to its conflicts of law principles) govern all matters arising under and relating to this Agreement, including torts. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of California, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of California. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of California. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

12. Severability. If any provision of this Agreement shall be held, declared, or pronounced void, voidable, invalid, unenforceable, or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

13. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation or arbitration, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

14. Miscellaneous. Due to the importance of this Agreement to Franchisor, any claim Associate has against Franchisor is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, or as otherwise defined herein.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

ASSOCIATE:

COMPETITIVE EDGE
PHYSICAL THERAPY FRANCHISING LLC

[Print Name]

[Signature]

By: _____
Name: _____
Title: _____

Attachment 4B
NONDISCLOSURE AND NON-SOLICITATION AGREEMENT

This Nondisclosure and Non-Solicitation Agreement ("Agreement") is made and entered into as of _____ by and between COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, ("Franchisor"), and _____ ("Associate"), who resides at _____ . All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

A. The Franchisor is engaged in the business of selling franchises for the operation of a physical therapy management business that will, through various independent physical therapists and professionally licensed persons or entities, provide various physical therapy services, including sports orthopedics, biomechanics analysis, and conditioning, ("Center"). The Centers are operated under the Company's trademark "COMPETITIVE EDGE PHYSICAL THERAPY" and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the "Marks");

B. The Franchisor has developed methods for establishing, operating and promoting Centers pursuant to the Franchisor's Confidential Information (defined below) and such Confidential Information as may be further developed from time to time by the Franchisor ("System");

C. The Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and customer service, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor;

D. Associate desires to become involved with _____ ("Franchisee"), a franchisee of the Franchisor that operates a Center in _____ in the capacity of an owner, officer, partner, director, or agent of the Center, or is a spouse or domestic partner of an owner of a Center, and will become privileged as to certain Confidential Information. Associate may or may not have signed the Franchise Agreement or personal guaranty; and

E. Associate and the Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to non-solicitation of patients and vendors by Associate. Associate agrees to the terms of this Agreement as partial consideration for the Franchisor's willingness to allow Associate to engage in a business relationship with Franchisor or Franchisee using the Franchisor's Confidential Information.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

1. Definitions.

(a) "Associate" shall mean the individual described in the first paragraph of this Agreement.

(b) “Competitive Business” as used in this Agreement means any clinic, practice, or business, other than a COMPETITIVE EDGE PHYSICAL THERAPY business that Franchisee is authorized by Franchisor to operate, that

(i) offers or provides

(1) physical therapy services, sports orthopedic services, biomechanics analysis, gait analysis, or athletic training,

(2) management services for a physical therapy center, sports medicine clinic, or athletic training business, or

(3) any other product or service or management services that are similar to the services and products authorized to be offered, sold or provided under the Marks and the System by the Center; or

(ii) any business granting franchises or licenses to others to operate the type of business specified in subsection (i).

(c) “Confidential Information” shall include, means the information, not generally known to the public, in any form, relating to the Center and its operations, including all trade secrets of the Center; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Center not generally known to the public; all records pertaining to clients, suppliers, and other service providers of, and/or related in any way to, the Center (such as all names, addresses, phone numbers, e-mail addresses for clients and suppliers; client purchase records and mail lists); product formulas; electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; and any other data and information that the Franchisor or its affiliates designates as confidential, including all information contained in the Manuals.

(d) “Franchise Agreement” shall mean the franchise agreement between Franchisor and Franchisee dated _____ as amended or renewed from time to time.

(e) “Premises” shall mean the accepted location of Franchisee’s Center.

(f) “Restricted Territory” shall mean:

(i) an area which combined includes (1) the Territory as of the first date of the Restrictive Period, including the Premises, (2) the territories in which Franchisor, Franchisor’s affiliates, or Franchisor’s other franchisees operate any COMPETITIVE EDGE PHYSICAL THERAPY business as of the first date of the Restrictive Period, and (3) any area which is within fifteen (15) miles of the boundaries of any of those territories; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, an area which combined includes (1) the Territory as of the first date of the Restrictive Period, including the Premises, and (2) any area which is within fifteen (15) miles of the boundaries of the Territory; or

(iii) Only in the event the foregoing is determined by a court of law to be too broad, the Territory as of the first date of the Restrictive Period, including the Premises; or

(iv) Only in the event the foregoing is determined by a court of law to be too broad, the Premises.

(g) "Restrictive Period" shall mean a period of two (2) years that begins the earlier of (i) the date of termination, expiration, or non-renewal of the Franchise Agreement, regardless of the reason for such termination, expiration, or non-renewal, or (ii) the date Associate's association with Franchisee or the Center ends for any reason, including but not limited to, divorce, separation, sale, termination, or transfer.

(h) "Term" shall have the meaning defined in the Franchise Agreement.

(i) "Territory" shall have the meaning defined in the Franchise Agreement.

2. Confidential Information. Associate and the Franchisor acknowledge that the Confidential Information that is developed and utilized in connection with the operation of the Center are unique and the exclusive property of the Franchisor or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates. Associate further acknowledges that the Franchisor or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information, and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

3. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Center, any of the Confidential Information of the Franchisor or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was Communicated to Associate through no fault of Associate; (c) information that was in Associate's possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if Associate has notified the Franchisor before disclosure and used Associate's best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

5. In-Term Covenant Against Solicitation. During the Term, Associate will not, without Franchisor's prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(a) solicit, divert, or attempt to solicit or divert any person or party that is or has been a client of the Center at any time during the term of this Agreement, to any Competitive Business, as Franchisee agrees that all goodwill associated with Franchisee's operation under the Marks and the System, and all client information associated therewith, inure to Franchisor; or

(b) solicit, divert, or attempt to solicit or divert, any vendor that does has done business with Franchisee to provide supplies, products, equipment, merchandise, or services to a Competitive Business.

6. Post-Termination Covenant Against Solicitation. Associate covenants and agrees that for the Restrictive Period Associate shall not, within the Restricted Territory, engage in any of the following:

(iii)a) solicit, divert, or induce or attempt to solicit, divert, or induce for, or on behalf of, any Competitive Business any person or entity who was an employee of, independent contractor to, consultant to, or other service provider to the CenterCenters as of the first dateday of the Restrictive Period or within one (1) year of the Restrictive Periodwith whom Associate had a business relationship through Associate's association with Franchisee or who was an employee of, independent contractor to, consultant to, or other service provider to the Center during the one (1) year period prior to the first date of the Restrictive Period or within one (1) year of prior to the Restrictive Period with whom Associate had a business relationship through Associate's association with Franchisee, to work for the Competitive Business; or

(ivb) solicit, divert, or induce or attempt to solicit, divert, or induce any person or entity who is an employee of, independent contractor to, consultant to, or other service provider to the Center, Franchisee, Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period to terminate or alter in any way its, his, or her relationship with the Center, Franchisee, Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the date of the Restrictive Period; or

(v c) solicit, divert, or induce or attempt to solicit, divert, or induce any persons who were employees of, independent contractors to, consultants to, or any other service provider to Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the first dateday of the Restrictive Period or within one (1) year of the Restrictive Period ,for, or on behalf of, any Competitive Business to work for any Competitive Business; or

(d) solicit, divert, or attempt to solicit or divert, any vendor that has done business with the Center within one (1) year of the Restrictive Period to provide supplies, products, equipment, merchandise, or services to a Competitive Business; or

(vie) solicit, divert, or attempt to solicit or divert to any Competitive Business any customer or patient to which the Center sold any product or for which the Center performed any service at any time within the one (1) year period prior to person or party that has been a client of Center as of the first day of the Restrictive Period or any prospective customer or patient that the Center called on at any time or had any communications within the one (1) year period prior to the first day of the Restrictive Period, to any Competitive Business.

87. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any

other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

~~98.~~ Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and ~~Trade Secrets~~ and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information ~~and Trade Secrets~~. In any litigation or arbitration concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Franchisor will entitle or permit Associate to disclose any such Confidential Information ~~or Trade Secrets~~ in any circumstances.

~~109.~~ Effect of Waiver. The waiver by Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

~~1110.~~ Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

~~1211.~~ Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

~~1312.~~ Governing Law; Jurisdiction and Venue. The laws of Delaware (without giving effect to its conflicts of law principles) govern all matters arising under and relating to this Agreement, including torts. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of California, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of California. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of California. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

~~1413.~~ Severability. If any provision of this Agreement shall be held, declared, or pronounced void, voidable, invalid, unenforceable, or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

~~15~~14. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation or arbitration, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

~~16~~15. Miscellaneous. Due to the importance of this Agreement to Franchisor, any claim Associate has against Franchisor is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, or as otherwise defined herein.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

ASSOCIATE:

COMPETITIVE EDGE
PHYSICAL THERAPY FRANCHISING LLC

[Print Name]

[Signature]

By: _____
Name: _____
Title: _____

Attachment 5
TELEPHONE LISTING AND INTERNET AUTHORIZATION AGREEMENT

THIS AGREEMENT is entered into as of _____ by and between COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, and _____ (hereinafter referred to as "Franchisee").

A. Franchisor and Franchisee have entered into a Franchise Agreement dated _____ ("Franchise Agreement"), pursuant to which Franchisee was granted the right to operate a COMPETITIVE EDGE PHYSICAL THERAPY franchised business ("Center"); and

B. It is the desire of and in the best interests of Franchisor that in the event the Franchise Agreement terminates, expires, or is not renewed, the telephone numbers (including any personal or other cellphone numbers used with the Center), telephone directory listings, internet addresses, and social media accounts used by Franchisee in connection with the operation of its COMPETITIVE EDGE PHYSICAL THERAPY franchised business are assigned to Franchisor.

WITNESSETH THAT:

~~WHEREAS, COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC has developed and refined a business known as "COMPETITIVE EDGE PHYSICAL THERAPY," which uses distinctive innovations and marketing features (such business is referred to herein as the "COMPETITIVE EDGE PHYSICAL THERAPY System"); and~~

~~WHEREAS, COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC is the franchisor of the COMPETITIVE EDGE PHYSICAL THERAPY System and the owner of the trademarks, service marks, copyrights and other intellectual property used in the COMPETITIVE EDGE PHYSICAL THERAPY System, including without limitation, the mark COMPETITIVE EDGE PHYSICAL THERAPY (collectively referred to herein as the "COMPETITIVE EDGE PHYSICAL THERAPY Intellectual Property"); and~~

~~WHEREAS, COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") pursuant to which COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC granted to Franchisee the non-exclusive limited right to use the COMPETITIVE EDGE PHYSICAL THERAPY Intellectual Property and related commercial symbols (the "Franchised Business") in Franchisee's business telephone directory listings marketing the Franchised Business and otherwise identifying Franchisee; and~~

~~NOW, THEREFORE, for good and valuablein consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto of the foregoing and Franchisor agreeing to enter into the Franchise Agreement, Franchisor and Franchisee agree as follows:~~

1. Franchisee hereby agrees to assign to Franchisor: (i) those certain telephone numbers and regular, classified or other telephone directory listings used by Franchisee in connection with operating the COMPETITIVE EDGE PHYSICAL THERAPY franchised business, including any personal or other cellphone numbers used in connection with the franchised business, (ii) all e-mail addresses that use the Marks or that are used by Franchisee in connection with the operation of the Center, (iii) any Online Presence (as that term is defined in the Franchise Agreement) which uses the Marks, which Franchisee uses in connection with the operation of the Center, or which Franchisee has been permitted by Franchisor to create, and (iv) all rights, title, and interest in the content of any Online Presence, whether now-existing or adopted by Franchisee in the future (collectively, the "Listings").

2. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection

with Franchisee's use of the Listings unless and until Franchisor notifies the telephone company, listing agencies, internet service providers, or other parties that provide the Listings (collectively, the "Providers") to effectuate the assignment pursuant to the terms hereof.

3. Upon termination, expiration, or nonrenewal of the Franchise Agreement (without renewal or extension), Franchisor will have the right and is hereby empowered to effectuate the assignment of the Listings to itself or to any third party it designates. In the event Franchisor exercises its assignment rights Franchisee will have no further right, title or interest in the Listings; provided, however, Franchisee will pay all amounts owed in connection with the Listings, including all sums owed to Franchisor, Franchisor's affiliates, or Franchisor's approved suppliers under existing contracts for the Listings and immediately, at the Franchisor's request, (i) take any other action as may be necessary to transfer the Listings to the Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect, cancel, delete, remove, or discontinue the Listings; (iv) relist any Listing in a different location or with a new provider, whether published or online; (v) modify the Listing and any content in the Listing; (vi) provide all login or other access credentials to the Listings; and/or (vi) cooperate with Franchisor or its designated agent in undertaking any or all of the foregoing.

4. Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by the Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or completion of any documents required or requested by any Provider to transfer or modify such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, termination, or nonrenewal of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

5. The parties agree that the Providers 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 upon such termination, expiration or nonrenewal of the Franchise Agreement and that such assignment shall be made automatically and effective immediately upon a Provider's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Providers require that the parties execute the Providers' assignment forms or other documentation at the time of termination, expiration or nonrenewal 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, expiration, or non-renewal of the Franchise Agreement.

6. The validity, construction and performance of this Assignment is governed by the laws of the State in which Franchisor is located. All agreements, covenants, representations, and

warranties made in this Agreement survive the signing of this Agreement. All Franchisor's rights inure to Franchisor's benefit and to the benefit of Franchisor's successors and assigns.

1. ~~Franchisee is authorized to obtain separate telephone service, and/or participate in a central telephone service for Franchisee's Franchised Business as created by or on behalf of COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC. Such service shall not be used in conjunction with any other business or residential telephone service at Franchisee's home and/or principal place of business.~~

2. ~~Franchisee is authorized and agrees to secure white pages, Yellow Pages and directory assistance listings only as "COMPETITIVE EDGE PHYSICAL THERAPY." No other names or modifications of "COMPETITIVE EDGE PHYSICAL THERAPY" may be used in conjunction with the COMPETITIVE EDGE PHYSICAL THERAPY Intellectual Property, and no additional listings may be used with the telephone number so assigned to Franchisee unless approved in writing in advance by COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC.~~

3. ~~All telephone listings, domain names, social media accounts, Yellow Page display advertising, layout and copy desired to be used by or requested by Franchisee shall be approved in advance in writing by COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, and Franchisee agrees not to deliver to any telephone company placements of any such copy unless written approval by COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC is attached.~~

4. ~~Franchisee shall be responsible for the timely and complete payment of all service charges for telephone service, directory listings, domain names, and Yellow Page advertising and/or all service charges for the Franchisee's reasonable share of central numbers, associated listings and advertising.~~

5. ~~Franchisee agrees such telephone number(s), listings, domain names, social media accounts, and advertisements shall be considered to be the sole and exclusive property of COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC. Upon termination, non-renewal, or expiration of the Franchise Agreement for whatever reason, Franchisee agrees to immediately cease all use of such telephone number(s), cell phone number(s), email addresses, social networking logins and passwords, Twitter handles, listings and advertisements ("Property") and Franchisee agrees to take all actions necessary to immediately transfer all such Property to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, and to the extent allowed by applicable law, Franchisee shall take all actions necessary to ensure the same shall become the sole and exclusive property of COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, at its option, subject to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC's obligation to pay all fees due therefor becoming due and payable after the date of cessation of use by Franchisee. Franchisee shall immediately deliver all information related to such Property to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC.~~

6. ~~Franchisee, by this Agreement, hereby releases and forever discharges COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC and its successors or assigns and the telephone company, internet provider, or other service provider from liability of any kind or character which results or may result directly or indirectly from COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC's exercise of its rights hereunder or from such telephone company, internet provider or other service provider's cooperation with COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC in effecting the terms of this Agreement.~~

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

FRANCHISEE:

COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**Attachment 6
LEASE RIDER**

This Lease Rider is executed as of this date of _____, by and between _____ (“Tenant”) and _____ (“Landlord”) as a Rider to the lease dated _____ (as amended, renewed, and/or extended from time to time, the “Form Lease”) for the Premises located at _____ (“Premises”).

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. Permitted Use. The Premises are leased to Tenant for the operation of a physical therapy and athletic training center. Landlord covenants that from and after the date hereof, Landlord shall not permit any other tenant to operate a business or clinic in the same shopping center as the Premises that provides physical therapy or athletic training services.

2. Signage. Notwithstanding anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other proprietary marks and identification on both the exterior and within the interior of the Premises as approved by COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, a Delaware limited liability company and franchisor of the COMPETITIVE EDGE PHYSICAL THERAPY concept (“Franchisor”).

3. Assignment and Subletting. Landlord’s consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization, or sale of all or substantially all of Tenant’s assets or business or an assignment or sublet to Franchisor, any parent, subsidiary or affiliated corporation of Tenant or Franchisor, or another COMPETITIVE EDGE PHYSICAL THERAPY franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement by and between Tenant and Franchisor (the Franchise Agreement”) as a result of a merger, reorganization or sale of all or substantially all of Tenant’s assets. Tenant shall also have the right, without the consent of Landlord, to assign the Form Lease to a company incorporated or to be incorporated by Tenant or a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the partnership.

4. Notices; Opportunity to Cure. Copies of any demand letters, default notices or other similar notices of non-compliance (“Notice”) sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

COMPETITIVE EDGE PHYSICAL THERAPY
FRANCHISING LLC
Attn: Kevin Vandl
1375 Blossom Hill Rd #33,
San Jose, CA 95118

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, and prior to exercising any remedies under the Form Lease, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon Notice from Landlord to Franchisor (at the address set forth herein) that Tenant has failed to cure

in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Form Lease.

5. Option to Lease. Landlord hereby agrees that, in the event of (a) the termination, expiration, or non-renewal of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Form Lease, Franchisor shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give Notice to Franchisor (at the address set forth herein) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination, expiration, or non-renewal of the Franchise Agreement; (2) Franchisor's receipt of Notice from Landlord that the Form Lease has been terminated; or (3) receipt of Notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If Franchisor elects to lease the Premises, Franchisor shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Form Lease) as are contained in the Form Lease; provided, however, that Franchisor's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a COMPETITIVE EDGE PHYSICAL THERAPY franchised location; and

(d) Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

6. De-identification. Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a COMPETITIVE EDGE PHYSICAL THERAPY franchise location operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees, and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs, or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination, expiration, or non-renewal as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Tenant's sole cost and expense.

7. Assignment of Interest. This Rider is binding and shall inure to the benefit of Landlord, Tenant, and Franchisor, their assigns, and successors-in-interest. Franchisor is an intended beneficiary of this Rider, provided Franchisor shall have no liability for any of Tenant's obligations under the Form Lease. Franchisor signs below for the limited purpose of acknowledging and agreeing to the provisions of this Rider.

8. Non-disturbance from Mortgage Lenders. It is a condition of the Form Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agrees not to disturb Tenant's rights under the Form Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Form Lease beyond any applicable grace or cure period provided therein. If a mortgage, deed of trust or deed to secure debt currently encumbers the Premises, it is a condition precedent to Tenant's obligations under the Form Lease that the holder of such encumbrance enter into a written recordable form of subordination and non-disturbance agreement with Tenant, in a form reasonably acceptable to Tenant, as described above.

9. Security Interest. Any security interest and/or landlord's lien of Landlord in Tenant's trade fixtures, trade dress, signage, equipment, and other personal property is hereby subordinated to any security interest and pledge granted to Franchisor in such items.

LANDLORD:

By: _____

Its: _____

Name: _____

TENANT:

By: _____

Its: _____

Name: _____

Agreed to:

FRANCHISOR:

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC

By: _____

Name: _____

Title: _____

Attachment 7
GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (the "Guaranty") is given this ____ day of _____, _____, by the undersigned guarantors.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC ("us," "we," or "our"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the Initial Term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____, a _____ ("Franchisee") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, non-solicitation, indemnification, confidentiality, and transfer requirements. This Guaranty to pay monetary obligations arising under the Agreement includes, but is not limited to Royalty Fees, other recurring or non-recurring fees, payments owed to us, any claims under the indemnification provisions of the Agreement (including, without limitation, Section 16.4 of the Franchise Agreement), and any judgments or claims that are reduced to monetary claim.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the Initial Term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as we have any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; provided, however, that in the event of a complete and total transfer of all assets and ownership interests in Franchisee and in the ~~Franchised Business~~franchised business, such that a Guarantor has no ownership interest in Franchisee on the ~~Franchised Business~~franchised business ("Transfer"), this Guaranty shall terminate as of the date of the Transfer with respect to any obligations that arise as of or after the Transfer.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

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

Each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be commenced in a state or federal court of competent jurisdiction in the state or judicial district in which we have our principal place of business at the time the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and judgment orders in the courts of the state or states in which he or she is domiciled. In all events, the laws of the State of Delaware shall apply to the construction, interpretation, and enforcement of this Guaranty.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was signed.

GUARANTOR(S)

By: _____

By: _____

Name: _____

Name: _____

Title (Owner or Spouse): _____

Title (Owner or Spouse): _____

Percent Ownership in Franchisee: _____

Percent Ownership in Franchisee: _____

By: _____

By: _____

Name: _____

Name: _____

Title (Owner or Spouse): _____

Title (Owner or Spouse): _____

Percent Ownership in Franchisee: _____

Percent Ownership in Franchisee: _____

Attachment 8
ELECTRONIC FUNDS TRANSFER AUTHORIZATION FORM

The undersigned depositor ("Franchisee" or "Payor") hereby authorizes COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC ("Franchisor" or "Payee") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the bank designated below ("Bank") to debit or credit such account(s) pursuant to Franchisor's instructions.

Name of Person or Legal Entity of Franchisee: _____
Bank: _____
Branch: _____
City: _____ State: _____ Zip Code: _____
Bank Transit/ABA Number: _____
Account Number: _____

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

FRANCHISEE/PAYOR:

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

INDEMNIFICATION AGREEMENT

To the above named Payee and the Bank designated:

The Payor agrees with respect to any action taken pursuant above authorization:

1. To indemnify the Bank and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, including any costs or expenses reasonably in collection therewith.
2. To indemnify Payee and the Bank for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
3. To defend at Payor's cost and expense any action which might be brought by any depositor or any other persons because of any actions taken by the Bank of Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Bank's or Payee's participation therein.

BE SURE THAT ALL INFORMATION ASKED FOR IS PROVIDED

Attachment 9
BUSINESS ASSOCIATE AGREEMENT

This Subcontractor Business Associate Agreement ("Agreement") is entered into as of _____ ("Effective Date") by and between _____ ("Business Associate") and _____ ("Subcontractor").

Each of Business Associate and Subcontractor may be referenced in this Agreement as a "Party" and collectively as the "Parties."

Whereas the Business Associate entered into a Business Associate Agreement with _____ ("Covered Entity") dated _____ (the "Master Business Associate Agreement").

Whereas Business Associate and Subcontractor have entered into a Franchise Agreement dated _____ (the "Franchise Agreement").

Whereas pursuant to the terms of the Franchise Agreement, Subcontractor will create, receive, maintain, or transmit Protected Health Information on behalf of Business Associate.

Therefore, the Parties, intending to be legally bound, hereby agree as follows:

I. Definitions.

- a. Except as otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the meanings set forth in HIPAA.
- b. "Breach" shall mean the acquisition, access, use or disclosure of Protected Health Information in a manner not permitted by the HIPAA Privacy Rule that compromises the security or privacy of the Protected Health Information as defined, and subject to the exceptions set forth, in 45 CFR § 164.402.
- c. "Electronic Protected Health Information" shall mean Protected Health Information that is transmitted or maintained in Electronic Media.
- d. "HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, as amended and supplemented by the HITECH Act and its implementing regulations, as each is amended from time to time.
- e. "HIPAA Breach Notification Rule" shall mean the federal breach notification regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Part 164 (Subpart D).
- f. "HIPAA Privacy Rule" shall mean the federal privacy regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Parts 160 and 164 (Subparts A & E).
- g. "HIPAA Security Rule" shall mean the federal security regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Parts 160 and 164 (Subparts A & C).

- h. "HITECH Act" shall mean Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§ 17921-17954, and all its implementing regulations, when and as each is effective and compliance is required.
- i. "Protected Health Information or PHI" shall mean Protected Health Information, as defined in 45 CFR § 160.103, and is limited to the Protected Health Information received, maintained, created or transmitted on behalf of, Business Associate by Subcontractor in performance of the Underlying Services.
- j. "Underlying Services" shall mean, to the extent and only to the extent they involve the creation, maintenance, use, disclosure or transmission of Protected Health Information, the services performed by Subcontractor for Business Associate pursuant to the Underlying Services Agreement.
- k. "Underlying Services Agreement" shall mean the written agreement(s) (other than this Agreement) by and between the parties as amended as set forth in the attached schedule by and between the Parties pursuant to which Subcontractor has access to, receives, maintains, creates or transmits PHI for or on behalf of Business Associate in connection with the provision of the services described in that agreement(s) by Subcontractor to Business Associate or in performance of Subcontractor's obligations under such agreement(s).

II. Permitted and Required Uses and Disclosures of Protected Health Information by Subcontractor .

- a. Subcontractor may use or disclose Protected Health Information solely (1) as necessary to provide the Underlying Services to Business Associate and in compliance with each applicable requirement of 45 CFR §164.504(e), (2) as Required by Law or (3) as expressly otherwise authorized under this Agreement. Subcontractor shall not use or disclose Protected Health Information for any other purpose or in any other manner.
- b. Subcontractor may, if necessary, use or disclose Protected Health Information for the proper management and administration of Subcontractor or to carry out the legal responsibilities of Subcontractor; provided, that (1) any disclosure is Required by Law or (2) Subcontractor obtains reasonable advance written assurances from the person or party to whom the Protected Health Information is disclosed that (Y) the Protected Health Information will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person or party, and (Z) the person or party immediately notifies Subcontractor of any instances of which it is aware in which the confidentiality of the information has been breached.

III. Obligations of Subcontractor.

- a. Subcontractor shall use appropriate safeguards, and, comply, where applicable, with the HIPAA Security Rule with respect to Electronic Protected Health Information, to prevent use or disclosure of the information other than as provided for by this Agreement.
- b. Subcontractor shall mitigate any harmful effect of a use or disclosure of Protected Health Information by Subcontractor in violation of the requirements of this Agreement.

- c. Subcontractor shall immediately report to Business Associate: (i) any use or disclosure of Protected Health Information not provided for by this Agreement of which it becomes aware in accordance with 45 CFR §164.504(e)(2)(ii)(C); and/or (ii) any Security Incident of which Subcontractor becomes aware in accordance with 45 CFR § 164.314(a)(2)(i)(C).
- d. Subcontractor shall notify the Business Associate within ten (10) days after Subcontractor's discovery of any incident that involves an unauthorized acquisition, access, use, or disclosure of Protected Health Information; even if Subcontractor believes the incident will not rise to the level of a Breach. Subcontractor agrees that such notification will meet the requirements of the HIPAA Breach Notification Rule set forth in 45 CFR § 164.410. Subcontractor shall provide to the Business Associate the names and contact information of all individuals whose Protected Health Information was or is believed to have been involved, all other information reasonably requested by the Business Associate to enable the Business Associate to perform and document a risk assessment in accordance with the HIPAA Breach Notification Rule with respect to the incident to determine whether a Breach occurred, and all other information reasonably necessary to provide notice to Individuals, the Department of Health and Human Services and/or the media in accordance with the HIPAA Breach Notification Rule. In the event of an incident that is required to be reported under this ~~Section III(d)subsection~~, Business Associate shall elect in its sole discretion whether Business Associate, Subcontractor or a third party shall be responsible for conducting an investigation of that incident and providing any required notices as set forth in this ~~Section III(d)subsection~~.
- e. In accordance with 45 CFR 164.502(e)(1)(ii) and 45 CFR 164.308(b)(2), Subcontractor shall ensure that any subcontractors that create, receive, maintain, or transmit Protected Health Information on behalf of Subcontractor, agree to the same restrictions and conditions, in writing, that apply through this Agreement to Business Associate with respect to such Protected Health Information, including but not limited to the extent that subcontractors create, receive, maintain, or transmit Electronic Protected Health Information on behalf of the Subcontractor, it shall require the subcontractors to comply with the HIPAA Security Rule.
- f. To the extent Subcontractor is to carry out Business Associate's obligations under the HIPAA Privacy Rule, Subcontractor shall comply with the requirements of the HIPAA Privacy Rule that apply to Business Associate in the performance of such obligations.
- g. Subcontractor shall provide access to Business Associate, no later than fifteen (15) days after receipt of a request from Business Associate, to Protected Health Information in a Designated Record Set, or, if requested by Business Associate, to an Individual, all in accordance with the requirements under 45 CFR § 164.524, including, providing or sending a copy to a designated third party and providing or sending a copy in electronic format, to the extent that the Protected Health Information in Subcontractor's possession constitutes a Designated Record Set.
- h. Subcontractor shall make available and make any amendment(s) to Protected Health Information in a Designated Record Set within fifteen (15) days after receipt of a request from Business Associate or an Individual, all in accordance with the requirements of 45 CFR § 164.526.
- i. Subcontractor shall document disclosures of Protected Health Information and information related to such disclosures as would be required for Business Associate to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in

accordance with 45 CFR § 164.528 and, as of the date compliance is required by final regulations, 42 U.S.C. § 17935(c).

- j. Subcontractor shall make available to Business Associate, within fifteen (15) after receipt of a request, information collected in accordance with Section III(i) of this Agreement to permit Business Associate to respond to a request by an Individual for an accounting of disclosures of Protected Health Information, or make that information available directly to an Individual, all in accordance with 45 CFR § 164.528 and, as of the date compliance is required by final regulations, 42 U.S.C. § 17935(c).
- k. Subcontractor shall notify Business Associate in writing within three (3) days after Subcontractor's receipt directly from an Individual of any request for access to or amendment of Protected Health Information, or an accounting of disclosures, as contemplated in Sections III(g), III(h), III(i) and III(j) of this Agreement.
- l. Subcontractor agrees to make its internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, or created or received by Subcontractor on behalf of, Business Associate available to the Business Associate or to the Secretary, for purposes of the Secretary determining Business Associate's compliance with HIPAA.
- m. Subcontractor shall request, use and/or disclose only the minimum amount of Protected Health Information necessary to accomplish the purpose of the request, use or disclosure; provided, that Subcontractor shall comply with 45 CFR §§ 164.502(b) and 164.514(d).
- n. Subcontractor shall not directly or indirectly receive remuneration in exchange for any Protected Health Information as prohibited by 45 CFR § 164.502(a)(5)(ii).
- o. Pursuant to the authorizations obtained by the Business Associate and in accordance with the terms of 45 CFR §§ 164.508(a)(3), Subcontractor may make or cause to be made any marketing communication about a product or service as defined in 45 CFR §§ 164.501.
- p. Pursuant to the authorization obtained by the Business Associate and in accordance with the terms of 45 CFR § 164.514(f) Subcontractor may make or cause to be made any written fundraising communication.
- q. Subcontractor shall take all necessary steps, at the request of Business Associate, to comply with requests by Individuals not to send Protected Health Information to a Health Plan in accordance with 45 CFR § 164.522(a).
- r. Subcontractor shall take reasonable steps to ensure that its employees' actions or omissions do not cause Subcontractor to breach the terms of this Agreement or violate provisions of HIPAA that apply to Subcontractor.
- s. Notwithstanding anything to the contrary, Subcontractor may deidentify any Protected Health Information in accordance with the standard in 45 CFR § 164.514(a). Once data is properly de-identified, Subcontractor may use the deidentified information for any lawful purpose and is not required to destroy such information upon termination of this Agreement.

IV. Term and Termination.

- a. The term of this Agreement shall commence as of the Effective Date and shall terminate concurrently with the Underlying Services Agreement unless earlier terminated, by mutual written agreement of the Parties, or in accordance with this Section IV.
- b. Notwithstanding anything in this Agreement to the contrary, if Business Associate knows of a pattern of activity or practice of Subcontractor that constitutes a material breach or violation of this Agreement then Business Associate shall provide written notice of the breach or violation to Subcontractor that specifies the nature of the breach or violation. Subcontractor must cure the breach or end the violation on or before thirty (30) days after receipt of the written notice. In the absence of a cure reasonably satisfactory to Business Associate within the specified timeframe, or in the event the breach is reasonably incapable of cure, then Business Associate may, terminate this Agreement.
- c. Within thirty (30) days after termination or expiration of this Agreement, Subcontractor will return or destroy, if feasible, all Protected Health Information received from or created or received by Subcontractor, including all Protected Health Information in possession of Subcontractor's agents or subcontractors, on behalf of Business Associate that Subcontractor still maintains in any form and retain no copies of such information. To the extent return or destruction of the Protected Health Information is not feasible, Subcontractor shall notify Business Associate in writing of the reasons return or destruction is not feasible and, if Business Associate agrees, may retain the Protected Health Information subject to this Section. Under any circumstances, Subcontractor shall extend any and all protections, limitations and restrictions contained in this Agreement to Subcontractor's use and/or disclosure of any Protected Health Information retained after the expiration or termination of this Agreement, and shall limit further uses and disclosures to those purposes that make the return or destruction of the information not feasible.

V. Miscellaneous.

- a. The Parties to this Agreement do not intend to create any rights in any third parties. The obligations of Subcontractor under this Section and Section IV(c) of this Agreement shall survive the expiration, termination, or cancellation of this Agreement, the Underlying Service Agreement, and/or the business relationship of the Parties, and shall continue to bind Subcontractor, its agents, employees, contractors, successors, and assigns as set forth herein.
- b. This Agreement may be amended or modified only in a writing signed by the Parties. No Party may assign its respective rights and obligations under this Agreement without the prior written consent of the other Party. None of the provisions of this Agreement are intended to create, nor will they be deemed to create any relationship between the Parties other than that of independent parties contracting with each other solely for the purposes of effecting the provisions of this Agreement and any other agreements between the Parties evidencing their business relationship. This Agreement shall be governed by the laws of the State of Delaware. No change, waiver or discharge of any liability or obligation hereunder on any one or more occasions shall be deemed a waiver of performance of any continuing or other obligation, or shall prohibit enforcement of any obligation, on any other occasion. The Parties agree that, in the event that any documentation of the arrangement pursuant to which Subcontractor provides Underlying Services to Business Associate contains provisions relating to the use or disclosure of Protected Health Information which are more restrictive than the provisions of this Agreement, the provisions of the more restrictive documentation will control. The

provisions of this Agreement are intended to establish the minimum requirements regarding Subcontractor's use and disclosure of Protected Health Information. This Agreement, together with the Underlying Services Agreement, constitutes the entire agreement of the Parties relating to Subcontractor's use or disclosure of Protected Health Information.

- c. The terms of this Agreement to the extent they are unclear, shall be construed to allow for compliance by Business Associate with HIPAA and the HITECH Act. In the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the provisions of this Agreement will remain in full force and effect. In addition, in the event Business Associate believes in good faith that any provision of this Agreement fails to comply with the then-current requirements of HIPAA, Business Associate shall notify Subcontractor in writing. For a period of up to thirty (30) days, the Parties shall address in good faith such concern and amend the terms of this Agreement, if necessary to bring it into compliance. If, after such thirty-day period, the Agreement fails to comply with the requirements of HIPAA, then Business Associate has the right to terminate upon written notice to the Subcontractor.
- d. Subcontractor understands and agrees that it will not assign, delegate, or subcontract any of its rights or obligations under this Agreement to individuals or entities residing outside the United States.
- e. This Agreement may be executed in counterparts, each of which will constitute an original and all of which will be one and same document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

Business Associate:

By: _____
Name: _____
Title: _____

Business Associate Subcontractor:

COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC

By: _____
Name: _____
Title: _____

Schedule 1 to Business Associate Agreement

The Franchise Agreement dated _____ between COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC and _____

Attachment 10
FLAT FEE ADDENDUM

[To be completed only if flat fee structure is required under state law]

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC (“we” or “us”) and _____ (“you”) have this day of _____, ____ (the “Effective Date”) entered into a COMPETITIVE EDGE PHYSICAL THERAPY Franchise Agreement (“Franchise Agreement”) and desire to amend its terms as set out below in this Fee Addendum (the “Addendum”). The parties hereto agree as follows:

1. Pursuant to information provided by your legal counsel, you and we have determined that to comply with laws of the state of _____, the manner of calculating certain fees owed to us under the Franchise Agreement requires adjusting.
2. Therefore, pursuant to our right in Section 3.11 of the Franchise Agreement, the Franchise Agreement is amended to adjust the fees as follows.

Royalty Fee Flat Rate	Brand Fund Contribution	Local Marketing Expenditures
Year 1: \$1,200 per month	Year 1: \$120 per month	Year 1: \$360 per month
Year 2: \$2,400 per month	Year 2: \$240 per month	Year 2: \$720 per month
Year 3: \$3,200 per month	Year 3: \$320 per month	Year 3: \$960 per month
Year 4: \$3,900 per month	Year 4: \$390 per month	Year 4: \$1,170 per month
Year 5 to end of term: \$6,000 per month	Year 5 to end of term: \$600 per month	Year 5 to end of term: \$1,800 per month

For the above charts, each new year begins on the anniversary of the Effective Date of the Franchise Agreement. Payment of the fees shall be made in accordance with the terms of the Franchise Agreement.

3. To the extent of any conflict between the Franchise Agreement and this Addendum, this Addendum shall control. Any terms that are capitalized and undefined in this Addendum shall have the meaning given them in the Franchise Agreement. In all other respects, the terms of the Franchise Agreement are ratified and confirmed. This Addendum together with the Franchise Agreement contain the entire agreement among the parties hereto with respect to the matters contemplated hereby and supersedes all prior agreements and undertakings between parties with respect to such matters.
4. The provisions hereof shall be governed by and construed in accordance with the laws of the State of Delaware. The proper venue for any dispute under this Addendum shall be the venue designated in the Franchise Agreement.

COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC

[FRANCHISEE]

By: _____

By: _____

Print Name and Title

Print Name and Title

Date

Date

EXHIBIT E
MANAGEMENT SERVICES AGREEMENT

[FORM OF MANAGEMENT AGREEMENT ONLY; NEGOTIATIONS PERMITTED AND SUBJECT TO FRANCHISOR'S APPROVAL; DOES NOT CONSTITUTE LEGAL ADVICE; MUST BE MODIFIED TO REFLECT LAWS IN FRANCHISEE'S INDIVIDUAL STATE]

THIS MANAGEMENT SERVICES AGREEMENT ("**Agreement**") is made and entered into as of _____ ("**Effective Date**"), by and among _____ ("**Manager**"), _____, a _____ professional corporation ~~[or other professional entity]~~ ("**PC**"), and _____, ~~an individual licensed to practice physical therapy~~ ("**Principal Physical Therapist**") and the undersigned owners of PC (each an "**Owner**") under the laws of the State of _____ ("**State**").

RECITALS

A. PC is a professional corporation [or other professional entity] duly organized under the laws of the State that ~~operates~~ is permitted to operate a physical therapy clinic (the "**Practice**") providing professional physical therapy services ~~to its patients~~ ("**Specialty Services**");

B. PC desires to obtain the assistance of Manager in providing administrative and related services to manage the business aspects of the Practice ~~presently conducted at~~ _____ (the "**Office**"). References in this Agreement to the Practice shall mean the activities of the physical therapy practice conducted at the Office. The PC shall have no rights as a lessee of or any other possessory or occupancy right to or any interest in the Office except for the right to perform professional physical therapy services at the Office as expressly set forth in this Agreement;

C. Manager desires to provide PC with the necessary support to manage the business aspects of the Practice at the Office, including the services set forth on Attachment 1; and

D. PC desires to engage Manager, and Manager desires to be engaged by PC, upon and subject to the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

I. Manager Responsibilities

(a) Engagement. PC hereby engages Manager to provide or arrange for the business services for the Practice at the Office as are more particularly described on Attachment 1 to this Agreement (the "**Business Services**"). The parties acknowledge and agree that the Business Services do not include the practice of medicine or physical therapy. Any such Specialty Services will be provided subject to the absolute control and direction of the Practice by PC and the terms and conditions of this Agreement, and Manager accepts such engagement, subject to the terms and conditions of this Agreement and applicable law.

(b) Limitation on Manager's Engagement. Notwithstanding any provision of this Agreement, any other agreement entered into by Manager, or any law or regulation, all Business Services provided by Manager under this Agreement shall consist only of services that a non-professional corporation or non-professional business entity may lawfully provide under the laws of the State and other applicable statutes, regulations, common law and other applicable laws governing the practice of physical therapy, the rules and regulations of the State board of physical therapy and common law interpreting those laws (such statutes, rules, regulations and common law, collectively, the "~~Physical Therapy Practice Laws~~Professional Regulations"). Nothing in this Agreement is intended, nor shall be construed, to permit or require PC or its Clinical Staff to practice physical therapy outside the scope of the ~~Physical Therapy Practice Laws~~Professional Regulations; interfere with the ability of PC or its Clinical Staff to exercise its or their professional and ethical judgment in the performance of patient care responsibilities; nor delegate to Manager any of the professional responsibilities or judgment of PC or its Clinical Staff. "**Clinical Staff**" means personnel requiring medical or physical therapy licensure, including all physical therapists, providing physical therapy services at the Practice. Manager shall not select, oversee, nor terminate any Clinical Staff.

(c) Changes in Applicable Laws. If (i) there shall be a change in any Physical Therapy Practice Law or other applicable law or the interpretation or application thereof, or the adoption, enactment, promulgation, issuance, rendering or interpretation or application of any new applicable law, any of which are reasonably likely to adversely affect the manner in which either party may perform or be compensated for its services under this Agreement or which shall make this Agreement or the arrangements hereunder unlawful or illegal, or (ii) any party or any ~~physical therapist in having an ownership interest in PC (an "Owner Physical Therapist")~~Owner alleges or claims that this Agreement or the arrangements hereunder are unlawful or illegal, then the parties shall immediately enter into good faith negotiations regarding amendment of this Agreement or a new service arrangement or basis for compensation for the services furnished pursuant to this Agreement that complies with the applicable law, interpretation or application, and that approximates as closely as possible the economic arrangements and position of the parties hereunder. If the parties are unable to resolve the matter through good faith negotiations within thirty (30) days, then either party may initiate the dispute resolution procedures set forth in ~~Attachment 3~~this Agreement by giving written notice to the other party, and such matter shall be submitted to mediation and if required, arbitration as ~~referenced in Article X and Attachment 3~~set forth below.

(d) Cooperation. The parties will cooperate with each other in good faith in carrying out the parties' respective obligations under this Agreement and compliance with applicable laws. PC, its principal physical therapist, ("Principal Physical Therapist"), Owners, and Manager, from time to time, shall sign and deliver any further documents, instruments, and other assurances, and shall take any other action consistent with the terms of this Agreement and applicable law, that may reasonably be requested by a party for the purpose of effectuating this Agreement.

(d) Authorization. Manager is hereby expressly authorized by PC to perform all services required of Manager pursuant to the terms of this Agreement in the manner Manager deems reasonable and appropriate to meet the day-to-day requirements of PC. To the extent required or desirable to enable Manager to perform such services, PC hereby appoints Manager for the term hereof as its true and lawful agent.

(e) Office. Manager will provide the Office for use by the PC at which it shall conduct and provide the Specialty Services during the term of this Agreement. This Agreement shall not be construed as a lease or sublease of the Office and shall not be deemed to create a relationship of that

of landlord and tenant. The PC shall have no rights as a lessee of or any other possessory or occupancy rights to or any interest in the Office except for the right to perform professional physical therapy services on the Office as expressly set forth in this Agreement.

(f) Equipment. During the term of this Agreement, Manager grants to PC the right to use certain Services and Specialty Services equipment (collectively “Equipment”), on the terms and conditions hereinafter set forth. All Equipment selected for use at the Center for the provision of Specialty Services must be reviewed and approved by PC. If the PC determines that other equipment is necessary for the provision of Specialty Services, the Manager may acquire such equipment and treat it as part of the Equipment provided under the terms of this Agreement. The PC shall use, and shall cause its Clinical Staff to use, the Equipment only in connection with the Office. Title to the Equipment, including any improvements thereto, shall be and remain in the Manager at all times. PC agrees to take no action that would adversely affect Manager’s title to or interest in the Equipment. During the term of this Agreement, PC shall be responsible for maintaining the Equipment in good condition and repair, reasonable wear and tear from normal use excepted, including, when necessary, the replacement or substitution of parts. All maintenance, repair, and replacement, if necessary, of the Equipment shall be performed by Manager on behalf of PC. PC agrees to assume the cost and expense of all supplies used in connection with the Equipment, and PC agrees to make the Equipment available for inspection by Manager or its designee at all times. PC shall not directly or indirectly create or suffer to exist any mortgage, security interest, attachment, writ or other lien or encumbrance on the Equipment, and will promptly and at its own expense, discharge any such lien or encumbrance which shall arise, unless the same shall have been created by Manager. Upon the termination or expiration of this Agreement, Manager shall retain all Equipment and the PC will relinquish control thereof free and clear of all liens, encumbrances, and right of others. During the term of this Agreement, PC engages Manager and Manager agrees to perform, or subcontract for the performance of, all maintenance, repair, and servicing as may be necessary for the Equipment to be maintained in good working condition, reasonable wear and tear excepted. In addition to PC’s right to approve Equipment PC shall advise Manager with respect to the selection of additional and replacement equipment or furnishings for the Office, and with respect to any proposed additions or improvements to the Equipment. PC will ensure that all Equipment is used in a safe and appropriate manner. PC shall promptly notify Manager of any defective Equipment.

II. Service Fees

(a) **Service Fee.** In consideration of the Business Services, PC shall pay a monthly service fee (each month, a “**Service Fee**” and collectively, the “**Service Fees**”) to Manager as described in Attachment 2A or 2B. PC expressly authorizes Manager to make payments of Service Fees to itself from time to time as such Service Fees become due and payable, from any funds of PC or that are available for such payment, including payment under a loan from Manager or a commercial bank, without any notice to or further authorization from PC. To the extent that any of the Business Services are subject to any applicable sales and use taxes, PC shall be responsible for payment of any applicable sales and use taxes. The parties agree to review the Service Fee at least annually and make appropriate adjustments as the parties may mutually agree to ensure that the Service Fee on a go-forward basis comports with the fair market value of the Business Services provided by Manager.

(b) **Fair Market Value.** The Service Fees reflect the parties’ negotiated agreement as to the fair market value of the Business Services given, among other things, the capital that may be expended or made available by Manager with respect to the Practice, the considerable expenses and business risks to be incurred by Manager in providing Business Services under this Agreement, and

the valuable expertise and proprietary know-how of Manager that will be made available to PC under this Agreement.

(c) No Referral of Patients or Splitting of Fees. No payment of Service Fees or other amounts under this Agreement is or shall be in return for the referral of patients, and no such payment is or shall be construed as splitting or sharing of the professional fees of PC or its Clinical Staff or any kind of commission, rebate, or other remuneration for the referral of patients. No party is required to refer patients to the other or to any of their respective affiliates, and nothing in this Agreement shall be construed as (i) directing, influencing, requiring, inducing, soliciting, or reimbursing the referral of any patients, nor (ii) restricting, directing, controlling, influencing, or interfering with the professional judgment of PC or any of the Clinical Staff.

(d) Manager's Right to Audit. From time to time, Manager shall have the right to engage an independent third party to audit the financial books and records of PC, at Manager's expense, to confirm the accuracy of the calculation of the Service Fees payable hereunder and to confirm the value of the Gross Revenues. Except as otherwise authorized below, nothing herein shall authorize Manager to have access to any confidential patient information or protected health information as defined under HIPAA ~~(as defined in Section IX.B)~~ below. In the event such an audit determines that the aggregate Service Fees payable hereunder were calculated indirectly, Manager shall refund to PC any overpayment, and PC shall pay Manager any underpayment, within thirty (30) days following the completion of the audit. "Gross Revenues" means all revenue that is actually collected and received from operating the COMPETITIVE EDGE PHYSICAL THERAPY center and Practice, including, but not limited to, all services and products sold, all amounts that the PC charges, invoices, collects, or receives at or away from the Office, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from patients or other customers and paid to the appropriate taxing authority. Gross Revenues includes the proceeds of any business interruption insurance or similar insurance payments that Manager or PC receives to replace revenue that Manager or PC lose from the interruption of the business of the center due to a casualty or other similar event.

III. Billing, Collections, Office, and Equipment

To facilitate the provision of Business Services by Manager, the parties agree to the following provisions, subject to control of the Practice by PC:

(a) Billing and Collections. PC hereby appoints Manager as PC's true and lawful agent and attorney-in-fact to take the following actions:

(i) To bill and submit claims forms on PC's behalf for claims for reimbursement, payment or indemnification from patients for goods and services provided by or on behalf of PC, and to respond to explanation of benefit forms and billing inquiries of payors;

(ii) To collect and receive and take possession of and endorse on PC's behalf all checks, money orders, and any other instruments received in payment of goods or services rendered by or on behalf of PC, or pursuant to accounts receivable generated by such billings and claims for reimbursement, and to administer such accounts; and

(iii) To sign checks, drafts, bank notes or other instruments on behalf of PC, and deposit all such collections into a designated bank account(s).

Such appointment shall survive the termination of this Agreement for all accounts receivable arising from billing for goods and services provided prior to such termination, until all obligations of PC owed to Manager shall have been paid in full.

(b) No Liability. PC acknowledges and agrees that Manager cannot guarantee or control the creditworthiness of any patient or payor, the exercise of discretionary authority by any payor or the satisfaction of any patient with services provided and, therefore, Manager shall not be liable for any failure to collect or receive payments on behalf of PC hereunder, except for any failure directly arising out of Manager's gross negligence or willful misconduct. To facilitate Manager's collections of PC's accounts receivable, upon request PC shall assist Manager in its collection efforts.

(c) Disbursements. As part of its Business Services to be provided hereunder, Manager shall disburse funds in payment of the Direct PC Expenses (defined below) and, from its Service Fees, disburse funds in payment of the Center Expenses. Such disbursements include accounts payable or other amounts owed by PC with respect to the Practice or in payment for goods or services on behalf of PC with respect to the Practice. Manager is authorized to make payment to itself and its affiliates of any amount due to it or any of them by PC under this Agreement or otherwise, including payment of Service Fees, Center Expenses, or other amounts. PC will timely make available or provide funds to Manager to fund all of such disbursements by Manager. Such disbursements shall be made in the following order of priority to the extent funds are available therefor:

- (i) All Direct PC Expenses due and payable;
- (ii) All Service Fees due and payable to Manager, from which Manager shall pay the Center Expenses due and payable, including reimbursement of Center Expenses paid by Manager on behalf of PC;
- (iii) All sums (if any) due and payable to any commercial bank or lender (other than Manager);
- (iv) All sums (if any) due and payable to Manager as a repayment of a loan or advance, applied first to interest accrued and unpaid, and the balance applied to principal.

(d) Loans to PC. In the event that the cash collections of PC from patient physical therapy treatment and services, and the sale of goods, and all other revenues from operations are not sufficient to fund all of the Direct PC Expenses, the Center Expenses and the Service Fees, then Manager may, in its sole and absolute discretion, loan funds to PC in order to pay all of the obligations of PC. Manager may also, at its sole discretion, arrange for a loan from a commercial bank or other lender to PC or to Manager for the purpose of providing working capital in an amount sufficient to allow PC to meet its financial obligations. Any such loans from Manager to PC shall bear interest at a rate that is commercially reasonable and reflects fair market value, and shall have such other terms as the parties may agree from time to time. To secure any and all amounts loaned to PC by Manager, Manager has the right to require PC to enter into a security agreement.

(e) Center Expenses. For purposes of this Agreement, the term "**Center Expenses**" shall mean all of the following costs and expenses of operating and managing the Practice and the PC:

- (i) All salaries, wages, bonuses and costs of employee benefits for employees (including temporary and part-time employees) of the Manager or PC (excluding all Clinical Staff employed by the PC) working in the Office in support of the Practice, including both

professional and non-professional personnel and Manager employees, including life, disability and medical insurance premiums, pension plan contributions and other employee benefits, and all taxes and assessments payable to local, state and federal governments in connection with the employment of such personnel;

(ii) Direct costs and directly allocable corporate charges for employees or independent contractors of, or consultants to, Manager or PC who provide services at or in connection with the Practice required for improved operational performance of the Practice, such as work management, materials management, purchasing, business consultation, patient relations and scheduling, regional management or supervision functions, and repair and maintenance services;

(iii) Directly allocable corporate charges for items or services customary for physical therapy office operations furnishing Specialty Services, including costs of accounting services, independent audits, collection agency fees, payroll, risk management, regulatory review, capital adequacy, human resources, marketing, real estate development and information services;

(iv) Rent and other amounts payable for the Office facilities charged by the applicable landlord under the underlying lease of such Office facilities space, including any increase in such rent and other charges from time to time based on the underlying lease;

(v) Direct costs and directly allocable corporate charges for marketing activities approved by PC and Principal Physical Therapist in consultation with the Manager from time to time, including business-to-consumer and business-to-business marketing activities identified as “working” marketing expenses, advertising media, promotional programs, facility advertising, branded packaging and other advertising programs;

(vi) Direct costs and directly allocable corporate charges for property, general liability and other customary forms of insurance covering PC, the Office facilities space, equipment and furnishings and other assets used in the Practice;

(vii) Direct costs of all supplies ordered by or on behalf of PC and purchased by Manager on PC’s behalf;

(viii) Personal property and intangible taxes assessed against Manager’s assets used in connection with the operation of the Practice, as well as other business-related taxes required by applicable state and local statutes commencing on the Effective Date of this Agreement;

(ix) Direct costs incurred in connection with employee recruitment and training for the PC;

(x) Direct costs of repair and maintenance of the Office facilities space, equipment and furnishings; provided, however, that if any such repair is required as a result of the gross negligence or willful misconduct of PC or its employees, PC shall be solely responsible for the costs thereof;

(xi) Other direct operating costs incurred by PC or by Manager on PC’s behalf, including bank and other service fees, utilities, telephone, internet, office connectivity,

postage, overnight courier, bad debt, uniforms and laundry expense, janitorial, refuse collection;

(xii) Depreciation expense, as reasonably determined by Manager based on sound accounting principles consistently applied, with respect to any equipment purchased and other capital expenditures made by Manager for the benefit of PC on or after the Effective Date, including the opening of any Office utilized by PC, but for the avoidance of doubt, excluding all furniture, fixtures, equipment and other real or personal property located at the Office on the Effective Date;

(xiii) Other direct expenses incurred by Manager in carrying out its obligations to PC under this Agreement;

(xiv) Costs of maintaining PC in corporate good standing in its applicable jurisdiction(s);

(xv) Legal costs incurred by PC in the organization of its business and the maintenance of its corporate existence and good standing;

(xvi) Fees for outside accountants;

(xvii) All debt service obligations (including principal, interest and bank fees and charges) of PC to any lender; and

(f) The term “**Center Expenses**” shall not include ~~any~~ (i) any expenses which are expressly designated under this Agreement as Direct PC Expenses, (ii) other expenses to be borne by or that are the responsibility of PC, or (iii) any share of costs of compensation (including benefits) for executive management of Manager.

(g) Direct PC Expenses. PC shall be solely responsible for all Direct PC Expenses. For purposes of this Agreement, “**Direct PC Expenses**” shall include the following:

(i) “**Clinical Staff Compensation,**” which means all salaries, wages and the cost of employee benefits for all Clinical Staff employed by PC as in effect from time to time, including life, disability, medical and workers’ compensation insurance premiums, pension plan contributions and other employee benefits, and all taxes and assessments payable to local, state and federal governments in connection with the employment of such personnel;

(ii) All federal, state, and local income, franchise or gross receipts taxes, and any other taxes payable in lieu of income taxes, paid or payable by PC or its ~~Owner Physical Therapist(s)~~ Owners; and

(iii) Costs of maintaining malpractice insurance and professional licenses, continuing education, and similar expenses for PC and Clinical Staff.

(h) Allocations of Costs and Overhead. All costs and expenses incurred by Manager for the benefit of PC from third party vendors or service providers and charged back to PC under this Agreement shall arise out of bona fide arm’s length transactions with unaffiliated third parties and shall be subject to reimbursement on the basis of the actual costs incurred by Manager (without markup) after appropriate adjustment, as reasonably determined by Manager, for credits, rebates,

discounts, refunds and allowances, to the extent directly related to such costs. All directly allocable corporate expenses to be charged to PC under this Agreement shall be allocated among PC and any other professional services corporations, professional limited liability companies or limited liability companies affiliated with or under contract with Manager in an equitable manner as reasonably determined by Manager such that the aggregate of all such allocated expenses shall not exceed 100% of the actual costs incurred by Manager therefor.

(i) Management and Financial Reports. Following the end of each calendar month, but not later than the end of the following month, Manager shall provide a management and financial report listing all Gross Revenues of the PC, all Direct PC Expenses, all Center Expenses, all Service Fees, all allocations of costs and expenses incurred by Manager from third party vendors for the benefit of PC, and all loan payments made by or on behalf of PC including loan amounts paid or accrued owing to Manager.

~~(j) Office. Manager will provide the Office for use by the PC at which it shall conduct and provide the Specialty Services during the term of this Agreement. This Agreement shall not be construed as a lease or sublease of the Office and shall not be deemed to create a relationship of that of landlord and tenant. The PC shall have no rights as a lessee of or any other possessory or occupancy rights to or any interest in the Office except for the right to perform professional physical therapy services on the Office as expressly set forth in this Agreement.~~

~~(k) Equipment. During the term of this Agreement, Manager grants to PC the right to use certain Services and Specialty Services equipment (collectively "**Equipment**"), on the terms and conditions hereinafter set forth. All Equipment selected for use at the Center for the provision of Specialty Services must be reviewed and approved by PC. If the PC determines that other equipment is necessary for the provision of Specialty Services, the Manager may acquire such equipment and treat it as part of the Equipment provided under the terms of this Agreement. The PC shall use, and shall cause its Clinical Staff to use, the Equipment only in connection with the Office. Title to the Equipment, including any improvements thereto, shall be and remain in the Manager at all times. PC agrees to take no action that would adversely affect Manager's title to or interest in the Equipment. During the term of this Agreement, PC shall be responsible for maintaining the Equipment in good condition and repair, reasonable wear and tear from normal use excepted, including, when necessary, the replacement or substitution of parts. All maintenance, repair and replacement, if necessary, of the Equipment shall be performed by Manager on behalf of PC. PC agrees to assume the cost and expense of all supplies used in connection with the Equipment, and PC agrees to make the Equipment available for inspection by Manager or its designee at all times. PC shall not directly or indirectly create or suffer to exist any mortgage, security interest, attachment, writ or other lien or encumbrance on the Equipment, and will promptly and at its own expense, discharge any such lien or encumbrance which shall arise, unless the same shall have been created by Manager. Upon the termination or expiration of this Agreement, Manager shall retain all Equipment and the PC will relinquish control thereof free and clear of all liens, encumbrances, and right of others. During the term of this Agreement, PC engages Manager and Manager agrees to perform, or subcontract for the performance of, all maintenance, repair, and servicing as may be necessary for the Equipment to be maintained in good working condition, reasonable wear and tear excepted. In addition to PC's right to approve Equipment PC shall advise Manager with respect to the selection of additional and replacement equipment or furnishings for the Office, and with respect to any proposed additions or improvements to the Equipment. PC will ensure that all Equipment is used in a safe and appropriate manner. PC shall promptly notify Manager of any defective Equipment.~~

(l) Payment Type. Manager and PC hereby agree that PC will not accept Medicare, Medicaid, or any other state or federal government funded benefit plans or fiscal intermediaries. Further, Manager and PC hereby agree that PC will not accept third party, private payors such as

insurance companies, health plans, and health maintenance organizations. The Practice shall be operated as a cash-only physical therapy practice.

IV. Responsibilities of the PC

(a) Control of Practice by PC. The parties acknowledge and agree that the PC is, and shall remain throughout the term hereof, the owner, operator, and conductor of the Practice, with sole control over the Practice and sole authority and responsibility for owning, operating, conducting, and maintaining the Practice. PC acknowledges and agrees that Manager does not, and shall not, own, operate, conduct, maintain or control the Practice or Offices. PC shall be solely responsible for and have full authority and control over the practice of physical therapy and the provision of physical therapy, ~~medical~~ and patient care by or at the Practice and other aspects of the clinical practice of physical therapy, including: (i) the control of a patient's medical records, including determining the contents thereof; (ii) the selection, oversight, and hiring/firing (as it relates to clinical competency or proficiency) of Clinical Staff; (iii) setting the parameters under which Clinical Staff will enter into contractual relationships with third-party payers; (iv) final decisions regarding coding and billing procedures for patient care services; (v) approving of the selection of medical equipment and medical supplies for the Practice; (vi) the determination of fees for such care, goods and services; (vii) diagnostic tests, treatment plans, clinical necessity and course of care and the necessity and appropriateness of the foregoing; (viii) hours of operation and scheduling of patients and Clinical Staff, including determining how many patients Clinical Staff must see in a given period or how many hours a Clinical Staff member must work; (ix) determining the need for referrals to or consultation with another healthcare provider; (x) equipment and supplies used in treating each patient; ~~and (xi) determining fees charged by the PC for Specialty Services provided; and (xii) any and all other matters included within the definition of "physical therapy" under the Physical Therapy Laws~~ Professional Regulations.

(b) Employment or Contracting of Staff. PC will employ, lease or contract with Clinical Staff working in the Practice or Offices. PC will have full authority and control over the supervision and professional direction of all Clinical Staff personnel employed, leased, or contracted by PC, and all professional and employment-related decisions related to such Clinical Staff, including selection, hiring, compensation, promotion, demotion, and termination. PC shall be responsible for the actions of the Clinical Staff and shall cause them to comply with PC's obligations under this Agreement.

(c) Licenses, Permits and Annual Reports. As the owner, operator and conductor of the Practice, PC is and will be responsible for ensuring that (i) each of the Clinical Staff providing services on behalf of PC holds an unrestricted license to practice physical therapy in the State, (ii) PC prepares and files with the appropriate governmental authority all applicable annual reports and similar documentation, and (iii) PC and its ~~medical~~ offices have such licenses, permits and authorizations as are necessary or appropriate to operate the Practice under applicable laws. PC is and will be responsible for ensuring that all continuing education requirements are met by the Clinical Staff.

(d) Notice of Certain Events. PC will give prompt written notice to Manager of any of the events described in Section VII. f. and any disciplinary, malpractice, enforcement, revocation or other actions, proceedings, inquiries, subpoenas, civil investigative demands, or investigations initiated against PC or any Clinical Staff, as well as the underlying facts and circumstances. In addition, if (during the term hereof or thereafter) PC receives notice of, or a request to disclose books, documents or records for, an audit, investigation or other review by any governmental or non-governmental healthcare payment program with respect to this Agreement or any billing, reimbursement, payment, coding or provision of goods or services that occurred during the term of

this Agreement, PC will promptly notify Manager of the nature and scope thereof and will make available to Manager, upon request, all such books, documents or records.

(e) Patient Records. PC is and will be responsible for creating and causing its Clinical Staff to create patient records with respect to professional physical therapy services and treatment provided to patients in the Practice, in a form and manner as required by the ~~Physical Therapy Laws~~ Professional Regulations or other applicable law and that is sufficiently documented so as to obtain payment for such services from patients, insurance payors, governmental plans, and other third parties having responsibility for payment. The patient records will be maintained in accordance with applicable law, and the parties acknowledge and agree that such patient records shall be and remain the property of PC and under the control of PC and/or Clinical Staff if required by applicable law. If Manager stores any such patient records on behalf of PC pursuant to this Agreement (in physical or electronic format), such patient records will remain subject to the control of PC and its Clinical Staff as required by applicable law and Manager will provide PC with access to such patient records during regular business hours promptly upon reasonable request. For purposes of complying with HIPAA ~~(as defined in Section IX. b)~~ and other applicable laws, Manager and PC shall sign a Business Associate Agreement (a form of which is attached hereto as Attachment 4~~3~~). Manager and PC agree that Manager shall have the right to create, receive, maintain, and transmit deidentified information and data, including deidentified biometric and biomechanical data from patients of the Practice.

(f) Insurance.

(i) Manager shall obtain and maintain on PC's behalf PC shall obtain and maintain appropriate policies of comprehensive general liability insurance, workers compensation insurance and professional medical liability insurance covering all activities of PC directly or indirectly relating to PC in such amounts as are agreed by PC and Manager; provided, that ~~(i1)~~ the professional physical therapy liability insurance shall provide minimum limits of coverage of \$1,000,000 per occurrence and \$2,000,000 annual aggregate, ~~(ii2)~~ workers compensation shall provide minimum limits as required by the State laws, ~~(iii3)~~ errors and omissions insurance shall provide minimum limits of coverage of \$1,000,000 per occurrence and \$2,000,000 annual aggregate, and ~~(iv4)~~ general commercial liability insurance with minimum limits of coverage of 1,000,000 per occurrence and \$2,000,000 annual aggregate. If any Clinical Staff is not covered by the professional physical therapy liability insurance, Manager shall insure that such Clinical Staff member procures and maintains individual professional physical therapy liability insurance with minimum limits of coverage of \$1,000,000 per occurrence and \$2,000,000 annual aggregate.

(ii) If permitted by the insurance company providing the coverage required hereunder, Manager shall cause Manager and COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, to be named as additional insureds on the comprehensive general liability policies, errors and omissions liabilities policies, and professional liability insurance policies specified in ~~Section IV.f.i.~~ above, and provide certificates of insurance evidencing same to PC and COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC and said certificates shall provide, if agreed by the insurance carrier, that prior to any cancellation or change in the underlying insurances during the policy period, the insurance carrier shall first give thirty (30) calendar days written notice to Manager.

(g) Internal Management of PC. Except for the payment of fees as set forth in this Agreement, PC is and will be responsible for its qualification to conduct business in all jurisdictions

where such qualification may be necessary, and for maintaining itself in good standing in each such jurisdiction. In addition, PC is and will be responsible for its internal management and control.

V. Non-Solicitation, Unfair Competition, and Outside Activities.

~~(a) No Other Professional Activities. PC, Principal Physical Therapist, and each Clinical Staff member at the Office shall devote their best efforts to fulfill their obligations hereunder. PC and the Principal Physical Therapist and the other Clinical Staff shall not engage in any other professional activity, whether or not such business activity is pursued for gain, profit, or other pecuniary advantage, which would interfere with the performance of PC's duties hereunder, without the prior written consent of Manager, which consent shall not be unreasonably withheld. PC shall assure that each of its Clinical Staff shall not provide physical therapy services other than on behalf of PC unless such activity is disclosed in writing to and is expressly authorized in writing by Manager. In the event that any of PC's Clinical Staff shall violate any provision of this Section V(a), Principal Physical Therapist shall immediately notify Manager of such activity and the PC shall immediately take all necessary and appropriate corrective action to cease such activity.~~

~~(b) Outside Income. Except as otherwise approved in advance by Manager and to the extent permitted by law, all amounts collected by PC for physical therapy services provided outside of the Center, regardless of the source of payment, is subject to the Service Fee including honoraria, royalties, revenues from patents, copyrights or other licensable intellectual property, revenues from teaching and supervising licensees in training and revenues from other professional activities ("Outside Income").~~

~~(c) In Term Covenant Against Unfair Competition. PC and each Owner Physical Therapist each agree that they will not during the term of this Agreement:~~

(i) own, maintain, operate, engage in, franchise or license, advise, make loans to, or have any controlling or non-controlling interest as a partner, owner, officer, executive, managerial employee, director, sales person, or consultant for - whether of record, beneficially, or otherwise - in a Competitive Business (defined below), wherever located or operating (except that equity ownership of less than Five Percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph~~subsection~~); or

(ii) become a franchisee or licensee of any Competitive Business; or

(iii) perform any other act injurious or prejudicial to the goodwill associated with the Franchisor Intellectual Property; or

(iv) solicit, divert or attempt to solicit or divert any patient or customer that has done business with or has been a patient or customer of the Practice at any time during the term of this Agreement, to any Competitive Business, ~~by direct or indirect inducement or otherwise~~; or

(v) use any vendor relationship established through its association with Manager for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use or retail sale in the Practice.

~~(d) Post-Term Covenant Against Unfair Competition Upon termination or expiration of this Agreement, for any reason, or upon the date that an Owner Physical Therapist transfers the~~

entirety of its interest in the Practice to another person or party (together the “**Termination Date**”), the PC and the ~~Owner Physical Therapists~~Owners agree that, for two (2) years beginning on the later to occur of (~~i1~~) the Termination Date or (~~ii2~~) the date on which all persons restricted by this subsection begin to comply with this subsection or (~~iii3~~) if legal proceedings are necessary to enforce this Agreement, the date of entry of an order by a court of competent jurisdiction or arbitrator enforcing the Agreement, the PC and the ~~Owner Physical Therapists~~Owners, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not do any of the following in the ~~Protected~~Restricted Territory (defined below):

(i) own, maintain, operate, engage in, franchise or license, advise, make loans to, or have any controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, manager, managerial employee, consultant, or sales person for any Competitive Business; provided, however that equity ownership of less than Five Percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Article V.

(ii) engage in any Competitive Business as an employee, consultant, or independent contractor in any capacity in which such person would be in a position to use or disclose proprietary information of the Franchisor Intellectual Property;

(iii) solicit, divert, or induce or attempt to solicit, divert, or induce for, or on behalf of, any Competitive Business any person or entity who was an employee of, independent contractor to, consultant to, or other service provider to the Practice or Manager as of the Termination Date or who was an employee of, independent contractor to, consultant to, or other service provider to the Practice or Manager during the one (1) year period prior to the Termination Date, to work for the Competitive Business; or

(iv) solicit, divert, induce or attempt to solicit, divert, or induce any person or entity who is an employee of, independent contractor to, consultant to, or other service provider to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC's affiliates, or other COMPETITIVE EDGE PHYSICAL THERAPY franchisees to terminate or alter in any way its, his, or her relationship with COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC's affiliates, or other COMPETITIVE EDGE PHYSICAL THERAPY franchisees, on behalf of any Competitive Business, to work for any Competitive Business; or

(v) solicit, divert, or attempt to solicit or divert to any Competitive Business any patient to which the PC or Manager sold any product or for which the Practice or Manager performed any service at any time within the one (1) year period prior to the Termination Date or any prospective patient or customer that the Practice or Manager called on at any time or had any communications within the one (1) year period prior to the Termination Date.

(~~ec~~) Definitions. For purposes of this Article V, the following definitions shall apply:

(i) The term “**Competitive Business**” means (~~i1~~) any clinic, practice, or business that offers or provides (~~1A~~) physical therapy services, sports orthopedic services, biomechanics analysis, gait analysis, or athletic training, or (~~2B~~) management services for a

physical therapy center, sports medicine clinic, or athletic training business or (~~##2~~) any business granting franchises or licenses to others to operate the type of business specified in ~~subparagraph~~subsection (~~i1~~) (other than a COMPETITIVE EDGE PHYSICAL THERAPY center operated under a franchise agreement with COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC).

(ii) The term “~~Protected~~Restricted Territory” means the following:

(1) An area which combined includes the areas that are within a twenty (20) mile radius of the Office or any other COMPETITIVE EDGE PHYSICAL THERAPY businesses; or

(2) Only in the event the foregoing is determined by a court of law to be too broad, an area within a twenty (20) mile radius of the Office; or

(3) Only in the event the foregoing is determined by a court of law to be too broad, an area within a ten (10) mile radius of the Office; or

(4) Only in the event the foregoing is determined by a court of law to be too broad, the Office.

(~~fd~~) The parties agree that the foregoing covenants contained in this Article V contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the Manager's goodwill or other business interest and the interest of other COMPETITIVE EDGE PHYSICAL THERAPY franchisees, and the provisions do not prevent PC or the Owner ~~Physical Therapists~~ from earning a living.

VI. Representations, Warranties and Covenants

(a) PC and ~~the Principal Physical Therapist~~each Owner each represents and warrants to Manager as follows:

(i) Organization and Qualification. PC is and during the term of this Agreement shall be organized and validly existing as a professional ~~medical~~-corporation and in good standing under the laws of the State and has and will have the power and authority to own, operate and use its assets and engage in the practice of physical therapy in the State. All of the shares of capital stock and other equity and ownership interests of PC are and during the term of this Agreement will be held beneficially and of record by the ~~Owned Physical Therapists~~Owners, who are duly licensed to practice physical therapy in the State without restriction.

(ii) Authority. PC has the power and authority to sign, deliver and perform this Agreement and each of the Related Agreements (~~as defined in Section VII.f~~), each of which has been authorized by all necessary corporate action on the part of PC. This Agreement and each of the Related Agreements has been signed and delivered by PC and is a valid and binding obligation of PC, enforceable against it in accordance with its terms, except as enforcement hereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, and other similar laws relating to or affecting the enforcement of creditors' rights generally and general legal principles governing the availability of equitable remedies.

(iii) No Conflicts, Defaults or Violations. Neither the execution or delivery of this Agreement or any of the Related Agreements nor the performance by PC of its obligations hereunder or thereunder will (1) breach, conflict with, or constitute a default under PC's governing or organizational documents, or any material contract, lease, note or other agreement to which PC is a party, (2) result in the creation or imposition of liens in favor of any third person or entity, or (3) violate any of the ~~Physical Therapy Laws~~Professional Regulations or other applicable law or order.

(iv) No Pending Actions. There is no action, suit, proceeding, investigation, or litigation outstanding, pending or, to the best of PC's knowledge, threatened, affecting PC other than routine patient collection matters and professional liability cases adequately covered by insurance.

(v) Good Standing. PC represents and warrants that each Clinical Staff member employed or contracted by PC is as of the date hereof, and shall at all times during the term hereof be and remain: duly licensed to practice physical therapy within the States and every other state in which the Clinical Staff member practices Physical Therapy, all without limitation, restriction or condition whatsoever.

(vi) Insurance. PC represents and warrants that each Clinical Staff member employed contracted by PC is as of the date here and shall at all times during the term hereof be and remain covered by policies that are in compliance with the insurance requirements set forth in ~~Section IV. hereof~~this Agreement.

(b) Contracting Physical Therapists. PC represents and warrants that it and each Clinical Staff member contracted by it to provide professional physical therapy services to patients shall (i) comply with all applicable governmental laws, regulations, ordinances, and directives and (ii) perform his or her work and functions at all times in strict accordance with currently approved methods and practices in the appropriate field; (iii) not have been excluded, debarred, or suspended in any way from participation in the Medicare or Medicaid programs, or from participation in the provision of Specialty Services to any commercial payor or its patients.

(c) Representations, Warranties and Covenants of Manager. Manager represents, warrants, and covenants with PC and Principal Physical Therapist as follows:

(i) Organization and Qualification. Manager is and during the term of this Agreement shall be organized and validly existing and in good standing under the laws of the State and has and will have the power and authority to own, operate and use its assets and engage in the operation of its business.

(ii) Authority. Manager has the power and authority to sign, deliver and perform this Agreement and each of the Related Agreements, each of which has been authorized by all necessary corporate action on the part of Manager. This Agreement and each of the Related Agreements has been signed and delivered by Manager and is a valid and binding obligation of Manager, enforceable against it in accordance with its terms, except as enforcement hereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, and other similar laws relating to or affecting the enforcement of creditors' rights generally and general legal principles governing the availability of equitable remedies.

(iii) No Conflicts, Defaults or Violations. Neither the execution or delivery of this Agreement or any of the Related Agreements nor the performance by Manager of its obligations hereunder or thereunder will (~~i1~~) breach, conflict with, or constitute a default under Manager's governing or organizational documents, or any material contract, lease, note or other agreement to which Manager is a party, (~~ii2~~) result in the creation or imposition of liens in favor of any third person or entity, or (~~iii3~~) violate any applicable law or order.

(iv) No Pending Actions. There is no action, suit, proceeding, investigation, or litigation outstanding, pending or, to the best of Manager's knowledge, threatened, affecting Manager.

VII. Term and Termination

(a) Term. The initial term of this Agreement will be for a period of ten (10) years, commencing as of the Effective Date, unless earlier terminated ~~as provided in Sections VII.b through VII.g~~ and will automatically renew for a renewal term of five (5) years if neither party has notified the other party in writing at least six (6) months prior to the expiration of the then-current term of its intention not to renew such then-current term. The initial term and the renewal term of this Agreement are referred to as the "**Term**." The provisions of Section V.d~~b~~, Article VII, ~~Section VIII.a~~ and Articles ~~VIII~~, IX, X, and XI and any provisions which expressly extend beyond the termination or expiration of this Agreement, shall survive any termination or expiration of this Agreement.

(b) Termination by Either Party Upon Material Breach by Other Party.

(i) Either party (~~the~~ "**Terminating Party**") may terminate this Agreement if the other party (~~the~~ "**Breaching Party**") materially breaches this Agreement or materially defaults in the performance of the Breaching Party's obligations under this Agreement, and the Breaching Party fails to cure such material breach or default within thirty (30) days (or ten (10) days with respect to the payment of money) after the date on which the Terminating Party gives the Breaching Party written notice specifying in reasonable detail the nature, facts and extent of such breach or default (which written notice must be given within ninety (90) days following the date on which the Terminating Party becomes aware of such breach or default); provided, however, that, if such breach or default (other than a breach or default with respect to the payment of money) is not reasonably capable of being cured within such 30-day period due to the inherent nature of the breach or default (without regard to the Breaching Party's financial position, resources or capabilities), and the Breaching Party commences such cure within the 30-day period and acts diligently to cure such breach or default, then the Breaching Party shall have such additional period of time as may be reasonably necessary to effect and complete such cure, and the Terminating Party may not terminate this Agreement pursuant to this subsection (~~a~~) with respect to such breach or default during such period or if such breach or default is cured during such period.

(ii) If the parties disagree as to the existence of a breach or default which gives rise to termination as provided in this Section VII.a, or whether such breach or default has been cured, then the parties will resolve the disagreement in accordance with Article X ~~and Attachment 3~~ hereto, and this Agreement will not be terminated pursuant to this Section VII.a, with respect to such breach or default or alleged breach or default during the period of such dispute resolution, and the parties shall continue to perform under this Agreement during such period.

(c) Termination upon PC Bankruptcy. Manager may terminate this Agreement immediately upon notice to PC if PC applies for or consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, makes a general assignment for the benefit of creditors, files a petition or answer seeking reorganization or arrangement with creditors, or if any order, judgment or decree is entered by any court of competent jurisdiction on the application of a creditor or otherwise adjudicating such party bankrupt or approving a petition seeking reorganization of such party or appointment of a receiver, trustee or liquidator of such party or of all or a substantial part of its assets and such order, judgment or decree continues unstayed and in effect for 60 calendar days after its entry. Termination under this Section VII.c. will be effective automatically and immediately upon the giving of written notice of termination by Manager.

(d) Termination by PC. This Agreement may be terminated by PC only for failure of Manager to reasonably cure a material breach of this Agreement or upon the mutual agreement of PC and Manager.

~~(e) Rights of Parties upon Termination. In the event of the termination of this Agreement for any reason, including without limitation the breach of this Agreement by either party, the rights of the parties shall be as set forth in Section VII. i below, and Manager shall be entitled to recover out of the Practice's bank account(s) or Manager's bank account(s) from PC all fees, and any and all advances and other charges owed to Manager that had accrued but were unpaid as of the date of termination.~~

(fe) Termination by Manager for Cause. Manager may terminate this Agreement at any time upon written notice to PC if any of the following shall occur:

(i) The license of Principal Physical Therapist to practice physical therapy in the State is revoked, terminated, materially limited or suspended, or the license of Principal Physical Therapist to practice physical therapy in any other state is revoked, terminated, materially limited or suspended, and such action precludes Principal Physical Therapist from being able to perform the administrative services;

(ii) PC, any Owner, or the Principal Physical Therapist materially breaches or fails to perform any material obligation required under this Agreement or any other agreement entered into by or among PC, any Owner, Principal Physical Therapist and/or Manager in connection with this Agreement (collectively, the "**Related Agreements**"), and fails to cure such breach or failure within the cure period (if any) provided for therein;

(iii) Principal Physical Therapist is indicted for, convicted of or pleads guilty or no contest to any felony or other crime punishable by imprisonment or any crime of moral turpitude, dishonesty, theft or any other conduct that could reasonably be expected to impair the reputation of Manager;

(iv) PC, any Owner, or Principal Physical Therapist has engaged in any act of embezzlement, theft, dishonesty or fraud upon Manager or any payor or patient;

(v) PC, any Owner, or Principal Physical Therapist is excluded, debarred or suspended from participation, or otherwise becomes ineligible to participate, in any governmental or non-governmental health care program or plan;

(vi) Manager determines that Principal Physical Therapist has engaged in any form of drug or alcohol abuse, has violated any applicable employment-related laws (including those relating to discrimination or harassment), or otherwise engages in any conduct that is materially disruptive or injurious to the Practice;

(vii) PC or Principal Physical Therapist is unable or fails to obtain, maintain, or otherwise qualify for professional liability insurance;

(viii) PC or Principal Physical Therapist is unable to qualify for credentialing, or is notified of a termination or rejection of credentials, or otherwise fails to meet participation requirements, with any insurance provider or carrier;

(ix) PC's or Principal Physical Therapist's unauthorized or unpermitted attempted assignment of this Agreement or any of the Related Agreements, or of any other delegation of its or his/her rights and/or obligations hereunder or thereunder; or

(x) the Franchise Agreement between Manager and COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC terminates, transfers, does not renew, or expires; or

(xi) the Principal Physical Therapist ceases to be an Owner ~~Physical Therapist~~.

~~(g)~~ Assignment. Manager has entered into this Agreement and is willing to incur the expense and risks involved in providing Business Services to and making expenditures on behalf of PC in part because Principal Physical Therapist owns a controlling interest of PC. Accordingly, the parties agree that:

(i) Any actual or attempted transaction or series of related transactions that, directly or indirectly, voluntarily or by operation of law that results or, if completed would result, in ~~(i1)~~ the sale, assignment, transfer, pledge, gift, encumbrance or alienation of any interest in this Agreement; ~~(ii2)~~ a change in ownership of a controlling interests of PC; ~~(iii3)~~ the death or disability of Principal Physical Therapist; or ~~(iv4)~~ the offer to sell or sale of a majority of assets of the PC will each be considered an assignment of this Agreement by PC. ~~PC may not~~

(ii) No party shall directly or indirectly assign this Agreement except with the prior written approval of Manager. ~~However, PC represents that it has not signed this Agreement in reliance on any owner, director, officer, manager or employee remaining with Manager in that capacity. Manager is free to transfer and assign all of its rights under this Agreement to any person or business entity without prior notice to, or consent of, PC if the assignee agrees in writing to assume Manager's obligations under this Agreement. Upon the other party(ies). Upon the proper assignment and assumption, Manager the assigning party shall have no further obligation to PC the other party(ies).~~

~~(h)~~ Termination Upon Changes in Ownership, Sale, Winding Up or Voluntary Withdrawal. Manager entered into this Agreement and is willing to incur the expense and risks involved in providing Business Services and making expenditures hereunder or in connection herewith in part because the Principal Physical Therapist is the owner of PC. Accordingly, the parties agree that:

(iii) If the Principal Physical Therapist any Owner determines to sell or, transfer, or assign a portion of his stock or other ownership interests in PC, or PC determines to issue any stock or other ownership interests in PC, and in either case following such transfer, if

approved as provided herein, Principal Physical Therapist continues to own a majority of the voting stock and control of the PC (each, a **"Proposed Sale"**), to any person (a **"Proposed New Owner"**), then: then any proposed new owner must be accepted by Manager and must meet Manager's qualifications. If Manager does not accept the new owner, then the proposed sale, transfer, or assignment shall not occur.

~~1. Principal Physical Therapist shall provide Manager with written notice of such Proposed Sale (**"Notice of Proposed Sale"**) at least 90 days prior to any consummation of such Proposed Sale.~~

~~2. The Notice of Proposed Sale shall include (A) the number or amount of stock or other ownership interests proposed to be sold, transferred or issued in such Proposed Sale; (B) the relative percentage of stock or other ownership interests held by all equity holders of PC prior to and after giving effect to the Proposed Sale; (C) the identity of the Proposed New Owner, who must be duly licensed to practice physical therapy in the State without restriction; and (D) if the Proposed New Owner is not already a physical therapist licensed in the State immediately prior to the Proposed Sale, (1) evidence of the Proposed New Owner's appropriate and active license to practice physical therapy in the State (2) a complete record of any disciplinary action against the Proposed New Owner, including warnings, suspensions, censures, or revocations of professional license in the State or any other jurisdiction, (3) a complete record of past and pending malpractice claims made against the Proposed New Owner, (4) a current and complete curriculum vitae for the Proposed New Owner, (5) evidence of malpractice tail coverage in force for pre-sale practice periods applicable to the Proposed New Owner and (6) any other information reasonably requested by Manager (collectively, the **"Required Information"**).~~

~~3. If the Proposed New Owner is not already an Owner Physical Therapist immediately prior to the Proposed Sale, then within 45 days after Manager's receipt of the Notice of Proposed Sale and the Required Information, the Manager will notify PC in writing (**"Manager Notice"**) whether Manager approved the Proposed Sale, in which case Manager and the Proposed New Owner shall enter into and sign an Adherence Agreement in the form and substance presented by Manager in its discretion, whereby the Proposed New Owner agrees to be bound by all of the terms, conditions and obligations of this Agreement as are applicable to the Principal Physical Therapist, or whether the Manager does not approve the Proposed Sale in which case Principal Physical Therapist or PC, as applicable, shall not sell, transfer or issue any shares of the stock of PC to the Proposed New Owner.~~

~~4. If the Manager Notice sets forth Manager's intention to enter into and sign with the Proposed New Owner the Adherence Agreement, then such Proposed New Owner shall promptly sign and deliver to Manager the Adherence Agreement and the new Owner Physical Therapist shall be bound by all of the terms, conditions and obligations of such Owner Physical Therapist under this Agreement and the Related Agreements.~~

(ig) **Effects of Termination.** Upon any expiration or termination of this Agreement:

(i) All outstanding Service Fees and other amounts owing by PC to Manager earned through the date of expiration or termination shall immediately become due and payable to Manager by PC. The parties shall continue to perform any obligations accrued prior to the termination, including payment by PC of the Service Fees accrued or arising prior to the termination of this Agreement, and repayment of all outstanding loans and advances

and related interest, premiums and penalties, and any obligations, promises or covenants set forth in this Agreement that are expressly made to extend beyond the term, including indemnification, which provisions shall survive the expiration or termination of this Agreement for any reason.

(ii) Termination will not affect any liability or obligation that has accrued to any party prior to such termination, and will not constitute an election of remedies by the terminating party nor a waiver by such party of any right, benefit, remedy or relief to which the terminating party may be entitled at law, in equity or under this Agreement.

(iii) In addition, the parties will cooperate with each other and carry out any provisions of this Agreement that are reasonably necessary to wind up the contractual relationship between the parties, including taking the following actions as of the date of the termination or expiration of this Agreement:

(1) PC will immediately discontinue any use of and will promptly return to Manager all Franchisor Intellectual Property and all other confidential or proprietary information, manuals and other materials of, associated with or respecting Manager or the Franchisor Intellectual Property, and will immediately cease to use all software provided or arranged for by Manager and return all copies of such software and all related documentation and computer programs and any copies thereof;

(2) Manager will immediately discontinue any use of and will promptly return to PC all PC Intellectual Property and any other confidential or proprietary information of PC that is in the possession of Manager;

(3) Both parties shall cooperate to ensure the appropriate billing and collections for goods and services rendered by PC prior to the termination, and any such collections will be billed, collected, deposited and disbursed by Manager as specified in Article III hereof;

(4) PC and the ~~Owner Physical Therapist(s)~~Owners will immediately vacate, surrender and deliver each Office to Manager, together with all improvements, Equipment, furnishings and other assets and property therein provided or made available by Manager, in the same order and condition as when received, ordinary wear and tear excepted;

(5) PC shall reimburse, pay, indemnify and hold harmless Manager for all rent, operating costs or other amounts payable under each lease agreement under which the Office premises are leased with respect to the remainder of the term thereof, and any breach or default of each such lease agreement and related damages and losses relating to or arising out of expiration or termination of this Agreement (including the failure to maintain an active business or operation in the leased premises);

(6) The parties will cooperate with each other in good faith with respect to necessary changes to advertisements and signage regarding the Practice;

(7) Subject to HIPAA and other applicable law, Manager will be provided access, at reasonable times and upon reasonable request, to the patient records of the Practice for a period not shorter than the applicable statute of limitations for any claim that may be asserted against Manager arising from its activities or operations of the Practice during the term hereof;

(8) PC, Manager, and the ~~Owner Physical Therapist(s)~~ Owners shall cooperate to ensure the continuation of appropriate health care to patients of the Practice; and

(9) The PC, Principal Physical Therapist, and ~~Owner Physical Therapists~~ Owners shall comply with the covenants set forth in this Agreement; and

(10) Manager shall be entitled to recover out of the Practice's bank account(s) or Manager's bank account(s) from PC all fees and any and all advances and other charges owed to Manager that had accrued but were unpaid as of the date of termination.

VIII. Indemnification.

(a) Liability for Obligations. Except for Service Fees payable by PC and debt, liabilities or obligations incurred by Manager on behalf of PC and except for the indemnification rights below, neither party shall be liable or responsible for any debt, liability, taxes, or obligation of the other party unless such liability or responsibility is expressly assumed by the party sought to be charged therewith.

(b) Indemnification by Manager. Manager shall indemnify, defend and hold harmless PC and its shareholder(s), officers and directors from and against any and all loss, damage, claim, obligation, liability, cost and expense (including reasonable attorneys' fees), of any kind or character (each, a "Loss"), arising out of or in connection with (a) any intentional misconduct or grossly negligent act or omission of Manager; or (b) any breach of this Agreement by Manager.

(c) Indemnification by PC. PC shall indemnify, defend and hold harmless Manager and its stockholders, directors, officers, managers, employees, agents and affiliates from and against any Loss arising out of or in connection with (a) any intentional misconduct or negligent act or omission of PC; (b) the provision or performance of physical therapy services or procedures by PC or its employees or independent contractors, or any other claims of third parties not relating directly to the provision by Manager of the Business Services contemplated in this Agreement; or (c) any breach of this Agreement by PC.

(d) Notice of Claim. Any party seeking to be indemnified hereunder (the "Indemnified Party") shall give prompt written notice to the party from whom indemnity is sought (the "Indemnifying Party") upon the Indemnified Party obtaining actual knowledge of the applicable Loss or threat of a Loss, specifying in reasonable detail the nature of the Loss (to the extent then known). The Indemnified Party shall provide to the Indemnifying Party as promptly as practicable thereafter all information and documentation reasonably requested by the Indemnifying Party to verify the claim asserted; however, any delay or failure in giving such notice or providing such information and documentation shall not relieve the Indemnifying Party of its obligations hereunder except to the extent it shall have been materially prejudiced by such delay or failure.

IX. Confidentiality; HIPAA Compliance; IP

(a) Confidential Information. The parties acknowledge that each party may have access to certain information and documentation of the other party that is confidential and constitutes valuable, special, and unique property. Each party warrants and covenants to the other party that such party will not at any time (either during or subsequent to the term of this Agreement), disclose, use, copy or permit to be copied any confidential or proprietary information or trade secrets of such other party, except (i) with the other party's express prior written consent, (ii) as required by law, court order or legal process, (iii) as necessary to enforce the terms of this Agreement, (iv) subject to HIPAA or other applicable law, as necessary to comply with the terms of Manager's franchise agreement, (v) disclosure in confidence to such party's owners, directors, officers, employees, attorneys, accountants, advisors, affiliates and other representatives, or (vi) subject to HIPAA or other applicable law, by Manager in connection with providing Business Services under this Agreement, compiling data or information related to the Practice and other practices for which Manager or its affiliates provide services and providing such data and information to such practices, or any other bona fide business purpose, such as disclosure in confidence to Manager's or its affiliates' investors, lenders or third-party purchasers. Each party acknowledges that the other party does not have an adequate remedy at law for a breach of this ~~Section IX.~~subsection by such party, will suffer irreparable harm in the event of such breach and that, therefore, such other party shall be entitled to seek injunctive and other equitable relief for the enforcement of this ~~Section~~subsection without posting bond or proving actual damages. PC agrees to cause its Clinical Staff who have access to Manager's confidential information to enter into similar covenants of confidentiality, if required by Manager.

(b) HIPAA Compliance. In connection with this Agreement and provision of the Business Services hereunder, the parties agree to comply with the Health Insurance Portability and Accountability Act of 1996 and any current and future regulations promulgated thereunder, including the federal privacy regulations, security regulations and standards for electronic transactions thereunder, all as amended from time to time (collectively, "HIPAA"), and any applicable state laws and regulations that govern the confidentiality, privacy or security of health care information. Simultaneously with PC signing and delivering this Agreement, each of the parties shall sign and deliver a business associate agreement in form and substance mutually acceptable to PC and Manager. The parties agree to enter into further agreements from time to time as necessary to comply with HIPAA. Additionally, PC agrees and acknowledges that certain information, including protected health information, may be transmitted by Manager to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC in accordance with the terms of Manager's franchise agreement and the terms of a subcontractor business associate agreement.

(c) Intellectual Property.

(i) Franchisor Intellectual Property. Manager licenses certain intellectual property rights that are used in the operation of its business, including certain logos, trademarks, trade names, service marks, manuals, proprietary documentation, know-how, and other intellectual property licensed by Manager from COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC (collectively, the "**Franchisor Intellectual Property**"). PC acknowledges and agrees that all proprietary rights, ownership, and goodwill in the Franchisor Intellectual Property will remain subject to Manager's license of same from COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC. PC covenants and agrees that it will not assert any ownership claim to any Franchisor Intellectual Property. If, by operation of law or otherwise, PC is or may be deemed to or appears to own any property rights in the

Franchisor Intellectual Property, PC will, at Manager's or COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC's request, sign any and all documents necessary to assign such rights to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC and to confirm or otherwise establish COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC's rights therein. PC will fully cooperate with Manager and COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC in protecting all rights in and to the Franchisor Intellectual Property. The parties hereby recognize and agree Manager has a confidentiality obligation regarding components of the Franchisor Intellectual Property. PC and Principal Physical Therapist agree that to the extent that such confidential information is shared with them that they shall not publish, disclose, divulge, or communicate such confidential information to any person without the authorization of Manager.

(ii) PC Intellectual Property. PC is the owner of certain intellectual property rights that are used in the operation of the Practice (collectively, the "**PC Intellectual Property**"). Manager acknowledges and agrees that all proprietary rights, ownership, and goodwill in the PC Intellectual Property will inure and remain as the property of PC. Manager covenants and agrees that it will not assert any ownership claim to any PC Intellectual Property. If, by operation of law or otherwise, Manager is or may be deemed to or appears to own any property rights in the PC Intellectual Property, Manager will, at PC's request, sign any and all documents necessary to assign such rights to PC and to confirm or otherwise establish PC's rights therein. During the Term of this Agreement PC will not license a third party to use the PC Intellectual Property in any manner whatsoever without the prior approval of Manager. Manager will fully cooperate with PC in protecting all rights in and to the PC Intellectual Property.

(iii) Inventions, Concepts, and Ideas. All works, discoveries and developments, whether or not copyrightable, relating to the Manager's present, past or prospective activities, services and products ("**Inventions**") which are at any time conceived or reduced to practice by PC and/or any of its Clinical Staff, acting alone or in conjunction with others, in connection with the Manager's management of the PC or, during the course of PC's employment or engagement of Clinical Staff (or, if based on or related to any Confidential Information, made by PC and/or any of the Clinical Staff during or after such management by Manager or employment or engagement by PC) and all concepts and ideas known to PC or any Clinical Staff at any time during Manager's management of PC which relate to the Manager's present, past or prospective activities, services and products ("**Concepts and Ideas**") or any modifications thereof held by or known to PC and/or any physical therapy on the date of this Agreement or acquired by PC and/or any Clinical Staff during the term of this Agreement shall be the property of Manager, free of any reserved or other rights of any kind on PC and/or any Clinical Staff's part with respect thereto, and PC and/or any such Clinical Staff hereby assigns all rights therein to Manager. PC and/or its Clinical Staff shall promptly make full disclosure of any such Inventions, Concepts and Ideas or modifications thereof to Manager. Further, PC and/or its Clinical Staff shall, promptly execute formal applications for copyrights and also do all other acts and things (including executing and delivering instruments of further assurance or confirmation) deemed by Manager to be necessary or desirable at any time or times in order to effect the full assignment to the Manager of PC and/or its Clinical Staff's rights and title to such Inventions, Concepts and Ideas or modifications, without payment therefor and without further compensation. In order to confirm Manager's rights, PC and/or its Clinical Staff will also assign to the Manager any and all copyrights and reproduction rights to any written material prepared by PC and/or its Clinical Staff in connection with the Manager's management of the PC and/or its Clinical Staff

employment or engagement by the PC. PC and/or its Clinical Staff further understand that the absence of a request by Manager for information, or for the making of an oath, or for the execution of any document, shall in no way be construed to constitute a waiver of the rights of Manager under this Agreement. This Agreement shall not be construed to limit in any way any "shop rights" or other common law or contractual rights of the PC or the Manager in or to any Inventions, Concepts and Ideas or modifications which the Manager has or may have by virtue of the Manager's management activities hereunder or the PC's engagement of its Clinical Staff.

X. Dispute Resolution

(a) **Dispute Resolution.** ~~The parties acknowledge that communication and cooperation between the parties is vital to the efficient and effective operation of their respective businesses, and will help to avoid Disputes (as defined below). Each of the parties is committed to resolving any disagreements, differences of opinion or Disputes that may arise in a respectful, cooperative and good faith manner. Accordingly, any disagreement, difference of opinion or Dispute that arises from time to time between the parties or among the parties and any Owner Physical Therapist with respect to, arising out of or relating to this Agreement, any of the attachments hereto, any of the Related Agreements or any of the arrangements provided for herein or therein shall be resolved exclusively in accordance with this Article X and Attachment 3 hereto (which is incorporated herein by reference):~~

(i) If any such disagreement, difference of opinion or Dispute (defined below) does arise, then the parties agree to promptly communicate with each other to discuss the disagreement, difference of opinion or Dispute and the parties' respective concerns and points of view. The parties will attempt, in good faith for a period of at least 60 days, to address the concerns and resolve the disagreement, difference of opinion or Dispute in an amicable manner. All such discussions or negotiations shall be treated as confidential and compromise and settlement negotiations for purposes of applicable rules of evidence.

(ii) ~~If the parties are unable to resolve a Dispute in this fashion within that 60-day period, then either party (the "Initiating Party") may initiate the dispute resolution procedures set forth in Attachment 3 by giving written notice of the Dispute to the other party setting forth a statement of the Initiating Party's position and a summary of the arguments supporting that position, all in reasonable detail, and requesting a meeting with the other party to discuss a resolution of the Dispute ("Dispute Notice"). Within 15 days after the Dispute Notice is given, the other party shall give the Initiating Party a written response setting forth a statement of such other party's position and a summary of the arguments supporting that position, all in reasonable detail ("Dispute Response").~~

(iii) ~~For purposes of this Agreement and Attachment 3, "Dispute" means any dispute, claim or controversy between the parties or among the parties and any Owner Physical Therapist with respect to, that arises out of or that relates to this Agreement, any of the Attachments hereto, any of the Related Agreements or any of the arrangements provided for herein or therein (including any renewals, extensions or modifications thereof), whether arising in contract, tort or by statute and including any dispute, claim or controversy concerning the existence, validity, interpretation, enforceability, performance, breach or termination of this Agreement, the validity or enforceability of this Article X and Attachment 3 and all claims of arbitrability.~~

(iii) If (1) the Dispute is not resolved as a result of the resolution efforts undertaken in the 60-day period and the parties have not mutually agreed in writing to another course of action to resolve such Dispute, then within 30 days after the written demand of either party, or (2) a party fails to engage in discussions, and the parties have not mutually agreed in writing to another course of action to resolve such Dispute, then within 30 days after the written demand of the other party, the Dispute shall be submitted to nonbinding mediation with a single mediator administered by the American Health Lawyers Association ("AHLA") or its successor under the AHLA Alternative Dispute Resolution Service rules of procedure for mediation in effect at the time the mediation commences, before resorting to arbitration. The mediator shall be selected and appointed in accordance with such AHLA rules and the terms of this Agreement. Each party will bear and pay equally the fees and expenses of AHLA and the mediator associated with the mediation, and each party will bear its own attorneys' fees, costs and other expenses in connection with the mediation.

(iv) If the Dispute is not resolved in the course of such mediation, then upon the written demand of either party, such Dispute shall be submitted to and finally resolved by binding arbitration administered by the AHLA or its successor in accordance with the AHLA Alternative Dispute Resolution Service rules of procedure for arbitration in effect at the time the arbitration commences and the terms of this Article X. The arbitration shall be conducted before one arbitrator unless the parties involved in the Dispute agree in writing to a different number of arbitrators within ten days after the written demand for arbitration is made. The arbitrator(s) shall be selected and appointed in accordance with such AHLA rules. The same person may not serve both as the mediator and the arbitrator.

(v) The arbitrator(s) will give effect to applicable statutes of limitation in determining any Dispute and may dismiss the arbitration on the basis that the Dispute is barred by such statutes of limitation. For purposes of the application of any statutes of limitation, the filing with the AHLA under applicable AHLA Alternative Dispute Resolution Service rules of procedure for arbitration of a demand for arbitration is the equivalent of the filing of a lawsuit. Any Dispute concerning this Article X or whether a Dispute is arbitrable shall be determined by the arbitrator(s).

(vi) The arbitrator(s) may award any appropriate remedy, including monetary damages, injunctive relief, or other equitable relief; provided, that the arbitrator may not award punitive, exemplary, treble, or other multiple damages. The award shall be in writing and shall be final and binding on the parties. The award may include interest, as determined by the arbitrator(s), from the date of any default, breach, or other accrual of a Dispute until the arbitral award is paid in full. The arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

(vii) Each party will bear and pay equally the fees and expenses of AHLA and the arbitrator(s) associated with the arbitration, and each party will bear its own attorneys' fees, costs and other expenses in connection with the arbitration.

(viii) Each of the parties hereto irrevocably and unconditionally consents to the exclusive jurisdiction of AHLA to resolve all Disputes subject to arbitration under this Agreement. Each party further irrevocably waives any objection to proceeding before AHLA based upon lack of personal jurisdiction or to the laying of venue and further irrevocably and unconditionally waives and agrees not to make a claim in any court that arbitration before

AHLA has been brought in an inconvenient forum. Each of the parties hereto hereby consents to service of process by registered mail at the address to which notices are to be given.

(ix) If the arbitrator(s) determines that the Agreement or any part thereof (whether the Agreement itself or together with the other relationships between or involving the parties or any Owner(s)) are illegal, invalid, unenforceable, void or voidable, then the arbitrator(s) shall determine and effect an equitable modification of the Agreement (including a new service arrangement or basis for compensation to Manager for Business Services provided pursuant to the Agreement) that complies with applicable law and that approximates as closely as possible the economic arrangements and position of the parties hereunder.

(x) The location of the mediation or arbitration, as applicable, shall be
_____.

(b) Equitable Remedies. The procedures set forth in this Article X ~~and Attachment 3~~ shall be the sole and exclusive procedure for the resolution of Disputes; provided, however, that either party may file an action in a court of law or equity to obtain an injunction or other equitable remedy without submitting such matter to mediation, arbitration or the other procedures set forth in this Article X ~~and Attachment 3~~. The filing of such a court action by a party is not intended to constitute a waiver of its right to require submittal of the Dispute to mediation or arbitration, and neither party shall attempt to enjoin the arbitration or arbitration proceedings or the enforcement of the arbitral award. The parties will continue to participate in good faith in the procedures set forth in this Article X ~~and Attachment 3~~ during the pendency of any such court action.

(c) Waiver of Right to Trial by Jury. BY AGREEING TO BINDING ARBITRATION PURSUANT TO THIS ARTICLE X ~~AND ATTACHMENT 3~~, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE. THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS ARTICLE X ~~AND ATTACHMENT 3~~ IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY OR CLASS ACTION.

(d) Confidentiality of Dispute Resolution Proceedings. All mediations and arbitrations hereunder are confidential and may not be disclosed by the parties, their employees, officers, directors, counsel, consultants and expert witnesses, except (a) to the extent necessary to enforce any arbitration award or to enforce other rights of a party, (b) as required by applicable law, court order or legal process, (c) disclosure in confidence to a party's owners, directors, officers, employees, attorneys, accountants, advisors, affiliates and other representatives or (d) for a bona fide business purpose, such as disclosure in confidence to a party's or its affiliates' investors, lenders or third-party purchasers; provided, however, that, breach of this confidentiality provision shall not void any arbitral award.

(e) Enforceability. Each of the parties agrees that it or he shall not make, assert, maintain or initiate, nor cause to be made, asserted, maintained or initiated, any claim, charge, demand, action, arbitration or proceeding of any type, the basis of which is, in whole or in part, that any of this Agreement, the Related Agreements or any portion thereof, or the relationships created thereby, is illegal, or that the Service Fee or other amount payable by PC to Manager under this Agreement is unreasonable, does not represent fair market value for the Business Services and other items provided by Manager, or constitutes unjust enrichment. If any party or Owner ~~Physical Therapist~~ takes any action which is inconsistent with the preceding sentence, then such party or Owner ~~Physical Therapist~~ shall pay all costs and expenses (including attorneys' fees) incurred by the other

parties in defending such claim, which payment shall be made promptly to such other party upon its request.

XI. General Provisions

(a) No Warranties; Limitation of Liability. PC and the Principal Physical Therapist each acknowledges that Manager has not made and will not make any express or implied warranties or representations that the services provided by Manager will result in any particular amount or level of revenue or profits to PC. ALL WARRANTIES, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, WITH RESPECT THERETO ARE HEREBY WAIVED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. MANAGER'S LIABILITY TO THE PC FOR DAMAGES OR ALLEGED DAMAGES, WHETHER IN CONTRACT, TORT OR ANY OTHER LEGAL THEORY, IS LIMITED TO AND WILL NOT EXCEED THE TOTAL AMOUNT OF SERVICE FEES ACTUALLY PAID UNDER THIS AGREEMENT TO MANAGER DURING THE 12-MONTH PERIOD IMMEDIATELY PRIOR TO THE ACT OR OMISSION GIVING RISE TO THE LIABILITY AND IN NO EVENT SHALL MANAGER HAVE ANY LIABILITY TO THE PC, ANY OWNER ~~PHYSICAL THERAPIST~~ FOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF PROFITS), WHETHER BASED ON BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

(b) Manager Loans to PC. Manager may, at its sole discretion, loan to PC funds in an amount sufficient to allow PC to meet its financial obligations. Any such loans shall bear interest at a rate that is commercially reasonable and reflects fair market value, and shall have such other terms as the parties may agree from time to time. To secure any and all amounts loaned to PC by Manager, the parties shall enter into a security agreement.

(c) Independent Contractor. The parties hereto acknowledge and agree that the relationship created between Manager and PC is strictly that of independent contractors. Nothing contained herein shall be construed as creating a partnership or joint venture relationship between the parties. Each party hereto shall be responsible for all compensation, salaries, taxes, withholdings, contributions, benefits, and workers' compensation insurance with respect to all personnel employed or contracted by said party. Manager shall indemnify, defend, and hold harmless PC and its members, officers, agents, contractors, representatives, and employees from and against any and all liability, loss, damages, claims, causes of action, and expenses associated therewith (including, without limitation, attorneys' fees) caused or asserted to have been caused, directly or indirectly, by or as a result of same. The provisions of this ~~Section~~ subsection shall survive the expiration or earlier termination of this Agreement.

(d) No Third Party Beneficiaries. The parties intend that the benefits of this Agreement shall inure only to Manager and PC and not to any third person, except as expressly so stated herein. Notwithstanding anything contained herein, or any conduct or course of conduct by any party hereto, before or after signing this Agreement, this Agreement shall not be construed as creating any right, claim or cause of action against either Manager or PC by any other person or entity.

(e) Entire Agreement. This Agreement, together with all attachments and schedules hereto including the recitals to this Agreement which the parties incorporate by this reference, and all documents referred to in this Agreement, constitutes the entire agreement between the parties with respect to the subject matter hereof, supersedes all other and prior agreements on the same subject, whether written or oral, and contains all of the covenants and agreements between the parties with respect to the subject matter hereof. Each party to this Agreement acknowledges that

no representations, inducements, promises, or agreements, orally or otherwise, have been made by the other party(ies), or by anyone acting on behalf of any party, that are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding.

(f) Assignment. ~~PC may not assign this Agreement or any of its rights and duties under this Agreement without the prior written consent of the Manager. In addition, notwithstanding the foregoing, it is understood and agreed that~~ Manager may use third party vendors and companies to provide many of the Business Services to be performed under this Agreement. Manager shall be fully responsible for the performance of all Business Services regardless of whether such are performed directly by Manager and its employees and personnel or through the use of other third parties. In the event of any permitted assignment, the terms and provisions of this Agreement shall be binding on the successors, heirs, and authorized assignees of the parties.

(g) Counterparts. This Agreement, and any amendments thereto, may be signed in counterparts, each of which shall constitute an original document, but which together shall constitute one and the same instrument.

(h) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(i) Notices. Any notices required or permitted to be given hereunder by either party to the other shall be in writing and shall be deemed delivered upon personal delivery or delivery by electronic facsimile; twenty-four (24) hours following deposit with a courier for overnight delivery; or seventy-two (72) hours following deposit in the U.S. Mail, registered or certified mail, postage prepaid, return-receipt requested, addressed to the parties at the following addresses or to such other addresses as the parties may specify in writing:

If to PC:

Attention:_____

If to Manager:

Attention:_____

(j) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State without reference to the conflicts of laws principles thereof.

(k) Amendments. Any amendments to this Agreement or the Attachments hereto shall be in writing and signed on behalf of each party by any duly authorized officer thereof, and this Agreement and the Attachments hereto may not be modified or terminated orally.

(l) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions will nevertheless continue in full force and effect, unless such invalidity or unenforceability would defeat an essential business purpose of this Agreement.

(m) Attachments. All exhibits attached to this Agreement are incorporated herein by this reference and all references herein to "Agreement" shall mean this Agreement together with all such attachments.

(n) Further Assurances. The parties shall take such actions and sign and deliver such further documentation as may reasonably be required in order to give effect to the transactions contemplated by this Agreement and the intentions of the parties hereto.

(o) Rights Cumulative. The various rights and remedies herein granted to Manager or PC shall be cumulative and in addition to any other rights Manager or PC, respectively, may be entitled to under law. The exercise of, or failure to exercise, one or more rights or remedies shall not impair the right of Manager or PC to exercise any other right or remedy, at law or equity.

(p) Force Majeure. Manager shall not be liable or deemed to be in default for any delay or failure in performance under this Agreement or other interruption of service deemed to result, directly or indirectly, from acts of God, civil or military authority, acts of public enemy, war, accidents, fires, explosions, hurricanes, earthquakes, floods, failure of transportation, strikes or other work interruptions by Manager's employees, bankruptcy or any other similar cause beyond the reasonable control of Manager.

IN WITNESS WHEREOF, PC, Principal Physical Therapist and Manager have signed this Agreement or caused this Agreement to be signed by their duly authorized representatives, all as of the day and year first above written.

PC:

By: _____

Name: _____

Title: _____

Principal Physical Therapist:

By: _____

Name: _____

Manager:

By: _____

Name: _____

Title: _____

The Owner Physical Therapists shall sign for the limited purpose of acknowledging and agreeing to their obligations under Article V.

~~Owner Physical Therapists~~ Owners:

By: _____

Name: _____

By: _____

Name: _____

Attachment 1 BUSINESS SERVICES

Manager will provide, arrange for or make available to PC under this Agreement the following Business Services with respect to the business aspects of the Practice that do not include the clinical practice of physical therapy, ~~to the extent the same constitute or directly affect the practice of physical therapy, including all diagnosis, treatment and ethical determinations with respect to patients, including referral determinations, which are required by applicable law to be decided by a physical therapist and subject to the absolute control and direction of the Practice by PC and the terms and conditions of this Agreement.~~ As the owner, operator and conductor of the Practice, PC is not required to use any particular Business Service and may elect use any or all of such Business Services.

- i. ~~(a)~~ Manager shall provide general business management, administration and supervision for the business operations of PC, which shall include secretarial and other office personnel support services, administrative record keeping, and other similar administrative services required in the day-to-day operation of PC;
- ii. ~~(b)~~ Bookkeeping and financial reporting services with respect to the Practice and related operating activities of PC;
- iii. ~~(c)~~ Periodic provision of financial data and reports to accounting or tax professionals, as designated by PC from time to time;
- iv. ~~(d)~~ Management information services, including systems for patient scheduling, accounting and bookkeeping, necessary for the operation of the Practice;
- v. ~~(e)~~ Billing and collection services;
- vi. ~~(f)~~ Administering cash disbursements with respect to the Practice, including payment of accounts payable (to the extent PC provides or makes available funds therefor);
- vii. ~~(g)~~ Advice and assistance in obtaining and continuing licenses and permits necessary for operation of the Practice;
- viii. ~~(h)~~ Advice and assistance in recruiting Clinical Staff and provide human resource management support, subject to Section IV.b of the Agreement;
- ix. ~~(i)~~ Advice and assistance in, and arranging for or making available, the recruitment, hiring, leasing or contracting, training, promotion, supervision and termination front desk and sales staff and other administrative, clerical, business or other non-physical therapists and non-clinical staff necessary for operation of the Practice and provide human resource management support;
- x. ~~(j)~~ Payroll and payroll accounting services;
- xi. ~~(k)~~ Lease and make available to the PC the physical therapist office space necessary for operation of the Practice and the leasing, development, build-out, improvements, repairs and up-keep thereof;

- xii. ~~(l)~~ Providing or arranging for telephone, Internet, utilities and janitorial services necessary for operation of the Practice;
- xiii. ~~(m)~~ Providing equipment necessary for the operation of the Practice and other business equipment, furniture, fixtures, supplies, and technology; and the repair, up-keep and replacement thereof; provided that PC shall have complete authority, custody, control and use of all medical equipment, materials and supplies and the control and maintenance thereof during the term of the Agreement;
- xiv. ~~(n)~~ Advertising and marketing services; provided that all advertising and marketing of services by PC will be done in accordance with all applicable governmental laws, rules, regulations, ordinances, and directives, including rules and regulations of the State physical therapy board;
- xv. ~~(o)~~ Advice and assistance in negotiating contracts with payors and other third parties, and in credentialing with payors of physical therapists and other applicable providers employed by PC (including verification of applicable licensing), each subject to the control of the Practice by PC, including the amount of fees to be charged for ~~medical~~ goods and services provided by or on behalf of PC;
- xvi. ~~(p)~~ Assistance in the maintenance of, storage, and organization of files and records, subject to PC's ownership and control of patient records with respect to the Practice;
- xvii. ~~(q)~~ Assistance in PC's licensing and preparation and filing of annual reports and tax returns required to be filed by PC with respect to the Practice;
- xviii. ~~(r)~~ Advice and assistance in marketing, business development, and financial planning, analysis and budgeting;
- xix. ~~(s)~~ Advice and assistance in procuring and continuing insurance coverages necessary for operation of the Practice;
- xx. ~~(t)~~ Making available potential efficiencies and economies of scale through Manager's purchase of, or entry into contracts, agreements or arrangements for, marketing, advertising and other goods and services in bulk or for the benefit of PC and other practices for which Manager provides business services;
- xxi. ~~(u)~~ Administer the patient eligibility process by maintaining and updating a current eligibility list to health plan subscribers and enrollees under any and all contracting health plans, verifying eligibility on claims and referrals based on the most current information provided by contracting health plans, and administering system for retroactive eligibility determination and assisting PC in identifying outstanding accounts receivable from ineligible patients.
- xxii. ~~(v)~~ Identifying supplier options, negotiating supply contracts, and management of supply relationships; supervise and conduct the ordering of equipment, furniture, fixtures, supplies, technology and other services;
- xxiii. ~~(w)~~ Manage and support inbound and outbound sales processes; and
- xxiv. ~~(x)~~ Assist in patient retention and follow up communications; z

~~(y) Such other business and administrative services as may be mutually agreed upon from time to time by the parties.~~

~~Notwithstanding the delegation of management and administrative functions to Manager pursuant to this Agreement, PC and its board of directors or other governing body shall retain and exercise ultimate control and authority over the direction, policies, management and operation of PC at all times. Therefore, management and administrative functions delegated to PC pursuant to this Agreement shall be performed in a manner consistent with the general policies and directives of PC. All professional physical therapy services provided to patients shall be the ultimate responsibility of PC's Clinical Staff. PC shall use its best efforts to cause its contracting Clinical Staff to cooperate with Manager in the implementation of the protocols, programs, policies, and procedures developed for PC by Manager.~~

~~Manager is hereby expressly authorized by PC to perform all services required of Manager pursuant to the terms of this Agreement in the manner Manager deems reasonable and appropriate to meet the day-to-day requirements of PC. To the extent required or desirable to enable Manager to perform such services, PC hereby appoints Manager for the term hereof as its true and lawful agent. PC acknowledges and agrees that Manager may subcontract with other persons or entities, including entities related to Manager by ownership or control, to perform any part or all of the services required of Manager hereunder.~~

Upon the request of PC, Manager shall provide or arrange for the provision of additional services, beyond those described herein. Any additional services provided by Manager are subject to Manager's capacity and availability to provide the services so requested. Should Manager provide such additional services, PC agrees to pay Manager for such services at its then current rates as a supplemental payment to the Service Fees described herein.

Attachment 2: A

[Option A: This form is for use in states where the Service Fee can be paid as described below]

SERVICE FEES

In consideration of the Business Services Manager provides herein, PC shall pay Manager a monthly Service Fee equal to the Gross Revenues less the Direct PC Expense. Service Fees shall be payable not later than the fifth day of the month for Business Services provided by Manager in the preceding month.

In the event that in any month the PC's Gross Revenue is insufficient to pay fully the monthly Services Fee, the unpaid amount of the Services Fee shall accrue each month, and the PC shall be obligated to pay such amount until fully paid. The parties agree that the Services Fee represents the fair market value of the items and services provided under this Agreement. Further, the parties acknowledge that the Services Fee is not based upon, or in no way takes into account, the volume or value of referrals to the Practice or is intended to constitute remuneration for referrals, or the influencing of such referrals, to the Practice.

The expiration or earlier termination of this Agreement shall not impair or limit Manager's right to Service Fees earned hereunder prior to such expiration or earlier termination.

Attachment 2: B

[Option B: This form is for use in states where the Service Fee are required to be paid as a flat fee]

SERVICE FEES ADDENDUM

_____ (“Manager”) and _____ (“PC”) have this day of _____, _____ (the “Effective Date”) entered into a Management Services Agreement and desire to amend its terms as set out below in this addendum (the “Addendum”). The parties hereto agree as follows:

1. Services Fees

In consideration of the Business Services Manager provide in the Management Services Agreement herein, PC shall pay Manager a Service Fee equal to _____ Dollars (\$ _____) per month. Service Fees shall be payable not later than the fifth day of the month for Business Services provided by Manager in the preceding month.

In the event that in any month the PC’s Gross Revenue is insufficient to pay fully the monthly Services Fee, the unpaid amount of the Services Fee shall accrue each month, and the PC shall be obligated to pay such amount until fully paid. The parties agree that the Services Fee represents the fair market value of the items and services provided under this Agreement. Further, the parties acknowledge that the Services Fee is not based upon, or in no way takes into account, the volume or value of referrals to the Practice or is intended to constitute remuneration for referrals, or the influencing of such referrals, to the Practice.

The expiration or earlier termination of this Agreement shall not impair or limit Manager’s right to Service Fees earned hereunder prior to such expiration or earlier termination.

2. Disbursements

Section III(C) of the Management Services Agreement is hereby deleted in its entirety and replaced with the following:

(c) Disbursements. As part of its Business Services to be provided hereunder, Manager shall disburse funds in payment of the Direct PC Expenses (defined below) and disburse funds in payment of the Center Expenses. Such disbursements include accounts payable or other amounts owed by PC with respect to the Practice or in payment for goods or services on behalf of PC with respect to the Practice. Manager is authorized to make payment to itself and its affiliates of any amount due to it or any of them by PC under this Agreement or otherwise, including payment of Service Fees, Center Expenses or other amounts. PC will timely make available or provide funds to Manager to fund all of such disbursements by Manager. Such disbursements shall be made in the following order of priority to the extent funds are available therefor:

- (i) All Direct PC Expenses due and payable;
- (ii) All Service Fees due and payable to Manager,

(iii) All Center Expenses due and payable, including reimbursement of Center Expenses paid by Manager on behalf of PC;

(iii) All sums (if any) due and payable to any commercial bank or lender (other than Manager);

(iv) All sums (if any) due and payable to Manager as a repayment of a loan or advance, applied first to interest accrued and unpaid, and the balance applied to principal.

3. Residual Amounts

The following is added to Section III of the Management Services Agreement:

Residual Amounts. Any amount accrued on behalf of PC during each month that remains after accrual or recognition of all of such disbursements and expenses, and all Service Fees or other amounts payable to Manager, for such month (such remainder, the "Residual Amount"), shall be remitted to or deposited into a bank account designated by PC for the benefit of PC during the following month. If the underlying amounts used in calculating the Residual Amount are determined to be lower or higher than the actual amounts, based upon periodic accruals, audits or reviews, then appropriate adjustments will be made in subsequent amounts deposited on behalf of PC.

4. Entire Agreement

To the extent of any conflict between the Management Services Agreement and this Addendum, this Addendum shall control. Any terms that are capitalized and undefined in this Addendum shall have the meaning given them in the Management Services Agreement. In all other respects, the terms of the Management Services Agreement are ratified and confirmed. This Addendum together with the Management Services Agreement contain the entire agreement among the parties hereto with respect to the matters contemplated hereby and supersedes all prior agreements and undertakings between parties with respect to such matters.

IN WITNESS WHEREOF, PC and Manager have signed this Service Fees Addendum as of _____.

PC:

By: _____

Name: _____

Title: _____

Manager:

By: _____

Name: _____

Title: _____

Attachment 3 DISPUTE RESOLUTION PROCEDURES

(a) ~~The parties shall, for a period of at least 30 days following the giving of a Dispute Response in response to a Dispute Notice, engage in discussions and negotiations in good faith to reach a resolution of the Dispute and remedy sought.~~

(b) ~~If the Dispute has not been resolved to the mutual satisfaction of the parties by the end of those 30 days, then, within the following 30-day period, the parties shall meet either in person or via videoconference or conference call in a good faith effort to resolve such Dispute.~~

(c) ~~The terms of any agreement or resolution reached by the parties in such discussions, negotiations, meeting or call shall be committed to writing. Such writing, the Dispute Notice, Dispute Response and all of such discussions, negotiations, meetings and calls shall be treated as confidential and compromise and settlement negotiations for purposes of applicable rules of evidence.~~

(d) ~~If (i) the Dispute is not resolved as a result of such meeting, conference or call and the parties have not mutually agreed in writing to another course of action to resolve such Dispute, then within 30 days after the written demand of either party, or (ii) a party fails or refuses timely to give a Dispute Response and/or engage in discussions, negotiations or a meeting or call as required by Article X of the Agreement and this Attachment 3 and the parties have not mutually agreed in writing to another course of action to resolve such Dispute, then within 30 days after the written demand of the other party, the Dispute shall be submitted to nonbinding mediation with a single mediator administered by the American Health Lawyers Association (“AHLA”) or its successor under the AHLA Alternative Dispute Resolution Service rules of procedure for mediation in effect at the time the mediation commences, before resorting to arbitration. The mediator shall be selected and appointed in accordance with such AHLA rules and the terms of Article X of the Agreement and this Attachment 3. Each party may be represented by one or more attorneys or other selected representative(s). Each party will bear and pay equally the fees and expenses of AHLA and the mediator associated with the mediation, and each party will bear its own attorneys’ fees, costs and other expenses in connection with the mediation.~~

(e) ~~If the Dispute is not resolved in the course of such mediation, then upon the written demand of either party, such Dispute shall be submitted to and finally resolved by binding arbitration administered by the AHLA or its successor in accordance with the AHLA Alternative Dispute Resolution Service rules of procedure for arbitration in effect at the time the arbitration commences and the terms of Article X and Attachment 3.~~

(i) ~~The arbitration shall be conducted before one arbitrator unless the parties involved in the Dispute agree in writing to a different number of arbitrators within ten days after the written demand for arbitration is made. The arbitrator(s) shall be selected and appointed in accordance with such AHLA rules. The same person may not serve both as the mediator and the arbitrator. Each party may be represented by one or more attorneys or other selected representative(s).~~

(ii) ~~The arbitrator(s) will give effect to applicable statutes of limitation in determining any Dispute and may dismiss the arbitration on the basis that the Dispute is barred by such statutes of limitation. For purposes of the application of any statutes of limitation, the filing with the AHLA under applicable AHLA Alternative Dispute Resolution Service rules of procedure for arbitration of a demand for arbitration is the equivalent of the filing of a lawsuit. Any Dispute concerning Article X of the Agreement or this Attachment 3 or whether a Dispute is arbitrable shall be determined by the arbitrator(s).~~

(iii) ~~The arbitrator(s) may award any appropriate remedy, including monetary damages, injunctive relief or other equitable relief; provided, that the arbitrator may not award punitive, exemplary, treble or other multiple damages. The award shall be in writing and shall be final and binding on the parties. The award may include interest, as determined by the arbitrator(s),~~

~~from the date of any default, breach or other accrual of a Dispute until the arbitral award is paid in full. The arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.~~

~~(iv) Each party will bear and pay equally the fees and expenses of AHLA and the arbitrator(s) associated with the arbitration, and each party will bear its own attorneys' fees, costs and other expenses in connection with the arbitration.~~

~~(v) Each of the parties hereto irrevocably and unconditionally consents to the exclusive jurisdiction of AHLA to resolve all Disputes subject to arbitration under this Agreement. Each party further irrevocably waives any objection to proceeding before AHLA based upon lack of personal jurisdiction or to the laying of venue and further irrevocably and unconditionally waives and agrees not to make a claim in any court that arbitration before AHLA has been brought in an inconvenient forum. Each of the parties hereto hereby consents to service of process by registered mail at the address to which notices are to be given.~~

~~(f) If the arbitrator(s) determines that the Agreement or any part thereof (whether the Agreement itself or together with the other relationships between or involving the parties or any Owner Physical Therapist(s)) are illegal, invalid, unenforceable, void or voidable, then the arbitrator(s) shall determine and effect an equitable modification of the Agreement (including a new service arrangement or basis for compensation to Manager for Business Services provided pursuant to the Agreement) that complies with applicable law and that approximates as closely as possible the economic arrangements and position of the parties hereunder.~~

~~(g) The location of the mediation or arbitration, as applicable, shall be _____.~~

Attachment 4

BUSINESS ASSOCIATE AGREEMENT

[Subject to negotiation between Manager and PC]

This Business Associate Agreement ("Agreement") is entered into as of _____ ("Effective Date") by and between _____ ("Business Associate") and _____ ("Covered Entity").

Each of Covered Entity and Business Associate may be referenced in this Agreement as a "Party" and collectively as the "Parties."

The Parties, intending to be legally bound, hereby agree as follows:

I. Definitions.

- a. Except as otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the meanings set forth in HIPAA.
- b. "Breach" shall mean the acquisition, access, use or disclosure of Protected Health Information in a manner not permitted by the HIPAA Privacy Rule that compromises the security or privacy of the Protected Health Information as defined, and subject to the exceptions set forth, in 45 CFR § 164.402.
- c. "Electronic Protected Health Information" shall mean Protected Health Information that is transmitted or maintained in Electronic Media.
- d. "HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, as amended and supplemented by the HITECH Act and its implementing regulations, as each is amended from time to time.
- e. "HIPAA Breach Notification Rule" shall mean the federal breach notification regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Part 164 (Subpart D).
- f. "HIPAA Privacy Rule" shall mean the federal privacy regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Parts 160 and 164 (Subparts A & E).
- g. "HIPAA Security Rule" shall mean the federal security regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Parts 160 and 164 (Subparts A & C).
- h. "HITECH Act" shall mean Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§ 17921-17954, and all its implementing regulations, when and as each is effective and compliance is required.

- i. "Protected Health Information or PHI" shall mean Protected Health Information, as defined in 45 CFR § 160.103, and is limited to the Protected Health Information received, maintained, created or transmitted on behalf of, Covered Entity by Business Associate in performance of the Underlying Services.
- j. "Underlying Services" shall mean, to the extent and only to the extent they involve the creation, maintenance, use, disclosure or transmission of Protected Health Information, the services performed by Business Associate for Covered Entity pursuant to the Underlying Services Agreement.
- k. "Underlying Services Agreement" shall mean the written agreement(s) (other than this Agreement) by and between the parties as amended as set forth in the attached schedule by and between the Parties pursuant to which Business Associate access to, receives, maintains, creates or transmits PHI for or on behalf of Covered Entity in connection with the provision of the services described in that agreement(s) by Business Associate to Covered Entity or in performance of Business Associate's obligations under such agreement(s).

II. Permitted and Required Uses and Disclosures of Protected Health Information by Business Associate.

- a. Business Associate may use or disclose Protected Health Information solely (1) as necessary to provide the Underlying Services to Covered Entity and in compliance with each applicable requirement of 45 CFR §164.504(e), (2) as Required by Law or (3) as expressly otherwise authorized under this Agreement. Business Associate shall not use or disclose Protected Health Information for any other purpose or in any other manner.
- b. Business Associate may, if necessary, use or disclose Protected Health Information for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate; provided, that (1) any disclosure is Required by Law or (2) Business Associate obtains reasonable advance written assurances from the person or party to whom the Protected Health Information is disclosed that (Y) the Protected Health Information will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person or party, and (Z) the person or party immediately notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

III. Obligations of Business Associate.

- a. Business Associate shall use appropriate safeguards, and, comply, where applicable, with the HIPAA Security Rule with respect to Electronic Protected Health Information, to prevent use or disclosure of the information other than as provided for by this Agreement.
- b. Business Associate shall mitigate any harmful effect of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Agreement.
- c. Business Associate shall immediately report to Covered Entity: (i) any use or disclosure of Protected Health Information not provided for by this Agreement of which it becomes aware in accordance with 45 CFR §164.504(e)(2)(ii)(C); and/or (ii) any Security Incident of which Business Associate becomes aware in accordance with 45 CFR § 164.314(a)(2)(i)(C).

- d. Business Associate shall notify the Covered Entity within ten (10) days after Business Associate's discovery of any incident that involves an unauthorized acquisition, access, use, or disclosure of Protected Health Information; even if Business Associate believes the incident will not rise to the level of a Breach. Business Associate agrees that such notification will meet the requirements of the HIPAA Breach Notification Rule set forth in 45 CFR § 164.410. Business Associate shall provide to the Covered Entity the names and contact information of all individuals whose Protected Health Information was or is believed to have been involved, all other information reasonably requested by the Covered Entity to enable the Covered Entity to perform and document a risk assessment in accordance with the HIPAA Breach Notification Rule with respect to the incident to determine whether a Breach occurred, and all other information reasonably necessary to provide notice to Individuals, the Department of Health and Human Services and/or the media in accordance with the HIPAA Breach Notification Rule. In the event of an incident that is required to be reported under this ~~Section III(d)subsection~~, Covered Entity shall elect in its sole discretion whether Covered Entity, Business Associate or a third party shall be responsible for conducting an investigation of that incident and providing any required notices as set forth in this ~~Section III(d)subsection~~.
- e. In accordance with 45 CFR 164.502(e)(1)(ii) and 45 CFR 164.308(b)(2), Business Associate shall ensure that any subcontractors that create, receive, maintain, or transmit Protected Health Information on behalf of Business Associate, agree to the same restrictions and conditions, in writing, that apply through this Agreement to Business Associate with respect to such Protected Health Information, including but not limited to the extent that subcontractors create, receive, maintain, or transmit Electronic Protected Health Information on behalf of the Business Associate, it shall require the subcontractors to comply with the HIPAA Security Rule.
- f. To the extent Business Associate is to carry out Covered Entity's obligations under the HIPAA Privacy Rule, Business Associate shall comply with the requirements of the HIPAA Privacy Rule that apply to Covered Entity in the performance of such obligations.
- g. Business Associate shall provide access to Covered Entity, no later than fifteen (15) days after receipt of a request from Covered Entity, to Protected Health Information in a Designated Record Set, or, if requested by Covered Entity, to an Individual, all in accordance with the requirements under 45 CFR § 164.524, including, providing or sending a copy to a designated third party and providing or sending a copy in electronic format, to the extent that the Protected Health Information in Business Associate's possession constitutes a Designated Record Set.
- h. Business Associate shall make available and make any amendment(s) to Protected Health Information in a Designated Record Set within fifteen (15) days after receipt of a request from Covered Entity or an Individual, all in accordance with the requirements of 45 CFR § 164.526.
- i. Business Associate shall document disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR § 164.528 and, as of the date compliance is required by final regulations, 42 U.S.C. § 17935(c).

- j. Business Associate shall make available to Covered Entity, within fifteen (15) after receipt of a request, information collected in accordance with Section III(i) of this Agreement to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information, or make that information available directly to an Individual, all in accordance with 45 CFR § 164.528 and, as of the date compliance is required by final regulations, 42 U.S.C. § 17935(c).
- k. Business Associate shall notify Covered Entity in writing within three (3) days after Business Associate's receipt directly from an Individual of any request for access to or amendment of Protected Health Information, or an accounting of disclosures, as contemplated in Sections III(g), III(h), III(i) and III(j) of this Agreement.
- l. Business Associate agrees to make its internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to the Covered Entity or to the Secretary, for purposes of the Secretary determining Covered Entity's compliance with HIPAA.
- m. Business Associate shall request, use and/or disclose only the minimum amount of Protected Health Information necessary to accomplish the purpose of the request, use or disclosure; provided, that Business Associate shall comply with 45 CFR §§ 164.502(b) and 164.514(d).
- n. Business Associate shall not directly or indirectly receive remuneration in exchange for any Protected Health Information as prohibited by 45 CFR § 164.502(a)(5)(ii).
- o. Pursuant to the authorizations obtained by the Covered Entity and in accordance with the terms of 45 CFR §§ 164.508(a)(3), Business Associate may make or cause to be made any marketing communication about a product or service as defined in 45 CFR §§ 164.501.
- p. Pursuant to the authorization obtained by the Covered Entity and in accordance with the terms of 45 CFR § 164.514(f) Business Associate may make or cause to be made any written fundraising communication.
- q. Business Associate shall take all necessary steps, at the request of Covered Entity, to comply with requests by Individuals not to send Protected Health Information to a Health Plan in accordance with 45 CFR § 164.522(a).
- r. Business Associate shall take reasonable steps to ensure that its employees' actions or omissions do not cause Business Associate to breach the terms of this Agreement or violate provisions of HIPAA that apply to Business Associate.
- s. Notwithstanding anything to the contrary, Business Associate may deidentify any Protected Health Information in accordance with the standard in 45 CFR § 164.514(a). Once data is properly de-identified, Business Associate may use the deidentified information for any lawful purpose and is not required to destroy such information upon termination of this Agreement.

IV. Term and Termination.

- a. The term of this Agreement shall commence as of the Effective Date and shall terminate concurrently with the Underlying Services Agreement unless earlier terminated, by mutual written agreement of the Parties, or in accordance with this Section IV.
- b. Notwithstanding anything in this Agreement to the contrary, if Covered Entity knows of a pattern of activity or practice of Business Associate that constitutes a material breach or violation of this Agreement then Covered Entity shall provide written notice of the breach or violation to Business Associate that specifies the nature of the breach or violation. Business Associate must cure the breach or end the violation on or before thirty (30) days after receipt of the written notice. In the absence of a cure reasonably satisfactory to Covered Entity within the specified timeframe, or in the event the breach is reasonably incapable of cure, then Covered Entity may, terminate this Agreement.
- c. Within thirty (30) days after termination or expiration of this Agreement, Business Associate will return or destroy, if feasible, all Protected Health Information received from or created or received by Business Associate, including all Protected Health Information in possession of Business Associate's agents or subcontractors, on behalf of Covered Entity that Business Associate still maintains in any form and retain no copies of such information. To the extent return or destruction of the Protected Health Information is not feasible, Business Associate shall notify Covered Entity in writing of the reasons return or destruction is not feasible and, if Covered Entity agrees, may retain the Protected Health Information subject to this Section. Under any circumstances, Business Associate shall extend any and all protections, limitations and restrictions contained in this Agreement to Business Associate's use and/or disclosure of any Protected Health Information retained after the expiration or termination of this Agreement, and shall limit further uses and disclosures to those purposes that make the return or destruction of the information not feasible.

V. Miscellaneous.

- a. The Parties to this Agreement do not intend to create any rights in any third parties. The obligations of Business Associate under this Section and Section IV(c) of this Agreement shall survive the expiration, termination, or cancellation of this Agreement, the Service Agreement, and/or the business relationship of the Parties, and shall continue to bind Business Associate, its agents, employees, contractors, successors, and assigns as set forth herein.
- b. This Agreement may be amended or modified only in a writing signed by the Parties. No Party may assign its respective rights and obligations under this Agreement without the prior written consent of the other Party. None of the provisions of this Agreement are intended to create, nor will they be deemed to create any relationship between the Parties other than that of independent parties contracting with each other solely for the purposes of effecting the provisions of this Agreement and any other agreements between the Parties evidencing their business relationship. This Agreement shall be governed by the laws of the State of Delaware. No change, waiver or discharge of any liability or obligation hereunder on any one or more occasions shall be deemed a waiver of performance of any continuing or other obligation, or shall prohibit enforcement of any obligation, on any other occasion. The Parties agree that, in the event that any documentation of the arrangement pursuant to which Business Associate provides Underlying Services to Covered Entity contains provisions relating to the use or disclosure of Protected Health Information which are more restrictive than the provisions of this Agreement, the provisions of the more restrictive documentation will control. The provisions of this Agreement are intended to establish the minimum requirements regarding

Business Associate's use and disclosure of Protected Health Information. This Agreement, together with the Underlying Services Agreement, constitutes the entire agreement of the Parties relating to Business Associate's use or disclosure of Protected Health Information.

- c. The terms of this Agreement to the extent they are unclear, shall be construed to allow for compliance by Covered Entity with HIPAA and the HITECH Act. In the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the provisions of this Agreement will remain in full force and effect. In addition, in the event Covered Entity believes in good faith that any provision of this Agreement fails to comply with the then-current requirements of HIPAA, Covered Entity shall notify Business Associate in writing. For a period of up to thirty (30) days, the Parties shall address in good faith such concern and amend the terms of this Agreement, if necessary to bring it into compliance. If, after such thirty-day period, the Agreement fails to comply with the requirements of HIPAA, then Covered Entity has the right to terminate upon written notice to the Business Associate.
- d. Business Associate understands and agrees that it will not assign, delegate, or subcontract any of its rights or obligations under this Agreement to individuals or entities residing outside the United States.
- e. This Agreement may be executed in counterparts, each of which will constitute an original and all of which will be one and same document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

Covered Entity:

Business Associate:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Schedule 1 to the Business Associate Agreement

The Management Services Agreement dated _____ between Covered Entity and Business Associate

EXHIBIT F
WAIVER OF MANAGEMENT AGREEMENT

AMENDMENT TO COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC
FRANCHISE AGREEMENT

THIS AMENDMENT ("Amendment") is made and entered into on _____, _____, by and between COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, a Delaware limited liability company ("Franchisor" or "we" or "us"), and _____, a _____ ("Franchisee" or "you").

RECITALS

A. We and you are parties to an COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC Franchise Agreement dated as of the same date as this Amendment (the "Franchise Agreement"), which awards the right to own, administer, manage and operate a COMPETITIVE EDGE PHYSICAL THERAPY center ("Center") at a location identified and defined in the Franchise Agreement as the "Premises" and in the area identified and described in the Franchise Agreement as the "Territory." As of the date of this Amendment, the parties contemplate that the Center will be located and operated in the State of _____ ("State").

B. We and you wish to amend the terms of the Franchise Agreement as described below.

C. All capitalized terms not defined in this Amendment will have the meaning set forth in the Franchise Agreement ~~and Management Services Agreement (as defined below).~~

NOW THEREFORE, we and you, in consideration of the undertakings and commitments of each party to the other party set forth herein and in the Franchise Agreement, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, mutually agree as follows:

1. Franchisee's Representations and Warranties.

(a) You understand and agree that you are solely responsible for operating the Center in full compliance with all laws. Applicable laws include, ~~without limitation, federal, state and local regulations relating to the practice of medicine and practice of physical therapy and the operation and licensing of medical services and physical therapy services, the relationship of providers and suppliers of health care services, on the one hand, and physical therapists and clinicians, on the other, including anti-kickback laws, restrictions or prohibition on fee splitting, physical therapist self-referral restrictions, payment systems for medical benefits available to individuals through insurance and government resources, privacy of patient records, use of medical devices, and advertising of medical services as they may be revised, enacted to or otherwise modified after the date of this Amendment (collectively the "Medical~~ the Professional Regulations"), ~~as defined in the Franchise Agreement.~~

(b) You represent and warrant to us that (i) you have conducted independent research regarding the MedicalProfessional Regulations that are applicable to physical therapy ~~centers and medical services generally~~, and the Center specifically ~~in the Territory~~, including retaining the services of qualified professional advisers as necessary; (ii) you have verified that under the MedicalProfessional Regulations applicable to your Center, you are permitted to ~~both manage the Center and~~ own, and operate the Center, including hiring any medical, and overseeing any Clinical

~~Staff and providing physical therapy, and professional personnel and providing medical or physical therapy services~~ to patients at the Center.

(c) You have requested that, based on your representations and warranties to us as to the ~~Medical~~Professional Regulations applicable to your Center, we waive the requirements of the Franchise Agreement that you (i) enter into a Management Services Agreement with ~~an independent professional business entity or licensed medical services providers (collectively, the "PC")~~ a PC to provide all ~~medical and physical therapy services~~ at the Center; and (ii) refrain from engaging in activities that might constitute the ~~practice of medicine, practice of physical therapy,~~ or hiring and supervising ~~medical providers~~ Clinical Staff, subject to all applicable ~~Medical~~Professional Regulations.

(d) You acknowledge and agree that we are entering into this Amendment in reliance upon your representations and warranties. You understand and agree that your obligations to operate in compliance with Medical Professional Regulations will continue throughout the term of the Franchise Agreement, and if there are any changes in Medical Professional Regulations that would render your operation of the Center in violation of any Medical Regulation Professional Regulations, you will immediately advise us of such change and of the corrective actions you propose to take in order to come into compliance with Medical Professional Regulations, including (if applicable) entering into a Management Services Agreement with a PC in a form we approve.

(e) You acknowledge and agree that by requesting our permission to allow you to perform all of the activities and obligations of a PC under a Franchise Management Services Agreement (rather than enter into a Management Services Agreement ~~in a form we approve with an approved~~ with a PC of your choice that would operate the Center), you will incur all costs of ~~both managing and operating the Center operations~~, including those costs that would otherwise be borne by the PC (such as obtaining all necessary licensing and certification for practicing physical therapy and compensation of ~~medical professionals~~). ~~You have researched the costs associated with both managing and operating the Center.~~ Clinical Staff.

2. Agreement.

Based on your representations and warranties to us above, you and we agree as follows.

(a) At your request, we ~~hereby agree to waive the requirements of the Franchise Agreement requirement that you (i) enter into a Management Services Agreement with a PC, provided that you engage in all activities under the Franchise Agreement in compliance with all laws including without limitation Medical Regulations. As a result of this waiver, we amend the Franchise Agreement to provide that, for as long as Medical Regulations allow, you are not restricted from providing to provide all physical therapy or medical services to the Center's patients, or from at the Center; and (ii) refrain from engaging in activities that might constitute the practice of physical therapy or hiring and supervising the physical therapists and employees who are legally authorized to provide medical or physical therapy services to patients of the Center.~~ Clinical Staff, subject to all applicable Professional Regulations.

(b) Instead of entering into the Management Services Agreement with a separate PC, you agree to be solely responsible for operating the Center and providing, or arranging for and supervising the provision of, ~~medical and physical therapy services to the patients of the Center. You, therefore, agree that you will perform all~~ These responsibilities and obligations of the "PC" and the "Principal Physical Therapist" as set forth in the form of Management Services Agreement attached to this Amendment as Exhibit A (the "Management Services Agreement"), which are hereby incorporated into this Amendment. For the avoidance of doubt, the obligation of the PC to pay the Manager the Service Fees shall not be construed to apply to the Center. include the following:

~~(c) Instead of entering into the Management Services Agreement with a separate PC, you agree to be solely responsible for providing the management and support services necessary for operating the Center. You, therefore, agree that you will perform all responsibilities and obligations of the "Manager" as set forth in the Management Services Agreement, which are hereby incorporated into this Amendment.~~

(i) You will employ, lease or contract with Clinical Staff working in the Center. You will have full authority and control over the supervision and professional direction of all Clinical Staff and all professional and employment-related decisions related to such Clinical Staff, including selection, hiring, compensation, promotion, demotion, and termination.

(ii) You are and will be responsible for ensuring that (1) each of the Clinical Staff providing services holds an unrestricted license to practice physical therapy, as applicable, in the State, (2) prepare and file with the appropriate governmental authority all applicable annual reports and similar documentation, and (3) the Center has such licenses, permits and authorizations as are necessary or appropriate to operate the Center under applicable laws. You are and will be responsible for ensuring that all continuing education requirements are met by the Clinical Staff.

(iii) You are and will be responsible for creating and causing the Clinical Staff to create patient records with respect to professional services and treatment provided to patients in the Center, in a form and manner as required by the Professional Regulations or other applicable law and that is sufficiently documented so as to obtain payment for such services from approved payors. The patient records will be maintained and stored in accordance with applicable law.

(iv) You shall obtain and maintain professional medical liability insurance coverage specified in the Franchise Agreement, as it may be updated from time to time in the Manuals. If permitted by the insurance company, you will cause us to be named as additional insureds.

~~(dc)~~ Any reference in the Franchise Agreement to an obligation of, or requirement applicable to, the PC will be your ~~obligation~~ or, as applicable your Clinical Staff' obligations. Any reference in the Franchise Agreement to the operations of the "~~Center~~Clinic" will include your activities in both managing and providing physical therapy ~~services~~ at the Center.

~~(ed)~~ Section 3.2 of the Franchise Agreement is deleted and replaced with the following:

3.2 Royalty

(a) In consideration of the license granted to use the Marks and the System, you agree to pay us, in the manner provided below (or as the Manual otherwise prescribes), a recurring monthly fee (the "Royalty Fee") equal to ten percent (10%) of the Center's Net Gross Revenues. The Royalty Fee must be transmitted in the manner we specify, which may include, as provided for in Section ~~3.53.7~~, an automatic, electronic debit of funds on a monthly basis. In addition, you agree to send us on a form we require, or as we otherwise direct, a signed statement of the Net Gross Revenues for the preceding month. "Net Gross Revenues" means (i) all revenue that the Center actually collects and receives from operating the COMPETITIVE EDGE PHYSICAL THERAPY Center, including, but not limited to, all services and products sold, all amounts that the Center charges, invoices, collects, or receives at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from patients or other customers and paid to the appropriate taxing authority less ~~(2ii)~~ the Direct PC Expenses. Net Gross Revenues includes the proceeds of any business interruption insurance or similar insurance payments the Center receives to replace revenue that you lose from the interruption of the business of the Center due to a casualty or other similar event. "Direct PC Expenses" equals ~~(i1)~~ Clinical Staff Compensation; ~~(ii2)~~ all federal, state, and local income, franchise or gross receipts taxes, and any other taxes payable in lieu of income taxes, paid or payable by the Center or its ~~owner~~ ~~physical therapists~~ owners; and ~~(iii3)~~ costs of maintaining malpractice insurance and

professional licenses for PC and PC's licensed professionals. "Clinical Staff Compensation" means all salaries, wages, and the cost of employee benefits for all Clinical Staff employed by PC as in effect from time to time, including life, disability, medical and workers' compensation insurance premiums, pension plan contributions and other employee benefits, and all taxes and assessments payable to local, state, and federal governments in connection with the employment of such personnel.

(~~fe~~) All references to "Service Fees" and "Gross Revenues" in the Franchise Agreement to be replaced with a reference to Net Gross Revenues.

(~~gf~~) Except as otherwise amended above, the Franchise Agreement is otherwise in full force and effect.

(~~hg~~) To comply with law, the parties shall enter into the form of Business Associate Agreement attached hereto as Exhibit ~~B~~A.

3. Miscellaneous. In the event of any inconsistency between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum will supersede and control. In all other respects, the terms of the Franchise Agreement are ratified and confirmed. Any capitalized but undefined terms shall have the meaning given to them in the Franchise Agreement. The provisions hereof shall be governed by and construed in accordance with the laws of the State of Delaware. The proper venue for any dispute under this Addendum shall be the venue designated in the Franchise Agreement.

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

COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC

[FRANCHISEE]

By: _____

By: _____

Print Name and Title

Print Name and Title

Date

Date

EXHIBIT A to WAIVER OF MANAGEMENT SERVICES AGREEMENT

~~MANAGEMENT AGREEMENT~~

~~[See Exhibit E to the FDD]~~

~~EXHIBIT B to WAIVER OF MANAGEMENT AGREEMENT~~

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement ("Agreement") is entered into as of _____ ("Effective Date") by and between COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC ("Business Associate") and _____ ("Covered Entity").

Each of Covered Entity and Business Associate may be referenced in this Agreement as a "Party" and collectively as the "Parties."

The Parties, intending to be legally bound, hereby agree as follows:

I. Definitions.

- a. Except as otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the meanings set forth in HIPAA.
- b. "Breach" shall mean the acquisition, access, use or disclosure of Protected Health Information in a manner not permitted by the HIPAA Privacy Rule that compromises the security or privacy of the Protected Health Information as defined, and subject to the exceptions set forth, in 45 CFR § 164.402.
- c. "Electronic Protected Health Information" shall mean Protected Health Information that is transmitted or maintained in Electronic Media.
- d. "HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, as amended and supplemented by the HITECH Act and its implementing regulations, as each is amended from time to time.
- e. "HIPAA Breach Notification Rule" shall mean the federal breach notification regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Part 164 (Subpart D).
- f. "HIPAA Privacy Rule" shall mean the federal privacy regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Parts 160 and 164 (Subparts A & E).
- g. "HIPAA Security Rule" shall mean the federal security regulations, as amended from time to time, issued under HIPAA and set forth in 45 C.F.R. Parts 160 and 164 (Subparts A & C).
- h. "HITECH Act" shall mean Subtitle D of the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§ 17921-17954, and all its implementing regulations, when and as each is effective and compliance is required.
- i. "Protected Health Information or PHI" shall mean Protected Health Information, as defined in 45 CFR § 160.103, and is limited to the Protected Health Information received, maintained, created or transmitted on behalf of, Covered Entity by Business Associate in performance of the Underlying Services.

- j. "Underlying Services" shall mean, to the extent and only to the extent they involve the creation, maintenance, use, disclosure or transmission of Protected Health Information, the services performed by Business Associate for Covered Entity pursuant to the Underlying Services Agreement.
- k. "Underlying Services Agreement" shall mean the written agreement(s) (other than this Agreement) by and between the parties as amended as set forth in the attached schedule by and between the Parties pursuant to which Business Associate access to, receives, maintains, creates or transmits PHI for or on behalf of Covered Entity in connection with the provision of the services described in that agreement(s) by Business Associate to Covered Entity or in performance of Business Associate's obligations under such agreement(s).

II. Permitted and Required Uses and Disclosures of Protected Health Information by Business Associate.

- a. Business Associate may use or disclose Protected Health Information solely (1) as necessary to provide the Underlying Services to Covered Entity and in compliance with each applicable requirement of 45 CFR §164.504(e), (2) as Required by Law or (3) as expressly otherwise authorized under this Agreement. Business Associate shall not use or disclose Protected Health Information for any other purpose or in any other manner.
- b. Business Associate may, if necessary, use or disclose Protected Health Information for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate; provided, that (1) any disclosure is Required by Law or (2) Business Associate obtains reasonable advance written assurances from the person or party to whom the Protected Health Information is disclosed that (Y) the Protected Health Information will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person or party, and (Z) the person or party immediately notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

III. Obligations of Business Associate.

- a. Business Associate shall use appropriate safeguards, and, comply, where applicable, with the HIPAA Security Rule with respect to Electronic Protected Health Information, to prevent use or disclosure of the information other than as provided for by this Agreement.
- b. Business Associate shall mitigate any harmful effect of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Agreement.
- c. Business Associate shall immediately report to Covered Entity: (i) any use or disclosure of Protected Health Information not provided for by this Agreement of which it becomes aware in accordance with 45 CFR §164.504(e)(2)(ii)(C); and/or (ii) any Security Incident of which Business Associate becomes aware in accordance with 45 CFR § 164.314(a)(2)(i)(C).
- d. Business Associate shall notify the Covered Entity within ten (10) days after Business Associate's discovery of any incident that involves an unauthorized acquisition, access, use, or disclosure of Protected Health Information; even if Business Associate believes the incident will not rise to the level of a Breach. Business Associate agrees that such notification will meet the requirements of the HIPAA Breach Notification Rule set forth in 45 CFR §

164.410. Business Associate shall provide to the Covered Entity the names and contact information of all individuals whose Protected Health Information was or is believed to have been involved, all other information reasonably requested by the Covered Entity to enable the Covered Entity to perform and document a risk assessment in accordance with the HIPAA Breach Notification Rule with respect to the incident to determine whether a Breach occurred, and all other information reasonably necessary to provide notice to Individuals, the Department of Health and Human Services and/or the media in accordance with the HIPAA Breach Notification Rule. In the event of an incident that is required to be reported under this ~~Section III(d)subsection~~, Covered Entity shall elect in its sole discretion whether Covered Entity, Business Associate or a third party shall be responsible for conducting an investigation of that incident and providing any required notices as set forth in this ~~Section III(d)subsection~~.

- e. In accordance with 45 CFR 164.502(e)(1)(ii) and 45 CFR 164.308(b)(2), Business Associate shall ensure that any subcontractors that create, receive, maintain, or transmit Protected Health Information on behalf of Business Associate, agree to the same restrictions and conditions, in writing, that apply through this Agreement to Business Associate with respect to such Protected Health Information, including but not limited to the extent that subcontractors create, receive, maintain, or transmit Electronic Protected Health Information on behalf of the Business Associate, it shall require the subcontractors to comply with the HIPAA Security Rule.
- f. To the extent Business Associate is to carry out Covered Entity's obligations under the HIPAA Privacy Rule, Business Associate shall comply with the requirements of the HIPAA Privacy Rule that apply to Covered Entity in the performance of such obligations.
- g. Business Associate shall provide access to Covered Entity, no later than fifteen (15) days after receipt of a request from Covered Entity, to Protected Health Information in a Designated Record Set, or, if requested by Covered Entity, to an Individual, all in accordance with the requirements under 45 CFR § 164.524, including, providing or sending a copy to a designated third party and providing or sending a copy in electronic format, to the extent that the Protected Health Information in Business Associate's possession constitutes a Designated Record Set.
- h. Business Associate shall make available and make any amendment(s) to Protected Health Information in a Designated Record Set within fifteen (15) days after receipt of a request from Covered Entity or an Individual, all in accordance with the requirements of 45 CFR § 164.526.
- i. Business Associate shall document disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR § 164.528 and, as of the date compliance is required by final regulations, 42 U.S.C. § 17935(c).
- j. Business Associate shall make available to Covered Entity, within fifteen (15) after receipt of a request, information collected in accordance with Section III(i) of this Agreement to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information, or make that information available directly to an Individual, all in accordance with 45 CFR § 164.528 and, as of the date compliance is required by final regulations, 42 U.S.C. § 17935(c).

- k. Business Associate shall notify Covered Entity in writing within three (3) days after Business Associate's receipt directly from an Individual of any request for access to or amendment of Protected Health Information, or an accounting of disclosures, as contemplated in Sections III(g), III(h), III(i) and III(j) of this Agreement.
- l. Business Associate agrees to make its internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to the Covered Entity or to the Secretary, for purposes of the Secretary determining Covered Entity's compliance with HIPAA.
- m. Business Associate shall request, use and/or disclose only the minimum amount of Protected Health Information necessary to accomplish the purpose of the request, use or disclosure; provided, that Business Associate shall comply with 45 CFR §§ 164.502(b) and 164.514(d).
- n. Business Associate shall not directly or indirectly receive remuneration in exchange for any Protected Health Information as prohibited by 45 CFR § 164.502(a)(5)(ii).
- o. Pursuant to the authorizations obtained by the Covered Entity and in accordance with the terms of 45 CFR §§ 164.508(a)(3), Business Associate may make or cause to be made any marketing communication about a product or service as defined in 45 CFR §§ 164.501.
- p. Pursuant to the authorization obtained by the Covered Entity and in accordance with the terms of 45 CFR § 164.514(f) Business Associate may make or cause to be made any written fundraising communication.
- q. Business Associate shall take all necessary steps, at the request of Covered Entity, to comply with requests by Individuals not to send Protected Health Information to a Health Plan in accordance with 45 CFR § 164.522(a).
- r. Business Associate shall take reasonable steps to ensure that its employees' actions or omissions do not cause Business Associate to breach the terms of this Agreement or violate provisions of HIPAA that apply to Business Associate.
- s. Notwithstanding anything to the contrary, Business Associate may deidentify any Protected Health Information in accordance with the standard in 45 CFR § 164.514(a). Once data is properly de-identified, Business Associate may use the deidentified information for any lawful purpose and is not required to destroy such information upon termination of this Agreement.

IV. Term and Termination.

- a. The term of this Agreement shall commence as of the Effective Date and shall terminate concurrently with the Underlying Services Agreement unless earlier terminated, by mutual written agreement of the Parties, or in accordance with this Section IV.
- b. Notwithstanding anything in this Agreement to the contrary, if Covered Entity knows of a pattern of activity or practice of Business Associate that constitutes a material breach or violation of this Agreement then Covered Entity shall provide written notice of the breach or

violation to Business Associate that specifies the nature of the breach or violation. Business Associate must cure the breach or end the violation on or before thirty (30) days after receipt of the written notice. In the absence of a cure reasonably satisfactory to Covered Entity within the specified timeframe, or in the event the breach is reasonably incapable of cure, then Covered Entity may, terminate this Agreement.

- c. Within thirty (30) days after termination or expiration of this Agreement, Business Associate will return or destroy, if feasible, all Protected Health Information received from or created or received by Business Associate, including all Protected Health Information in possession of Business Associate's agents or subcontractors, on behalf of Covered Entity that Business Associate still maintains in any form and retain no copies of such information. To the extent return or destruction of the Protected Health Information is not feasible, Business Associate shall notify Covered Entity in writing of the reasons return or destruction is not feasible and, if Covered Entity agrees, may retain the Protected Health Information subject to this Section. Under any circumstances, Business Associate shall extend any and all protections, limitations and restrictions contained in this Agreement to Business Associate's use and/or disclosure of any Protected Health Information retained after the expiration or termination of this Agreement, and shall limit further uses and disclosures to those purposes that make the return or destruction of the information not feasible.

V. Miscellaneous.

- a. The Parties to this Agreement do not intend to create any rights in any third parties. The obligations of Business Associate under this Section and Section IV(c) of this Agreement shall survive the expiration, termination, or cancellation of this Agreement, the Service Agreement, and/or the business relationship of the Parties, and shall continue to bind Business Associate, its agents, employees, contractors, successors, and assigns as set forth herein.
- b. This Agreement may be amended or modified only in a writing signed by the Parties. No Party may assign its respective rights and obligations under this Agreement without the prior written consent of the other Party. None of the provisions of this Agreement are intended to create, nor will they be deemed to create any relationship between the Parties other than that of independent parties contracting with each other solely for the purposes of effecting the provisions of this Agreement and any other agreements between the Parties evidencing their business relationship. This Agreement shall be governed by the laws of the State of Delaware. No change, waiver or discharge of any liability or obligation hereunder on any one or more occasions shall be deemed a waiver of performance of any continuing or other obligation, or shall prohibit enforcement of any obligation, on any other occasion. The Parties agree that, in the event that any documentation of the arrangement pursuant to which Business Associate provides Underlying Services to Covered Entity contains provisions relating to the use or disclosure of Protected Health Information which are more restrictive than the provisions of this Agreement, the provisions of the more restrictive documentation will control. The provisions of this Agreement are intended to establish the minimum requirements regarding Business Associate's use and disclosure of Protected Health Information. This Agreement, together with the Underlying Services Agreement, constitutes the entire agreement of the Parties relating to Business Associate's use or disclosure of Protected Health Information.
- c. The terms of this Agreement to the extent they are unclear, shall be construed to allow for compliance by Covered Entity with HIPAA and the HITECH Act. In the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid or

unenforceable, the remainder of the provisions of this Agreement will remain in full force and effect. In addition, in the event Covered Entity believes in good faith that any provision of this Agreement fails to comply with the then-current requirements of HIPAA, Covered Entity shall notify Business Associate in writing. For a period of up to thirty (30) days, the Parties shall address in good faith such concern and amend the terms of this Agreement, if necessary to bring it into compliance. If, after such thirty-day period, the Agreement fails to comply with the requirements of HIPAA, then Covered Entity has the right to terminate upon written notice to the Business Associate.

- d. Business Associate understands and agrees that it will not assign, delegate, or subcontract any of its rights or obligations under this Agreement to individuals or entities residing outside the United States.
- e. This Agreement may be executed in counterparts, each of which will constitute an original and all of which will be one and same document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

Covered Entity:

By: _____
Name: _____
Title: _____

Business Associate:

COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC

By: _____
Name: _____
Title: _____

Schedule 1

The Franchise Agreement between COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING
LLC and _____ dated _____

EXHIBIT G
STATE ADDENDA

STATE OF CALIFORNIA

If your franchise is located in California, the following will apply:

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. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

2. No person or franchise broker listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a, et seq., suspending or expelling such persons from membership in such association or exchange.

3. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

4. Item 17 Additional Paragraphs:

- A. California Business and Professional Code Sections §§ 20000 through 20043 provide rights to the franchisee concerning the termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- B. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, et seq.).
- C. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- D. The franchise agreement requires litigation to occur in California with the costs being borne by each party, unless the disputed provision in the franchise agreement provides for payment by the losing party of the prevailing party's attorneys' fees and costs of litigation. This provision may not be enforceable under California law.
- E. The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

5. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as business and Professions Code

§ 20040.S, Code of Civil Procedures 1281, and the Federal Arbitrations Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

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

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

8. Item 6 and Item 10 are revised to include the following: "The highest interest rate permitted by law in California is 10%."

9. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC (“we” or “us”) and _____ (“you”) have this day of _____, _____ (the “Effective Date”) entered into a COMPETITIVE EDGE PHYSICAL THERAPY Franchise Agreement (“Franchise Agreement”) and desire to amend its terms as set out below in this California Addendum (the “Addendum”). The parties hereto agree as follows:

1. The following statement is hereby added to the Franchise Agreement:

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be duly signed as of the day and year first ~~above~~ written above.

COMPETITIVE EDGE PHYSICAL
THERAPY FRANCHISING LLC

[Franchisee]

By: _____

By: _____

Print Name

Print Name

Title

Title

EXHIBIT H
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FOR
~~POLICY AND PROCEDURES~~BRAND STANDARDS MANUAL

Competitive Edge Physical Therapy Franchise Operations Manual

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EXHIBIT I
FINANCIAL STATEMENTS

COMPETITIVE EDGE PHYSICAL THERAPY LLC

FINANCIAL REPORT

AS OF DEEMBER 31, 2022



COMPETITIVE EDGE PHYSICAL THERAPY LLC

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Independent Auditor's Report

To the Member
Competitive Edge Physical Therapy LLC
San Jose, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of Competitive Edge Physical Therapy LLC as of December 31, 2022, and the related statements of operations, member's equity, and cash flows for the year ended December 31, 2022, and the notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Competitive Edge Physical Therapy LLC as of December 31, 2022, and the results of their operations and their cash flows for the year ended December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Competitive Edge Physical Therapy LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Competitive Edge Physical Therapy LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Reese CPA LLC

Ft. Collins, Colorado
February 21, 2023

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31, 2022

	<u>2022</u>
ASSETS:	
CURRENT ASSETS	
Cash and equivalents	\$ 27,129
TOTAL CURRENT ASSETS	<u>27,129</u>
NON-CURRENT ASSETS	
Intangible assets	36,000
TOTAL ASSETS	<u><u>\$ 63,129</u></u>
LIABILITIES AND MEMBER'S EQUITY:	
CURRENT LIABILITIES	
Accounts payable	\$ 1,566
TOTAL CURRENT LIABILITIES	<u>1,566</u>
NON-CURRENT LIABILITIES	-
TOTAL LIABILITIES	<u>1,566</u>
MEMBER'S EQUITY	61,563
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u><u>\$ 63,129</u></u>

The accompanying notes are an integral part of these financial statements.

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>
REVENUES	\$ -
OPERATING EXPENSES	
Professional fees	24,536
Advertising and promotion	14,932
General and administrative	10,313
TOTAL OPERATING EXPENSES	<u>49,781</u>
OPERATING (LOSS)	(49,781)
OTHER INCOME (EXPENSE)	-
NET (LOSS)	<u><u>\$ (49,781)</u></u>

The accompanying notes are an integral part of these financial statements.

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Member Contributions</u>	<u>Accumulated (Deficit)</u>	<u>Total Member's Equity</u>
BALANCE, JANUARY 1, 2022	\$ -	\$ -	\$ -
Member contributions	111,344	-	111,344
Net (loss)	-	(49,781)	(49,781)
BALANCE, JANUARY 22, 2022	<u><u>\$ 111,344</u></u>	<u><u>\$ (49,781)</u></u>	<u><u>\$ 61,563</u></u>

The accompanying notes are an integral part of these financial statements.

COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (49,781)
Adjustments to reconcile net income to net cash provided by operating activities:	
Non-cash member contributions	59,500
Changes in assets and liabilities:	
Accounts payable	1,566
Net cash provided by operating activities	<u>11,285</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of intangible assets	(36,000)
Net cash used for investing activities	<u>(36,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Member contributions	51,844
Net cash provided by financing activities	<u>51,844</u>
NET INCREASE IN CASH	27,129
CASH, BEGINNING	<u>-</u>
CASH, ENDING	<u><u>\$ 27,129</u></u>
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	\$ -
Cash paid for taxes	\$ -

The accompanying notes are an integral part of these financial statements.

COMPETITIVE EDGE PHYSICAL THERAPY LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Competitive Edge Physical Therapy LLC ("Company") was formed on November 4, 2021, (Inception) in the state of Delaware as a limited liability company. The effective date of the filing was January 1, 2022. The Company grants a license for the operation of a physical therapy management business that will, through independent physical therapists and professionally licensed persons or entities, provide various physical therapy services, including sports orthopedics and conditioning using our related trade names, trademarks, or logos (Marks").

Affiliate

Competitive Edge Physical Therapy, Inc., ("CEPT INC") was incorporated on July 7, 2015, in the state of California and operates a business similar to the business being offered. CEPT INC is the owner of the Marks of the Company.

The following table summarizes the number of locations open and operating for the year ended December 31, 2022:

	<u>2022</u>
Locations in operation, beginning	1
Locations opened	-
Locations terminated or closed	-
Locations in operation, ending	<u>1</u>
Franchised locations	-
Affiliate owned locations	1

A summary of significant accounting policies follows:

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

COMPETITIVE EDGE PHYSICAL THERAPY LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development Stage Operations

The Company's planned franchising activities, as previously described, have not yet commenced. Since its inception the Company has not sold any franchises or earned any revenue. The Company's activities are subject to significant risks and uncertainties, including failing to secure additional capital to fund operations until the Company achieves break-even operational status.

Use of Estimates

Preparation of the Company's financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2022.

Accounts Receivable

Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any accounts receivable or allowance for doubtful accounts as of December 31, 2022 and did not charge-off any accounts receivable for year ended December 31, 2022.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). The Company had net property, plant & equipment of \$0 as of December 31, 2022.

COMPETITIVE EDGE PHYSICAL THERAPY LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. The Company had a net intangible asset for franchise development costs of \$36,000 as of December 31, 2022. The Company will begin to amortize the franchise development costs once the first franchise is sold.

Income Taxes

The member of the Company has elected to be taxed as a Disregarded Entity under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax return of its member and no provisions for federal or state taxes have been recorded on the accompanying balance sheet.

The Company adopted ASC 740-10-25-6 “Accounting for Uncertainty in Income Taxes”, that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold upon examination by taxing authorities.

Revenue Recognition

The Company recognizes revenue under the guidance of ASC 606, “Contracts with Customers”. The Company’s revenue mainly consists of franchise fees and royalties.

Each franchise agreement is comprised of several performance obligations. The Company has concluded that these items represent a single performance obligation and recognize the initial franchise fees over the term of the contract which is currently 10 years from the effective date of the franchise agreement. The Company has no revenue from initial fees for the year ended December 31, 2022.

When a franchisee purchases a franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks, and logos (“the license”). The license is symbolic intellectual property. Revenues related to the license are continuing royalties and are 10% of the service fees. These revenues will be used to continue the development of the Company’s brand, the franchise system and provide on-going support for the Company’s franchisees. The royalties are billed monthly and are recognized as revenue when earned. The Company has no revenue from royalties for the year ended December 31, 2022.

COMPETITIVE EDGE PHYSICAL THERAPY LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Brand Development Fund Contribution

The Company has established a marketing fund to provide regional and national advertising for the benefit of the franchisees. The marketing fund fees are 1% of service fees and are billed monthly and are recognized as revenue when earned up to the amount spent on marketing activities as defined in the franchise disclosure document. Funds collected, but not yet spent are recorded as deferred revenue on the balance sheet. As of December 31, 2022, \$0 was included in deferred revenue.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2022, was \$14,932.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, and accounts payable, the carrying amounts approximate fair value due to their short maturities.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 3 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through February 21, 2023, the date on which the financial statements were available to be issued.

EXHIBIT J
SBA ADDENDUM

SOP 50-10 5(j)

Appendix 9



ADDENDUM TO FRANCHISE¹ AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____, by and between _____ ("Franchisor"), located at _____, and _____ ("Franchisee"), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20____, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional

¹ While relationships established under license, jobber, dealer, and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

Effective Date: January 1, 2018

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renewals) for fair market value.

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire, or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

Authorized Representative of FRANCHISOR:

By: _____

Print Name: _____

Title:

Authorized Representative of FRANCHISEE:

By:

Print Name: _____

Title: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

Effective Date: January 1, 2018

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**EXHIBIT K
GENERAL RELEASE**

**[SAMPLE OF GENERAL RELEASE APPLICABLE UPON TRANSFER OR RENEWAL. NOT
FOR EXECUTION WITH THE FRANCHISE AGREEMENT]**

FOR AND IN CONSIDERATION of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant to fully and mutually release the other as follows:

1. The Franchisee and its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, officers, directors, principals, employees and affiliated parties (collectively, the "Franchisee Parties") do hereby release and forever discharge Franchisor, its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, officers, directors, principals, employees and affiliated parties (collectively, the "Franchisor Parties") from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, including, without limitation: (a) arising out of or related to the Franchisor Parties' obligations under the franchise agreement or (b) otherwise arising from or related to the Franchisee Parties' relationship, from the beginning of time to the date of Franchisee's signature below, with any of the Franchisor Parties.

2. Franchisee, on its own behalf and on behalf of the other Franchisee Parties, further covenant not to sue any of the Franchisor Parties on any of the claims released by the preceding paragraph and represent that Franchisee has not assigned any such claims released by the preceding paragraph to any individual or entity who is not bound by this Release. It is understood and agreed that this Release is not to be construed as an admission of liability with respect to the Franchisor Parties.

3. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. The parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties' respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.

4. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all agreements on this subject matter, whether written or oral. The terms contained herein may not be

modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital.

5. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed; and that they have not assigned any rights released hereunder to any person or organization, private or governmental.

6. The parties hereby covenant and agree that each shall not make, at any time or place, any disparaging remarks, verbally or in writing, concerning any of the parties' actions or perceived omissions, regarding any matter connected with this Release Agreement or otherwise take any action that would disparage or cast doubt upon the business acumen or judgment of any other party. Each party understands and acknowledges that each other party's business and reputation are of special, unique, and extraordinary character, which gives them a particular value, the loss of which cannot reasonably be compensated in damages in an action at law. Accordingly, each party further agrees that in addition to any other rights or remedies that any other party may possess at law, any aggrieved party shall be entitled to injunctive and other equitable relief in order to prevent or remedy a breach of the provisions of this Agreement by any other party hereto.

7. The terms of this Release arose from discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claimed to have drafted or proposed the language in question.

8. This Release shall be governed by and construed pursuant to the laws of the State of Delaware.

9. This Release may be executed in two copies, each of which shall be deemed an original.

IF THE FRANCHISED BUSINESS FRANCHISEE OPERATES UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE FRANCHISEE PARTIES. FRANCHISEE RECOGNIZES THAT FRANCHISEE OR THE FRANCHISEE PARTIES MAY HAVE SOME CLAIM, DEMAND OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH FRANCHISEE, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH FRANCHISEE, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND

PREVENT FRANCHISEE, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, EXPRESSLY WAIVES ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THE CREDITOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY THE CREDITOR MUST HAVE MATERIALLY AFFECTED THE CREDITOR'S SETTLEMENT WITH THE DEBTOR."

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT FRANCHISEE HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Franchised Business is located in Maryland or if Franchisee is a resident of Maryland, the following shall apply: Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

All releases given by the Parties are intended to constitute a full, complete, unconditional, and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Releasing Parties, in the Releasing Parties independent judgment, believe necessary or appropriate.

[FRANCHISEE]

COMPETITIVE EDGE
PHYSICAL THERAPY FRANCHISING LLC

ByName: _____
Title: _____

ByName: _____
Title: _____

EXHIBIT L
FORM OF FRANCHISE COMPLIANCE CERTIFICATION

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

~~1. Have you received and personally reviewed our Franchise Disclosure Document ("FDD"), Franchise Agreement and each Addendum (if any), and related agreement (i.e., personal guaranty) attached to them?~~

~~Yes or No? _____~~

~~2. Did you receive the Franchise Agreement and each related agreement, Addendum, or Amendment (if any), containing all material terms, at least 7 days before signing any binding agreement with us or an affiliate?*~~

~~Yes or No? _____~~

~~* This does not include changes to any agreement mutually agreed upon.~~

~~3. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, and before paying any funds to us or an affiliate?~~

~~Yes or No? _____~~

~~4. Do you understand all of the information contained in the FDD, Franchise Agreement and each Addendum (if any), and related agreement provided to you?~~

~~Yes or No? _____~~

~~If No, what parts of the FDD, Franchise Agreement, Addendum (if any), and/or related agreements do you not understand?~~

~~_____~~
~~_____~~

~~5. Did you sign a receipt for the FDD indicating the date you received it?~~

~~Yes or No? _____~~

~~6. Have you discussed the benefits and risks of purchasing a COMPETITIVE EDGE PHYSICAL THERAPY franchise with an attorney, accountant or other professional advisor?~~

~~Yes or No? _____~~

~~If No, do you wish to have more time to do so?~~

~~Yes or No? _____~~

~~7. Do you understand that the success or failure of your COMPETITIVE EDGE PHYSICAL THERAPY franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?~~

~~Yes or No? _____~~

~~8. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a COMPETITIVE EDGE PHYSICAL THERAPY franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?~~

~~Yes or No? _____~~

~~9. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a COMPETITIVE EDGE PHYSICAL THERAPY franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?~~

~~Yes or No? _____~~

~~10. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a COMPETITIVE EDGE PHYSICAL THERAPY franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?~~

~~Yes or No? _____~~

~~11. If you have answered "Yes" to any one of questions 8-10, please provide a full explanation of each "Yes" answer in the following blank lines:~~

~~12. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the COMPETITIVE EDGE PHYSICAL THERAPY franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?~~

~~Yes or No? _____~~

~~Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.~~

~~13. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?~~

~~Yes or No? _____~~

~~14. You signed the Franchise Agreement, and Addendum (if any) and related agreements on _____ and acknowledge that no agreement or addendum is effective until signed and dated by us.~~

~~YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.~~

~~SPECIAL NOTE FOR RESIDENTS OF THE STATE OF ILLINOIS AND FRANCHISED BUSINESSES LOCATED IN ILLINOIS: Questions 1 and 5 do not apply to you.~~

~~SPECIAL NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISES TO BE OPERATED IN THE STATE OF MARYLAND: None of the above representations are intended to nor will they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.~~

~~The individuals signing below for the "**Franchisee Applicant**" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.~~

FRANCHISE APPLICANT:

Signature: _____

Name: _____

Date: _____

Signature: _____

Name: _____

Date: _____

Signature: _____

Name: _____

Date: _____

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	March 10, 2022 Pending
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT ~~ML~~
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 COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires you to receive this Franchise Disclosure Document 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is:

☐	☐	☐	☐
Kevin Vandl	Kyler Clark		
1375 Blossom Hill Rd, #33	1375 Blossom Hill Rd,		
San Jose, CA 95118	#33		
415-795-8010	San Jose, CA 95118		
	415-795-8010		

Issuance Date: ~~February~~April 10, 2022~~2023~~

See Exhibit A for our registered agent authorized to receive service of process.

I have received a disclosure document dated ~~February~~April 10, 2022~~2023~~ that included the following Exhibits: Exhibit A: Federal and State Regulatory Authorities; Exhibit B: Current Franchisees; Exhibit C: Former Franchisees; Exhibit D: Franchise Agreement (with attachments); Exhibit E: Management Services Agreement (with attachments); Exhibit F: Waiver of Management Services Agreement; Exhibit G: State Addenda; Exhibit H: Table of Contents for ~~Policy and Procedure~~Brand Standards Manual; Exhibit I: Financial Statements; Exhibit J: SBA Addendum; Exhibit K: General Release; Exhibit L: ~~Form of Franchise Compliance Certificate~~; ~~Exhibit M: Receipt~~

Date

Prospective Franchisee

~~Individually and as an officer, partner, member or manager of _____, a
_____ organized under the laws of _____.~~

You may return one copy of this receipt by signing, dating, and mailing it to COMPETITIVE EDGE PHYSICAL THERAPY FRANCHISING LLC, Franchise Administration, at 1375 Blossom Hill Rd, #33, San Jose, CA 95118, 415-795-8010 or by sending it via email to 415-795-8010.

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Summary report: Litera Compare for Word 11.2.0.54 Document comparison done on 4/10/2023 11:58:55 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original DMS: iw://manningfulton-mobility.imanage.work/LEGAL/3535757/7	
Modified DMS: iw://manningfulton-mobility.imanage.work/LEGAL/3871152/2	
Changes:	
<u>Add</u>	1421
<u>Delete</u>	1609
<u>Move From</u>	0
<u>Move To</u>	0
<u>Table Insert</u>	3
<u>Table Delete</u>	10
<u>Table moves to</u>	0
<u>Table moves from</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	12
Embedded Excel	0
Format changes	0
Total Changes:	3055