

FRANCHISE DISCLOSURE DOCUMENT



Next Health Franchising LLC
a Delaware limited liability company
955 Carrillo Dr., Suite 100
Los Angeles, California 90048
(310) 295-2075
www.next-health.com
franchise@next-health.com

The franchise is the right to develop, own, and operate a health optimization and longevity center that provides or facilitates the provision of health, wellness, medical, aesthetic and related services and treatments, and related products and services. The total investment necessary to begin operation of a NextHealth® center ranges from \$1,596,000 - \$2,195,000. This includes \$356,599 to \$377,099 that must be paid to the franchisor and its affiliates.

Franchisor also offers the right to enter into an area development agreement under which the developer agrees to purchase an agreed upon number of franchises (a specific number typically between 3 and 10) and open that number of NextHealth centers pursuant to individual franchise agreements. The only investment necessary to begin operation under a development agreement is payment of a development fee equal to 50% of the initial franchise fee for each center you agree to open. Because we provide a discounted initial franchise fee for multi-unit commitments, the development fee will vary depending on the size of your commitment: \$90,000 for 3 centers; \$120,000 for 4 centers; \$100,000 for 5 centers; \$120,000 for 6 centers; \$140,000 for 7 centers; \$160,000 for 8 centers; \$180,000 for 9 centers; \$200,000 for 10 centers; and, incrementally, an additional \$20,000 for each center in excess of 10. The entire investment under a development agreement is paid to franchisor.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Next Health Franchising LLC at 955 Carrillo Dr., Suite 100, Los Angeles, California 90048; phone: (310) 295-2075; email: franchise@next-health.com.

The terms of your contract will govern your franchise relationship. Don't rely on this 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 homepage at www.ftc.gov for additional information on franchising. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: September 5, 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 Exhibit D.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit E include 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 NextHealth center 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 NextHealth franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments to 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 and the area development agreement require you to resolve disputes with us by arbitration or litigation in California. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It also may cost more to arbitrate or litigate with us in California than in your home state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. The franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Inventory/Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices that the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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 APPLY TO
TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment 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, marketing, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent to not 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 a provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Michigan Attorney General's Office
Consumer Protection Division
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

Note: Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions. You acknowledge that we will seek to enforce this section as written.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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

We refer to this document as the “Disclosure Document.” The franchisor is Next Health Franchising LLC, and we refer to it as “Franchisor” or “we.” We refer to the person or entity that buys the franchise as “you.” If you are not a natural person, certain provisions of the agreements described in this Disclosure Document will also apply to your direct and indirect owners, and we refer to them as your “Owners.” We refer to the NextHealth Center you operate as our franchisee as “your Center.”

The Franchisor and Our Agents for Service of Process.

We are a limited liability company, formed in the State of Delaware on April 17, 2023. Our principal business address is 955 Carrillo Dr. Suite 100 Los Angeles, California 90048. Our agents for service of process in the states in which this Disclosure Document will be registered are listed in Exhibit A.

We do not conduct business under any name except our legal name and our brand name, “NextHealth®” (the “Brand”). We first offered franchises for NextHealth-centers (each a “NextHealth Center”) in June 2023, but we only offered them in states that did not regulate the offer and sale of franchises and then only where there was an exemption from the application of a pre-sale disclosure obligation. This Disclosure Document represents our first general offer of franchises for NextHealth Centers. Our sole business is to offer and sell franchises for NextHealth Centers, manage the NextHealth Center franchise system, and provide services to NextHealth Center franchisees. While we have never owned or operated a NextHealth Center, our affiliates own and operate them. We have never offered franchises for or operated any other businesses.

Our Parent, Predecessor and Affiliates.

Our parent, Next Health Management Group, Inc. (“Parent”), shares our principal address. Parent owns and has granted us a license to use and sublicense the use of the trademarks and other intellectual property used in the operation of NextHealth Centers. Parent has operated NextHealth Centers since July 2016. Parent has not granted franchises in this or any other lines of business.

Since December 2022, our affiliate, Next Health International LLC (“NHI”) has been offering master franchises and unit franchises outside the United States for NextHealth Centers. NHI shares our principal address, has never granted franchises in any other line of business, has never operated a NextHealth Center, and does not provide products or services to our franchisees.

Our affiliate, Next Health Franchise Medical Group, LLC (the “Medical Service Manager”), shares our principal address. The Medical Service Manager provides and supervises the provision of medical services provided at NextHealth Centers. It will provide those services to our franchisees who are not themselves licensed medical professionals. The Medical Service Manager has never granted franchises in any line of business and has never operated a NextHealth Center.

Except as described above, we have no affiliates who sell or have sold franchises in this or any other line of business or provide products or services to our franchisees.

We have no predecessors.

The Type of Business You Will Conduct.

NextHealth Centers provide certain non-medical products and services and provide or facilitate, through licensed medical providers, the provision of various health, wellness, medical, aesthetic and related services, products, and treatments (“Medical Services”). Some of the Medical Services such as stem cell therapies, ozone therapies, treatments, exosome therapies, and peptide therapies may be considered “speculative medical treatments” as that term may be defined by various governments or advertising outlets or as they may be commonly known (“Speculative Medical Services”). Certain Medical Services offered at NextHealth Centers will, under the laws of the state in which the Center is located, be considered the practice of medicine that can only be provided by or under the supervision of licensed medical providers (a “Medical Director”). Thus, if you are not a licensed medical provider or if you are a licensed medical provider but are subject to state laws that prohibit you from splitting fees with non-licensed persons, you will enter into a management agreement with the Medical Services Manager (a “Management Agreement”). Under the Management Agreement, the Medical Services Manager will provide the Medical Director for your Center, and you will, in exchange for an administrative service fee, provide certain non-clinical administrative services to the Medical Service Manager and the Medical Director. The current form of the Management Agreement is attached as Attachment D to the form Franchise Agreement.

We do not require NextHealth franchisees to practice medicine, hire licensed health care professionals or provide training to them, provide Medical Services, or exert control over the delivery or supervision of Medical Services; however, we require each NextHealth franchisee to (i) be or have a relationship with a licensed Medical Director who will use its independent medical judgement, perform or, where permitted, supervise the performance of Medical Services at the franchisee’s NextHealth Center, and (ii) engage at least one (1) licensed and registered nurse practitioner (“Nurse Practitioner”) and one (1) licensed and registered nurse (“Aesthetic RN”) to administer certain Medical Services under the supervision of the Medical Director. We also require NextHealth Centers to offer and sell certain non-medical products and services to their customers and provide certain non-clinical and administrative services that are requested by the Medical Director and the Medical Service Manager pursuant to the Management Agreement. If you determine that applicable laws permit you to own, operate and act as the Medical Director of your Center, offer and provide Medical Services at your Center, hire licensed healthcare professionals to provide Medical Services at your Center, and pay royalty and other amounts to us based on the revenue derived from Medical Services, then upon your request, we may waive the requirement to enter into the Management Agreement with Medical Service Manager.

We periodically prescribe certain mandatory specifications, standards, operating procedures, and rules governing the operation of NextHealth Centers (the ‘System Standards’); however, our System Standards and any assistance provided by us in connection the development and operation of NextHealth Centers (i) relate solely to the performance of activities that are not regulated by laws governing the provision of Medical Services; (ii) do not constitute the practice of medicine or the performance of Medical Services, and (iii) do not provide us with the ability to exert control over the delivery or supervision of Medical Services. The Medical Director of your Center will periodically issue mandatory and optional specifications, standards, operating procedures, and rules governing the provision of Medical Services at your Center, including those governing purchasing, storage, placement, and use of products, services, equipment, and supplies used in the provision of Medical Services (the “Medical Standards”). In the event of conflict between the System Standards and the Medical Standards, the Medical Standards will supersede the System Standards.

In order to acquire the right to develop, own, and operate a NextHealth Center, you must enter into a franchise agreement and related agreements with us (the “Franchise Agreement”), the current form of which is attached to this Disclosure Document as Exhibit B. If you are not a natural person, your Owners that have direct or indirect ownership in you will be required to sign an agreement (the current

form of which is as Attachment A to the Franchise Agreement) under which each of your Owners will personally assume and guarantee your obligations under the Franchise Agreement. If the spouse of an Owner does not have any ownership in you, we require the non-owner spouse to sign the guaranty solely to acknowledge that their spouse is signing the guaranty which may put its marital assets at risk. A non-owner spouse is not otherwise obligated under the guaranty.

Concurrently with the execution of the Franchise Agreement you and we will also enter into the Business Associate Agreement to comply with Health Insurance Portability and Accountability Act (“HIPAA”) to the extent it applies to the relationship between you and us, the current form of which is attached as Attachment C to the form Franchise Agreement.

We also offer qualified applicants the option to sign an area development agreement (an “Area Development Agreement”) in which they agree to acquire an agreed upon number of franchises and develop and open, in accordance with individual Franchise Agreements, an agreed upon number of NextHealth Centers within a specified geographic territory (the “Development Area”) and according to a specified schedule (the “Development Schedule”). The Area Development Agreement will require a commitment to develop a specific number of NextHealth Centers, typically a number between 3 and 10, subject to your and our agreement prior to execution of the Area Development Agreement. The form of Area Development Agreement you would sign is attached as Exhibit C to this Disclosure Document. You will sign the Franchise Agreement (in form attached to Disclosure Document as Exhibit B) for your first NextHealth Center when you sign the Area Development Agreement. For each subsequent franchise you acquire, you will sign our then-current form of Franchise Agreement, which may be materially different than the form we were using when you signed the Area Development Agreement, except that the initial franchise fee payable under each Franchise Agreement will be as specified in the Area Development Agreement.

Market for Your Products and Services; Competition.

NextHealth Centers operate year-round, and their products and services are sold to members of the general public (both male and female) who are interested in health, wellness, medical, aesthetic and related services and treatments and who patronize businesses that offer cryotherapy, IV therapy, injectables, and similar medical wellness and aesthetic services. Clients of NextHealth Centers are generally adults, but certain services may be offered to minors with permission of their parents or guardians. The market for these products and services is steadily growing and evolving. Your Center will be competing with businesses that offer one or more similar services, including med spas and doctors’ offices.

Laws and Regulations.

Medical wellness centers and Medical Services are heavily regulated by federal, state and local laws, rules and ordinances. Such laws and regulations include (i) state corporate practice of medicine (“CPOM”) regulations; (ii) laws pertaining to the practice of medicine and/or nursing; (iii) privacy and safety laws such as HIPAA and Occupational Safety and Health Administration (“OSHA”); (iv) anti-kickback and fee splitting laws; (v) the Stark law (42 USC §1395, et seq.) and other laws that prohibit physician self-referral under certain circumstances; (vi) telemedicine laws and regulations; (vii) state individual and facility licensing requirements; (viii) patient inducement laws; (ix) laws and regulations pertaining to medical devices and related healthcare equipment; (x) laws and regulations pertaining to health and fitness centers, including requirements applicable to membership programs; (xi) laws and regulations pertaining to cosmetology/aesthetic services; (xii) laws and regulations pertaining to state pharmacy boards; and (xiii) laws related to minimum wage and overtime requirements. There may be other laws applicable to your Center.

We will not require that Speculative Medical Services be provided at your Center, but you may choose to require your Medical Director to offer them at your Center. You are required to understand and comply with all laws applicable to your Center. We urge you to make further inquiries about these laws.

ITEM 2 **BUSINESS EXPERIENCE**

Darshan Shah, MD - Chief Executive Officer

Mr. Shah has been our Chief Executive Officer since our formation in April 2023 and has held the same position with our Parent (since January 2014), NHI (since its formation in December 2022), and Medical Service Manager (since June 2023). His positions with us and our affiliates are based in Malibu, California. He has also served as Chief Executive Officer of Beautologie Medical Group, Inc. in Bakersfield, California since June 2002.

Kevin Peake - President

Mr. Peake has been our President since our formation in April 2023 and has held the same position with Parent (since August 2016), NHI (since its formation in December 2022), and Medical Service Manager (since June 2023). Mr. Peake is based in Los Angeles, California for all of the positions described above.

Scott Svlich – Chief Operating Officer

Mr. Svlich has been our Chief Operating Officer since our formation in April 2023 and has held the same position with Parent (since April 2022) and with NHI (since its formation in December 2022), and Medical Service Manager (since June 2023). His positions with us and our affiliates are based in Los Angeles, California. Previously, he served as Vice President of Operations for AKT Franchising, LLC in Irvine, California, from September 2020 to April 2022. He also served as Vice President of Sales for Pure Barre Franchising, LLC in Irvine, California, from October 2018 to September 2022. He also served as Director of Sales for California Family Fitness, LLC in Sacramento, California, from September 2016 to October 2018.

Widad Atto – Vice President of Finance

Ms. Atto has been our Vice President of Finance since our formation in April 2023 and has held the same position with Parent (since October 2022), NHI (since its formation in December 2022), and Medical Service Manager (since June 2023). Her positions with us and our affiliates are based in Glendale, California. Ms. Atto was in between positions from February 2022 to September 2022. She was formerly employed as Senior Vice President of Finance for Safe Health Systems, Inc. in Los Angeles, California from November 2020 to January 2022; Senior Vice President of Finance for ReadySpaces in Los Angeles, California from April 2019 to November 2020; and Vice President of Finance for Thoreau Janitorial Services in Los Angeles, California from July 2017 to April 2019.

Vanessa Kekina – Director of Marketing

Ms. Kekina has been our Director of Marketing since our formation in April 2023. She has been employed by Parent (since June 2016), initially serving as General Manager of a NextHealth Center from June 2016 to April 2018 and then as Director of Marketing since April 2018. Ms. Kekina is based in West Hollywood, California.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee - \$80,000

When you sign the Franchise Agreement, you will pay us an initial franchise fee (“Initial Franchise Fee”) of \$80,000 unless the fee is discounted under an Area Development Agreement as described below. The initial franchise fee is paid in a lump sum, is not refundable, and is uniformly imposed.

Training Fee - \$7,500

You must pay us a training fee of \$5,000 for each person attending our initial nurse practitioner training program and \$2,500 for each person attending our initial aesthetic registered nurse training program. The training fee is paid in a lump sum, is not refundable, and is uniformly imposed.

Equipment Package - \$265,000

We facilitate your purchase from our approved or designated third-party vendors of certain (but not all) equipment you are required to have available in your Center when it opens (the “Equipment Package”). We place, on your behalf, the initial orders for the items that comprise the Equipment Package and collect from you \$265,000 and, in turn, pay to the appropriate vendors the price of the items they sell to you. We act merely as a facilitator of these transactions and do not resell the components of the Equipment Package, but we may choose to do so in the future. This amount is payable in a lump sum (as invoiced), is not refundable, and is uniformly imposed.

Architect & General Contractor Review Fee - \$2,000 per vendor

We recommend that you engage our designated architect and general contractor to develop your Center; however, if you wish to engage an alternate architect or general contractor then you will pay us an architect and general contractor review fee of \$2,000 per vendor to evaluate your proposed architect or general contractor. The architect and general contractor review fee is paid in a lump sum when you request our approval of your proposed architect or general contractor, is not refundable (even if we do not approve your proposed architect or general contractor) and is uniformly imposed.

Construction Management Fee - \$15,000

We recommend that you use the services of our designated general contractor to develop your Center; however, if you wish, subject to our approval, to engage an alternate general contractor then you will pay us a construction management fee of \$15,000 (the “Construction Management Fee”). The Construction Management Fee is paid in a lump sum when signing the Franchise Agreement, is not refundable, and is uniformly imposed.

Lease Review Fee - \$1,500

If the landlord of the premises at which your Center is located requires changes to our then-current form of lease addendum, a copy of which is annexed to the Operations Manual (as defined in Item 11), you must pay us a lease review fee of \$1,500 to offset the expenses we incur to conduct the review. The lease review fee is payable in a lump sum when you present the revised lease addendum to us for our consideration, is not refundable, and is uniformly imposed.

Technology Fees – \$1,599

We collect a monthly technology fee (the “Technology Fee”) for providing you with access to certain software or technology that is required for the operation of your Center. The amount may change, but the current monthly Technology Fee as of the issuance of this Disclosure Document is \$1,599, and it includes your monthly subscription charges for certain required computer and client management software programs. The Technology Fee is collected in advance, and therefore, you will pay at least your first monthly installment of Technology Fees before your Center commences operations. The Technology Fee is payable in a lump sum each month, is not refundable, and is uniformly imposed.

Medical Director Fee - \$2,500

The Medical Service Manager collects a monthly Medical Director Fee for making a Medical Director available to you. The Medical Director Fee is collected in advance, and therefore, you will pay at least your first monthly installment of Medical Director Fee before your Center commences operations. The Medical Director Fee is payable in a lump sum each month, is not refundable, and is uniformly imposed.

Development Fee - \$90,000 to \$200,000

If you sign an Area Development Agreement, you will pay us, in a lump sum on execution of the agreement, a development fee (“Development Fee”) equal to 50% of the initial franchise fee payable for each NextHealth Center you agree to develop in satisfaction of an agreed upon Development Schedule. The Area Development Agreement will require a commitment to develop a specific number of NextHealth Centers, typically a number between 3 and 10, subject to your and our agreement prior to execution of the Area Development Agreement. Since we provide a discounted initial franchise fee for multi-unit development, the amount of the development fee you are required to pay will depend on the number of NextHealth Centers you commit to develop, calculated as follows:

Number of NextHealth Centers	Initial Franchise Fee per NextHealth Center	Amount of Development Fee
3	\$60,000	\$90,000
4	\$60,000	\$120,000
5	\$40,000	\$100,000
6	\$40,000	\$120,000
7	\$40,000	\$140,000
8	\$40,000	\$160,000
9	\$40,000	\$180,000
10	\$40,000	\$200,000

The development fee will increase by \$20,000 for each NextHealth Center in excess of 10 that you commit to develop. While we agree to credit a prorated portion of the Development Fee toward the initial franchise fee due on execution of the Franchise Agreements, the Development Fee is payment for the reservation of the development area and discounted initial franchise fee. It is not a prepayment of the initial franchise fee. The development fee is not refundable and is uniformly imposed.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks ¹
Royalty	9% of Gross Sales	Weekly (currently, every Friday)	If any applicable law prohibits or restricts in any way your ability to pay, or our ability to collect, royalty or other amounts based on Gross Sales derived from the operation of your Center, then we will modify your payment obligations to us under the Franchise Agreement and revise the applicable provisions in order to provide the same basic economic effect to both us and you as currently provided in the Franchise Agreement. The frequency of royalty payment is subject to change. See Note 2 for the definition of Gross Sales. If you fail to report Gross Sales in the manner that we require, we may debit your account for 110% of the average of the last three Royalty payments and Brand Fund contributions that we debited. If the amounts that we debit from your account under this paragraph are less than the amounts you actually owe us (once we have determined the true and correct Gross Sales), we will debit your account for the balance on the day we specify. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following week.
Temporary Royalty due to Unauthorized Closure	Greater of: (i) the average of the royalty owed for the three royalty periods immediately preceding the temporary closure, or (ii) \$2,000 per week	Weekly, as incurred	Charged if you temporarily close your Center without our consent and we do not otherwise exercise our right to terminate your Franchise Agreement. The Temporary Royalty is payable in the same manner as the regular royalty payment. Payment of a Temporary Royalty will not act as a cure of the default caused by the unauthorized closure and will not alter or impair any other rights we have under the Franchise Agreement.

Type of Fee	Amount	Due Date	Remarks ¹
Non-Compliance Charge	Increase of 1 percentage point (1%) to the rate of royalty payment	As incurred	If you do not comply with your obligations under the Franchise Agreement, your royalty payment will be increased to 10% of Gross Sales until we have determined that you have cured your deficiencies and are compliant with all terms of your Franchise Agreement. This increase in the rate of royalty is intended to compensate us for additional expenses and certain losses that we will incur as a result of your non-compliance and is not a penalty or an expression of the total amount of such damages. Payment of this increased royalty does not cure the non-compliance that triggered its payment, and we are not limited in pursuing our other rights and remedies available under the Franchise Agreement.
Medical Director Fee	\$2,500 per month	Monthly	Under the Management Agreement, you must pay a monthly Medical Director Fee to the Medical Service Manager for making a Medical Director available to you.
Brand Fund Contribution	1% of Gross Sales	Payable at the same time and manner as royalty	We cannot require that your contributions to the Brand Funds (as defined in Item 11) and your Local Marketing Expenditure (as defined in Item 11) exceed, in the aggregate, more than 5% of the Gross Sales of your Center ("Marketing Expenditure Cap"). Subject to the Marketing Expenditure Cap, we may change the amount you contribute to the Brand Fund.
Local Marketing Expenditure	\$2,500 per month	Monthly	We may upon written notice to you require that the amounts required to be spent by you for local marketing of your Center shall, instead, be paid to us or our designee. Subject to the Marketing Expenditure Cap, we may change the amount you must spend on local marketing.
Technology Fees	Currently \$1,599 per month but subject to change	As incurred	We may increase the Technology Fees upon notice to you.
Reimbursement of Third-party Technology Fee	Our actual costs	As incurred	If we pay certain fees on your behalf to third-party vendors of software and other technology, then we may require you to reimburse the amount paid us on your behalf.
Interest on Late Payment	Lesser of 1.5% per month or the maximum rate allowed by applicable state law	As incurred	Interest will accrue on all amounts you owe us after their due date.

Type of Fee	Amount	Due Date	Remarks ¹
Insufficient Funds Service Fee	\$100 per occurrence	As incurred	Payable if checks or drafts are returned or auto-debit requests declined due to insufficient funds.
Initial Training for your Nurse Practitioner and Aesthetic RN; Additional and Remedial Training for Those Positions; Initial Training for Replacement Required Trainees	\$5,000 per Nurse Practitioner; and \$2,500 per Aesthetic RN	As incurred	Your Managing Owner (as defined in Item 15), General Manager (as defined in Item 15), Nurse Practitioner, and Aesthetic RN (collectively, "Required Trainees") and/or such other persons as we may designate periodically must also attend such additional and remedial training programs as we may periodically require, and you must pay us our then-current fee for providing additional training to your Required Trainees. If you replace any initial Required Trainee, the replacement personnel must complete, to our satisfaction, the applicable training program. Currently, we do not charge a fee for providing training to your replacement Managing Owner or General Manager, but we reserve the right to do so.
Conference Registration Fee	Currently estimated to be \$999 to \$1,499 per person	As incurred	If we or our affiliates require your owners, Required Trainees, or any other personnel to attend any meeting or conference organized by us and our affiliates, then you must pay the registration fee for such meeting or conference, regardless of the attendance by your attendee. You will be responsible for all travel and living expenses, wages, and benefits owed to, and other costs of, persons attending such meetings and conferences on your behalf or at your request.
Reimbursement of costs associated with opening assistance	Our actual costs; will vary based on circumstances	As incurred	We will not charge a fee for opening assistance we provide to you, but if we determine it to be necessary to increase or re-schedule our available resources to accommodate the timing of the opening of your Center or the kind or extent of assistance we determine to be necessary, we may require that you reimburse our expenses associated with doing so.
Marketing Creative Service Fee	\$75 per hour	As incurred	Upon your request, we may design local marketing materials for your Center.
Reimbursement of Mystery Shopper expenses	Our actual costs, estimated to be \$300 per mystery shopper	As incurred	You must reimburse us for the cost of any mystery shoppers that we engage to inspect your Center.
Relocation Fee	\$15,000 per request	Due when you submit a proposed new location	If you desire to relocate your Center, you must obtain our prior written approval and pay us the relocation fee. You pay all costs of relocating.

Type of Fee	Amount	Due Date	Remarks ¹
Audit Fee	Cost of audit, plus understated royalty or Brand Fund contribution	Within 15 days of report receipt	Payable if we conduct an audit because you failed to provide required reports or if the audit reveals an understatement of Gross Sales of more than 2% or an underpayment of royalty or Brand Fund contributions. The cost of audit includes fees payable to attorneys and independent accountants involved in the audit and the travel expenses, room and board, and compensation of our personnel involved in the audit.
Transfer Fee (Franchise Agreement)	50% of our then-current initial franchise fee	As incurred	Payable if you request us to approve a transfer of your Center or of ownership interests in you.
Transfer Fee (Area Development Agreement)	\$20,000	As incurred	Payable if you request us to approve a transfer of your development rights or of ownership interests in you.
Successor Franchise Fee (Franchise Agreement)	50% of our then-current undiscounted initial franchise fee	Upon execution of successor Franchise Agreement	Payable if we approve you to acquire a successor franchise for your Center.
Management Fee	10% of Gross Sales earned during our period of management, plus our costs	As incurred	Payable only if we assume management of your Center because of your abandonment, failure to comply with the Franchise Agreement, or expiration or termination of the Franchise Agreement (while we decide whether to exercise our purchase option). See Item 15.
Reimbursement of costs incurred in evaluating alternate product or vendor	\$2,000 per vendor to evaluate your proposed architect or general contractor; our actual costs for all other vendors and products	As incurred	Payable only if you request our approval of a new product or supplier that is not then approved by us. Our costs will vary based on the type of product or supplier, the location of the supplier, and the nature of the new product or supplier.
Insurance Premium Reimbursement	Our actual costs	As incurred	Payable only if you fail to obtain or maintain insurance, and we exercise our option to obtain or reinstate it for you.

Type of Fee	Amount	Due Date	Remarks ¹
Indemnification (Franchise Agreement)	Our actual costs	As incurred	You must indemnify and reimburse us, our affiliates, and our and our affiliates' owners, directors, managers, officers, employees, agents, successors, and assigns harmless against all claims arising from the development, ownership, and operation of your Center or your breach of the Franchise Agreement or the Management Agreement.
Costs and Attorneys' Fees	Our actual costs	As incurred	Payable only if we are the prevailing party in any relevant litigation or arbitration.
Reimbursement of cost of de-identification of premises	Our actual costs	As incurred	Payable if you fail to de-identify the premises of your Center upon the termination or expiration of Franchise Agreement. You must reimburse us the expenses incurred by us to de-identify and distinguish the appearance of the premises your Center premises from that of other NextHealth Centers after the expiration or termination of the Franchise Agreement, as necessary.
Lost Revenue Damages	Will vary. See Remark column for the formula for calculating on the Lost Revenue Damages	Payable within 15 days of termination of Franchise Agreement	Payable if we terminate the Franchise Agreement for your breach, or you terminate it without cause. Lost revenue damage is an amount equal to the net present value of the royalty payments that would have become due had the Franchise Agreement not been terminated, from the date of termination to the earlier of: (1) 36 months following the date of termination, or (2) the originally scheduled expiration of the term of the Franchise Agreement (the "Measurement Period"). See Note 3.

NOTES

- Except as otherwise noted, all fees are non-refundable and are uniformly imposed by and are payable to us or our affiliates.
- "Gross Sales" means all revenue generated from the operation of your Center (whether or not in compliance with the Franchise Agreement), regardless of the manner in which the price was paid by the purchaser of such products or services (including payments by cash, check, credit or debit card, barter exchange, trade credit, or other credit transactions), but excluding (1) all federal, state, or municipal sales, use, or service taxes collected from clients and paid to the appropriate taxing authority, (2) the amount of any documented refunds and credits your Center in good faith gives to clients and your employees, and (3) the amount of any discounts from the advertised price that are given at the point of purchase and that are reasonable and, if applicable, are consistent with any discount policies that we may periodically announce as part of the System Standards. Revenue from the purchase or redemption of gift certificates, gift cards, loyalty, or similar programs is calculated as part of Gross Sales in accordance with our then-current guidelines for such programs. Gross Sales also include all insurance proceeds you receive to replace revenue that you lose from the interruption of your Center due to a casualty or other event covered by business interruption or similar insurance coverage. Where the laws of the state in which your Center is located restrict your ability to derive revenue from the provision of Medical Services (for example, where you are not a licensed medical provider or where the state prohibits the splitting of fees by licensed medical providers and unlicensed persons), Gross Sales will not include revenue generated from Medical Services provided at your Center or by or under the supervision of your Medical Director.

3. Lost Revenue Damages is calculated as follows: (1) the number of calendar months in the Measurement Period, multiplied by (2) the royalty fee percentage, multiplied by (3) the highest monthly Gross Sales of your Center during the 36 full calendar months immediately preceding the termination date (or, if the termination is based on your unapproved closure of your Center, the 36 full calendar months immediately preceding the closure date); provided, that if as of the termination date (or the closure date in light of the foregoing), your Center has not been operating for at least 36 months, the highest average monthly Gross Sales of all NextHealth Centers during the 36 months immediately preceding the termination date. Payment of Lost Revenue Damages will not alter or impair any other rights we have under the Franchise Agreement.

ITEM 7
ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT
(FRANCHISE AGREEMENT)**

TYPE OF EXPENDITURES ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ²	\$80,000	Lump Sum	Upon Signing Franchise Agreement	Us
Initial Training Expenses ³	\$15,000 - \$20,000	As Incurred	As Incurred	Us and Third-party Suppliers
Lease Rental & Security Deposit ⁴	\$50,000 - \$70,000	As Arranged	On and Prior to Execution of Lease	Us and Landlord/Third-party Suppliers
Leasehold Improvements ⁵	\$600,000 - \$900,000	As Incurred	As Arranged	Us and Landlord/Third-party Suppliers
Furniture & Fixtures ⁶	\$40,000 - \$55,000	Lump Sum	As Invoiced	Third-party Suppliers
Equipment ⁷	\$300,000 - \$450,000	Lump Sum	As Invoiced	Us and Third-party Suppliers
Medical Supplies ⁸	\$80,000 - \$100,000	As Arranged	As Arranged	Third-party Suppliers
Materials & Other Supplies ⁹	\$8,000 - \$15,000	As Arranged	As Arranged	Third-party Suppliers
Signage ¹⁰	\$20,000 – 30,000	Lump Sum	As Invoiced	Third-party Suppliers
Insurance Fees ¹¹	\$10,000 - \$15,000	As Arranged	As Arranged	Third-party Suppliers
Permits & Licenses ¹²	\$5,000 - \$10,000	Lump Sum	As Invoiced	Third-party Suppliers

TYPE OF EXPENDITURES ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Grand Opening Expenses ¹³	\$50,000	As Incurred	As Invoiced	Third-party Suppliers
Computer System ¹⁴	\$25,000 - \$35,000	As Incurred	As Invoiced	Us and Third-party Suppliers
Legal & Accounting Expenses ¹⁵	\$13,000 - \$15,000	As Incurred	As Invoiced	Third-party Suppliers
Additional Funds – Initial period ¹⁶	\$300,000 - \$350,000	As Arranged	As Required	Our affiliate, Third-party Suppliers, and Employees
TOTAL	\$1,596,000 - \$2,195,000			

NOTES:

1. All fees payable to us or our affiliates are not refundable. Whether any of the other payments are refundable will depend on the arrangement between you and the supplier.

2. As noted in Item 1, we provide a discount on the initial franchise fee in exchange for a multi-unit commitment under an Area Development Agreement. Depending on the number of NextHealth Centers you commit to developing under an Area Development Agreement, the initial franchise fee will be \$80,000 for each of the first two franchises, \$60,000 for each of the third and fourth franchises, and \$40,000 for each additional franchise you agree to acquire under the Area Development Agreement.

3. You may not open your Center until your Managing Owner, General Manager, Nurse Practitioner, and Aesthetic RN complete our initial training programs to our satisfaction. We do not charge a fee for providing initial training to the initial batch of your Managing Owner and General Manager; however, you must pay us a training fee of \$5,000 for each person attending our initial nurse practitioner training program and \$2,500 for each person attending our initial aesthetic registered nurse training program (See Item 5). You will be responsible for all travel and living expenses, wages, and benefits owed to, and other costs of, all persons attending the initial training program on your behalf or at your or our request. This range includes (i) the initial training fee for your required Nurse Practitioner and Aesthetic RN, and (ii) the travel and living costs incurred by your trainees and the compensation that you may pay to your trainees while attending our initial training program.

4. The cost of acquiring or leasing premises for your Center will depend upon the market in which the proposed site is located. A typical NextHealth Center will be at least 2,000 sq. ft. and will typically not be more than 3,000 sq. ft., but if you request approval of a site that is greater than 3,000 sq. ft., your request should be supported by factors such as favorable rental rates and surrounding demographics. This range includes the lease review fee of \$1,500, which is payable to us (See Item 5).

5. Lease build-out requirements may include, but are not limited to, building walls, installing doors, building wall dividers, installing flooring, and building counters. This range excludes any tenant improvement allowance that you may receive from your landlord. Based on Parent's recent experience, landlords have been willing to provide tenant improvement allowances of up to \$200 per square foot; however, there is no guaranty that your landlord will be willing to provide a tenant improvement allowance or, if so, how much it would be willing to provide or the conditions it will impose on receiving

it. This will be a matter of negotiation between your landlord and you. This range includes (i) the \$15,000 Construction Management Fee which is payable to us if we provide construction management services, and (ii) the fees we would charge if you seek our approval of an architect and general contractor that we have not previously approved (see Item 5).

6. This range includes the costs of purchasing and installing desk, chairs, cabinets, shelves, décor items, and other furniture and fixtures required to operate your Center.

7. This range includes \$265,000 we collect from you in connection with your purchase of the Equipment Package (see Item 5) and the cost you will incur to purchase other required equipment from third party vendors. We and our affiliates do not manufacture the Equipment Package or provide any warranties or guaranties regarding the performance of the items included in the Equipment Package.

8. This range includes the cost of a medical freezer, generator, ozone machine, IV hood, aesthetic treatment products, IV ingredients, and related medical supplies.

9. This range includes the cost of office supplies and materials.

10. The cost of your signage will vary depending on the type, size and location of the signs, local government regulations, and even the position of your premises within a commercial building.

11. This amount represents an estimated down payment of your annual insurance premiums. Your cost of insurance may vary depending on the insurer, the location of your Center, your claims history, and other factors.

12. This range does not include the cost to maintain permits and licenses required to practice medicine because we do not require our franchisees to practice medicine in connection with the operation of their Center.

13. You must handle the grand opening with our assistance and approval and using materials and programs we approve. The amount you spend will not count towards your Marketing Expenditure Cap or local marketing expenditures for such year (see Item 6).

14. This range includes the costs of purchasing and installing the required Computer System (as defined in Item 11), which includes the point-of-sale system, and the monthly technology fees of \$1,599 per month payable to us until the third month after your Center commences operations (see Item 5).

15. This range includes the fees likely to be paid to lawyers and accountants for initial advice, creation of entities and governing documents, and initial accounting set-up.

16. This range includes the Medical Director Fee of \$2,500 per month payable to the Medical Service Manager until the third month after your Center commences operations (see Item 5). Our estimates of the amounts needed to cover your expenses during the initial phase (3 months) after the opening of your Center includes: the cost of replenishing inventory, lease payments, initial advertising and promotional expenditures, payroll for managers and other employees, uniforms, utilities, and other variable costs.

The initial investment shown above to open a NextHealth Center does not include any finance charges, interest, or debt service obligations, and we and our affiliates do not finance any part of this investment. The information included in the table above is based (i) primarily on information provided to us by Parent based on its experience of developing and operating NextHealth Centers, and (ii) our own investigation of these costs, including using information provided to us by certain vendors.

**YOUR ESTIMATED INITIAL INVESTMENT
(AREA DEVELOPMENT AGREEMENT)**

TYPE OF EXPENDITURES	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee ¹	\$90,000 - \$200,000	Lump Sum	Upon Signing Area Development Agreement	Us
TOTAL	\$90,000 - \$200,000			

NOTES:

1. The entire investment required to acquire area development rights is payable to us and is not refundable. When you sign an Area Development Agreement, you will pay us the development fee in an amount equal to 50% of the initial franchise fee payable for the total number of NextHealth Centers necessary to satisfy the Development Schedule. The Area Development Agreement will require a commitment to develop a specific number of NextHealth Centers, typically between 3 and 10, subject to your and our agreement prior to execution of the Area Development Agreement. Since we provide a discounted initial franchise fee for multi-unit development, the amount of the development fee you are required to pay will depend on the number of NextHealth Centers you commit to develop, calculated as follows:

Number of NextHealth Centers	Initial Franchise Fee for each	Amount of Development Fee
3	\$60,000	\$90,000
4	\$60,000	\$120,000
5	\$40,000	\$100,000
6	\$40,000	\$120,000
7	\$40,000	\$140,000
8	\$40,000	\$160,000
9	\$40,000	\$180,000
10	\$40,000	\$200,000

The development fee will increase by \$20,000 for each NextHealth Center in excess of 10 that you commit to develop.

The development fee is not a deposit; however, we credit the portion of the development fee attributable to each franchise you agree to acquire toward payment of the initial franchise fee applicable to that particular franchise. We do not require that you make any other investment to acquire area development rights; however, concurrently with the execution of the Area Development Agreement, you must execute a Franchise Agreement for the first NextHealth Center to be developed in satisfaction of your development obligations under the Area Development Agreement.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications.

NextHealth Centers are developed and operated using certain specified business formats, methods, procedures, designs, layouts, standards, and specifications regarding the provision non-medical services, each of which we may replace, further develop, or otherwise modify or discontinue periodically (collectively, the “System”). In order to maintain the quality and uniformity of the customer experience and products and services offered and sold at NextHealth Centers, you must purchase our required equipment, supplies, the Computer System, furniture, fixtures and signs (the “Operating Assets”) utilized in offering and providing non-medical products and services at your Center in accordance with our System Standards. You must purchase or lease, place, and install all Operating Assets used in connection with providing Medical Services in accordance with the Medical Standards.

We will not issue to you or to any approved suppliers (except as we deem necessary for purposes of production) the specifications for proprietary Operating Assets, if any. We will otherwise communicate our System Standards and the list of approved Operating Assets to you in the prototype architectural plans for a NextHealth Center, in the Operations Manual and otherwise in writing. We may periodically modify the System Standards upon notice to you. The Medical Director will not issue to you or to any approved suppliers the specifications for Operating Assets, and the Medical Director will periodically communicate and modify the Medical Standards in writing.

Approved or Designated Suppliers.

We may require you to purchase (i) all Operating Assets used in connection with the offer and sale of non-medical products and services from suppliers approved or designed by us, which may include or be limited to us or our affiliates; and (ii) all Operating Assets used in connection with the offer and sale of Medical Services from suppliers approved or designed by the Medical Service Manager, which may include or be limited to us or our affiliates. We and the Medical Service Manager will provide you with a written list of approved and designated suppliers of all Operating Assets. If Speculative Medical Services are offered at your Center then we may introduce you to vendors who provide goods or services related to one or more Speculative Medical Services in connection with your Center (each of whom you may freely elect to use).

Currently, we require all franchisees who are not themselves able under applicable law to act as their own Medical Director or who are otherwise subject to state laws that prohibit them from splitting fees from Medical Services with non-licensed persons to enter into the Management Agreement with our affiliate, Next Health Franchise Medical Group, LLC, who is the sole medical service manager for the NextHealth franchise system. We also required all franchisees to pay us/our affiliate for the NextHealth Equipment Package, which will be supplied by our designated third-party vendor; and purchase certain components of the Computer System from us and our affiliates. Except as described in this paragraph, we do not require our franchises to purchase or lease any product or service from us or our affiliates.

As of the issuance date of this Disclosure Document (i) we have designated third-party vendors for the following products and services: certain components of the Computer System, IT services, architect services, realtor services, general contractor services; and (ii) the Medical Service Manager has designated a third-party vendor for the following products or services: medical equipment, pharmacy ingredients, medical inventory. You must comply with all applicable laws while ordering, purchasing, stocking, and monitoring of any pharmaceuticals or other medical items and supplies that require a permit, licensure registration, certification, or identification number to order.

We estimate that approximately 90% to 95% of your initial investment and approximately 85% to 95% of your ongoing expenditures will be directed to purchase products and services that will be restricted by us, your Medical Service Manager, or Medical Director in some manner.

As of the issuance date of this Disclosure Document, none of our officers own an interest in any approved suppliers other than our affiliates.

Alternative Products, Services and Suppliers.

If you wish to purchase any non-medical Operating Assets that we have not approved, or from any supplier that we have not approved, you must first notify us, in writing, using our product and vendor approval process and application. You must also submit to us the information and sample necessary for us to determine whether the proposed Operating Asset complies with our System Standards, and/or the proposed supplier meets our approved supplier criteria. We will notify you of our approval or disapproval of all proposed products, services or suppliers in writing to you within a reasonable time, typically within 30 days after receipt of the information from you or from the proposed supplier. You must reimburse the cost incurred by us in evaluating your proposed suppliers or products and services. We may also impose limits on the number of suppliers, products, and services that we are willing to review. We maintain a list of criteria for reviewing and approving products, services, and suppliers; however, we do not issue these criteria to you. We may at any time revoke our approval of any approved Operating Asset or any supplier of Operating Assets upon written notice to you.

If you wish to purchase any Operating Assets used in the provision of Medical Services that are not approved by, or from any supplier that is not approved by, the Medical Service Manager, then you must seek the Medical Service Manager's approval in accordance with the product and vendor approval process set up by the Medical Service Manager.

Insurance.

You must maintain in force at your sole expense insurance policies for your Center as required under applicable law and in minimum types and amounts of coverage we require. As of the issuance date of this Disclosure Document, our insurance requirement is as follows:

(1) comprehensive general liability coverage in an amount of \$1,000,000 per occurrence and \$5,000,000 in the aggregate on an annual, per location basis;

(2) umbrella liability coverage in an amount of \$5,000,000 per occurrence and \$10,000,000 in the aggregate on an annual, per location basis;

(3) commercial auto/bodily injury coverage in an amount of \$1,000,000 per occurrence;

(4) cyber insurance coverage in an amount of \$1,000,000 per occurrence;

(5) directors and officers' liability coverage in an amount of \$1,000,000 per occurrence; and

(6) you also must maintain workers' compensation insurance for your employees in accordance with laws applicable in the jurisdiction of your Center.

If you or one of your Owners is the Medical Director of your Center or your otherwise provide any Medical Services, then you must also carry malpractice insurance coverage in an amount of \$2,000,000 per occurrence.

We may periodically change the amounts of coverage required under these insurance policies or require different or additional insurance coverages 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 named insureds, using a form of endorsement that we have approved, 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 Certificate of Insurance or other evidence of your maintaining this insurance coverage and paying premiums.

Purchase Arrangements, Material Benefits and Revenue.

While we may do so in the future, as of the issuance date of this Disclosure Document, we and our affiliates have not entered into any agreement with any of the designated or approved suppliers of Operating Assets pursuant to which we or our affiliates could derive revenue or other material consideration (e.g., rebates) based on franchisee purchases from such suppliers.

We or our affiliates may negotiate purchase arrangements, including prices and terms, with designated and approved suppliers for the System. As of the issuance date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above.

We do not provide any material benefits to our franchisees based on their use of designated or approved suppliers.

ITEM 9 **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 the Disclosure Document.

OBLIGATION	SECTION IN			ITEM IN DISCLOSURE DOCUMENT
	FRANCHISE AGREEMENT	AREA DEVELOPMENT AGREEMENT	MANAGEMENT AGREEMENT	
A. Site selection and acquisition/ lease	Section 3	Section 2.D	Not Applicable	Items 8 and 11
B. Pre-opening purchases/leases	Sections 3.B and 9	Not Applicable	Not Applicable	Items 5, 7, 8 and 11
C. Site development and other pre-opening requirements	Sections 3 and 9	Section 2	Not Applicable	Items 7, 8 and 11
D. Initial and ongoing training	Section 5	Not Applicable	Not Applicable	Items 5, 6, 7, and 11
E. Opening	Sections 3 and 10.A	Section 2.C	Not Applicable	Items 5, 7, and 11

OBLIGATION	SECTION IN			ITEM IN DISCLOSURE DOCUMENT
	FRANCHISE AGREEMENT	AREA DEVELOPMENT AGREEMENT	MANAGEMENT AGREEMENT	
F. Fees	Data Sheet; Sections 4, 5.A, 13.C(13), 14.A(6) and 16.C	Sections 3 and 5.C(10)	Sections 2.C, 3.H, and 4	Items 5, 6 and 7
G. Compliance with standards and policies / operating manuals	Sections 5.F, 5.G, 6, 7, 9 and 10.D	Not Applicable	Sections 2.B and 2.C	Items 8, 11 and 14
H. Trademarks and proprietary information	Sections 5.F, 6 and 7	Section 2.F	Section 5	Items 13 and 14
I. Restrictions on products/services offered	Sections 9.D and 9.E	Not Applicable	Sections 2 and 3	Items 8, 11, 12, and 16
J. Warranty and customer service requirements	Sections 9.F	Not Applicable	Section 10.H	Not Applicable
K. Territorial development and sales quotas	Not Applicable	Section 2.C	Not Applicable	Item 12
L. Ongoing product / service purchases	Section 9	Not Applicable	Sections 3.D, 3.E, 3.F, and 3.G	Items 8 and 11
M. Maintenance, appearance and remodeling requirements	Sections 3.B and 9.B	Not Applicable	Not Applicable	Items 8 and 11
N. Insurance	Section 9.G	Not Applicable	Section 6	Items 6, 7 and 8
O. Advertising	Section 10	Not Applicable	Not Applicable	Items 6, 8 and 11
P. Indemnification	Section 17.C	Section 8.B	Section 9	Item 6
Q. Owner's participation / management / staffing	Sections 1.B, 5 and 9.A	Section 1.B	Section 3.G	Items 11 and 15
R. Records and reports	Section 11	Section 4	Sections 2.C, 2.D, 3.E, 3.H, 7	Items 6 and 11

OBLIGATION	SECTION IN			ITEM IN DISCLOSURE DOCUMENT
	FRANCHISE AGREEMENT	AREA DEVELOPMENT AGREEMENT	MANAGEMENT AGREEMENT	
S. Inspection and audits	Section 12	Not Applicable	Section 7	Items 6 and 11
T. Transfer	Section 13	Section 5	Section 11.B	Items 6 and 17
U. Renewal	Section 14	Not Applicable	Not Applicable	Items 6 and 17
V. Post-termination obligations	Section 16	Section 7	Section 8.D	Item 17
W. Non-competition covenants	Sections 8, 16.A(7) and 16.D	Not Applicable	Not Applicable	Item 17
X. Dispute resolution	Section 18	Section 9	Section 10	Item 17
Y. Guaranty	Attachment A	Attachment A	Not Applicable	Item 15
Z. Security Interest	Section 19.A	Not Applicable	Not Applicable	Item 9

ITEM 10 **FINANCING**

We and our affiliates do not offer any direct or indirect financing. We and our affiliates do not guarantee your notes, leases, or other obligations.

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

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

Our Pre-Opening Obligations – Franchise Agreement.

Before you open your Center, we will provide you the following assistance:

- 1) approve or reject the proposed sites for your Center based on our then-current criteria, including factors such as demographics, proposed rental rates, neighborhood and nearby business counts and characteristics, nearby residential populations, traffic count, accessibility, parking, visibility, signage, and competition. While we are not required under the Franchise Agreement to notify you as to whether the site has been approved or rejected within a certain time frame, we typically approve or reject proposed sites within 30 days of our receipt of all information reasonably required by us to evaluate a proposed site. If we provide you construction management services then we will assist you with site selection, selection and appointment of an architect and general contractor, review of construction bids, supervision of construction, and general oversight of the construction process to ensure compliance with the System Standards; however, (i) we do not generally own the premises and lease it our franchisees; and (ii) it is entirely your responsibility to find a suitable site for your Center that is acceptable to us (Franchise Agreement, Sections 3.A and 3.C);

- 2) review, evaluate against our then-current criteria, and approve or reject your proposed lease and space plans and drawings (Franchise Agreement, Section 3.A);
- 3) provide initial training to your Required Trainees and other attendees (Franchise Agreement, Section 5.A);
- 4) provide access to our Operations Manual (Franchise Agreement, Section 5.F);
- 5) provide prototype plans and specifications for all required equipment (including computer system), furniture, fixtures, signs and lists of approved suppliers or vendors (Franchise Agreement, Sections 3.B and 9); and
- 6) facilitate your purchase of the Equipment Package from our approved third-party vendors by placing the initial orders for the items that comprise the Equipment Package, collecting from you \$265,000, and in turn, pay to the appropriate vendors the price of the items they sell to you. We do not provide any equipment, signs, fixtures, opening inventory, and supplies to you (Franchise Agreement, Section 9.E).

While we are not obligated to, we may provide on-site opening assistance to you (Franchise Agreement, Section 5.C).

Our Pre-Opening Obligations – Area Development Agreement.

After you sign an Area Development Agreement, but before you open a NextHealth Center, we or our affiliates will provide you the following assistance:

- 1) review and approve/reject sites proposed by you for all NextHealth Centers to be developed pursuant to the Area Development Agreement and designate a protected area (if any) for the approved site using our then-current standards and issue you a Franchise Agreement. If we approve a proposed site, you (or your affiliate) must timely sign a separate Franchise Agreement for the site. (Area Development Agreement, Sections 2.D and 2.E).

Opening of Your Center.

The typical length of time between signing the Franchise Agreement and opening the NextHealth Center is between 9 and 15 months. Factors that affect the time to open NextHealth Centers include obtaining a satisfactory site, financing arrangements, lease negotiations, local ordinances, delivery and installation of equipment, and renovation of the premises. You must open your Center no later than the earlier of: (i) 300 days after you sign the lease of your Center, or (ii) 480 days after the effective date of the Franchise Agreement. If you fail to open your Center within this time, we may terminate the Franchise Agreement and retain the entire franchise fee.

Our Post-Opening Obligations – Franchise Agreement.

During the operation of your Center, we or our affiliates will:

- 1) allow you to use the Marks and System on the terms in your Franchise Agreement (Franchise Agreement, Section 6);
- 2) administer the Brand Fund until it is terminated (Franchise Agreement, Section 10.B);
- 3) provide you our System Standards and other suggested standards, specifications and procedures governing the offer and sale of non-medical products and services at NextHealth Centers (Franchise Agreement, Section 5.F); and
- 4) provide you with a list of authorized vendors and suppliers for the products, goods, merchandise, supplies, signs, furniture, fixtures, equipment and services (Franchise Agreement, Section 9.E).

We may provide additional or remedial training to your Required Trainees or other persons as we deem fit (Franchise Agreement, Section 5.D). We may, subject to applicable laws, also set the maximum and minimum prices charged and advertised for the services provided at your Center (Franchise Agreement, Section 9.K).

Our Post-Opening Obligations – Area Development Agreement.

We are not obligated to provide any post-opening assistance under the Area Development Agreement.

Advertising and Promotion Programs.

Our Advertising Obligations

Other than administering the Brand Fund (as defined below), we have no obligation to advertise the Brand or NextHealth Centers. However, if we choose to advertise the Brand or NextHealth Centers, we may (i) use any form of media with local, regional, or national coverage, and (ii) create such marketing materials in-house or outsource this task to an outside advertising agency. We have no obligation to spend any amount on advertising the Brand or NextHealth Centers in the area or territory where your Center is located. Upon your request, we may design local marketing materials for your Center and require you to pay us Marketing Creative Service Fee of \$75 per hour to provide such service to you.

Franchisee Advisory Council

As of the issuance date of this Disclosure Document, there is no franchisee advisory council; however, we may form one in the future.

Cooperative Advertising

We do not require our franchisees to participate in marketing cooperatives.

Brand Fund

We have established a marketing fund for the Brand (the “Brand Fund”), and we currently require all franchisees to contribute 1% of their NextHealth Center’s Gross Sales to the Brand Fund in the same

manner and frequency as the royalty payments. Subject to the Marketing Expenditure Cap described in Item 6, we may, upon written notice to you, change the amount of your Brand Fund contribution. NextHealth Centers owned by our affiliates are not required to, but currently intend to, contribute to the Brand Fund at the same rate at which we require our franchisees to contribute.

We or our designee will administer the Brand Fund. However, neither we nor any of our affiliates has any fiduciary obligation to you or any other person for administering the Brand Fund or for any other reason. We will have exclusive control over all programs and services administered by the Brand Fund.

We will prepare an annual unaudited statement of collection and expenses made by the Brand Fund collections. We are not required to, but we may have the Brand Fund audited annually by an independent certified public accountant. We may, upon written request to you, provide the financial statement prepared for the Brand Fund's then most recently ended fiscal year. We will account for the Brand Fund separately from our other funds and the Brand Fund will not be our asset.

We did not have a Brand Fund prior to the issuance date of this Disclosure Document, so no brand funds received contributions or spent money during a prior fiscal year.

The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. If the Brand Fund does not spend all the contributions received by it in any given fiscal year, then it may roll over the balance funds for use in the future. If we terminate the Brand Fund, we will, at our option, either spend all unspent monies in accordance with this Section until such amounts are exhausted or distribute the funds in the Brand Fund to NextHealth franchisee owners on a pro rata basis.

We do not use any portion of the Brand Fund contribution to principally solicit franchisees. However, the Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any online presence or other software or applications; administering advertising and marketing campaigns; administering regional and multi-regional marketing and advertising programs; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, NextHealth brand, and/or NextHealth Centers. We may also use the Brand Fund to pay for the Brand Fund's other administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Brand Fund and its programs. We may modify Brand Fund programs, services, or expenditures at any time.

We intend for the Brand Fund to promote the applicable Marks, the NextHealth franchise system, NextHealth Centers, and the Brand generally. As such, there is no guarantee that you or your Center will benefit from Brand Fund expenditures directly or in proportion to your Brand Fund contribution. You further acknowledge and agree that the results of any marketing and promotional programs are by their nature uncertain, and that neither we nor any of our affiliates or representatives have guaranteed the results of any Brand Fund programs, services, or expenditures in any manner.

We may elect to maintain multiple Brand Funds or the administration thereof, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Brand Funds or the administration thereof, in each case provided that each such Brand Fund will otherwise remain subject to this Section.

Local Marketing Expenditure

We may require that you spend certain minimum amounts to advertise and promote your Center (“Local Marketing Expenditure”). The current Local Marketing Expenditure is \$2,500 per month; however, we may periodically change the amount of your minimum Local Marketing Expenditure upon notice to you (subject to the Marketing Expenditure Cap). Within 30 days after the end of each calendar quarter, you must send to us, in the manner we prescribe, an accounting of your expenditures for local advertising and promotion during the preceding month unless we served as the pass-through agent for your expenditures. Your local advertising and promotion must follow our guidelines.

We may require that the amounts required to be spent by you towards Local Marketing Expenditure shall, instead, be paid to us or our designee. If we exercise this option, we will then spend such amounts, in accordance with local marketing guidelines and programs that we periodically develop, to advertise and promote your Center on your behalf.

You must obtain (i) our written approval of all advertising and marketing materials that you intend to use in connection with your Center, and (ii) your Medical Director’s written approval of all information regarding Medical Services that is included in the advertising and marketing materials of your Center. All such materials must be completely clear, factual, ethical, not misleading, and must conform to our marketing and advertising policies that we periodically prescribe and applicable laws. All advertising and marketing materials that you intend to use in connection with your Center must clearly state that all Medical Services are provided and/or supervised, as required under applicable laws, by licensed healthcare professionals. You must submit to us, for our approval, samples of marketing materials you intend to use at least 10 days prior to your proposed use. If you do not receive our written approval of the materials within 10 days of your submission, they are deemed to be disapproved. We may withdraw our approval if a regulatory or other issue arises that, in our opinion, makes such withdrawal in our or the System’s best interests. Our approval of any advertising and marketing material is entirely for our own benefit and may not be relied upon as indications of any kind, including compliance of such materials with applicable laws.

Online Presence

The term “Online Presence” means any website, domain name, email address, social media account, username, other online presence or presence on any electronic medium of any kind that refers to your Center, the Marks, us, or the NextHealth franchise system. You may neither establish any Online Presence related to the Marks (as defined in Item 13), NextHealth Centers, or the System nor promote your Center or any products or services or make any use of the Marks or any Online Presence without our prior written approval. As a condition to granting any consent, we will have the right to establish any requirement that we deem appropriate. If we approve the use of any such Online Presence in the operation of your Center, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites or other Online Presence. Unless we specify otherwise, we will own the rights to such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence of our ownership of such Online Presence or help us obtain exclusive rights in such Online Presence. You must list and advertise your Center on all major internet search engines and on any other Online Presence or directories we require or authorize.

We may, but are not obligated to, provide you with a webpage or other Online Presence that references your Center on any system website, upon which, you must: (i) provide us the information and materials we request to develop, update, and modify the information about your Center; (ii) notify us whenever any information about your Center is not accurate; and (iii) pay our then current initial fee and monthly maintenance fee for the Online Presences that are dedicated to your Center. You acknowledge

that we have final approval rights over all information on any system website. If you default under the Agreement, we may, in addition to our other remedies, temporarily remove references to your Center from any system website until you fully cure the default. All advertising, marketing, and promotional materials that you develop for your Center must contain notices of the system website's domain name in the manner we designate.

Grand Opening Advertising

In addition to your other advertising obligations, we will require you to spend at least \$50,000 on a grand opening marketing program for your Center to take place on the dates we designate before and after your Center opens. You must spend this amount in addition to all other amounts you must spend on advertising specified above, and the amount you spend on grand opening advertising will not count towards your Local Marketing Expenditure for such year, or your Marketing Expenditure Cap.

Computer Hardware and Software.

You must purchase an entire computing system that meets the System Standards and the Medical Standards ("Computer System"). The Computer System currently consists of software, point-of-sale system, cash drawers, printers, cash-counter, tablets and label printer, music player, a personal computer including Microsoft Office, a managed switch, video monitors and camera server, remote printers, magnetic swipe-card, pin or chip readers, DSL or other high-speed connections, managed security services, firewall, office printer/scanner, related cabling and a maintenance contract. The cost of the Computer System is between \$25,000 and \$35,000 (see Item 7).

Subject to laws that regulate access to patient information, we will have the ability to independently access your Computer System at all times, including all data stored therein, including customer data. We and our affiliates have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System. You must upgrade your Computer System when we decide it to be necessary and at your own cost. There are no contractual limitations on our ability to update System Standards or on the Medical Service Manager's ability to update the requirements for the Medical Standards related to the Computer System. We estimate your annual cost of required maintenance, updating, upgrading, and support contracts with third parties related to your Computer System will be in the range of \$2,500 to \$5,000, which is in addition to the monthly Technology Fee (currently \$1,599 per month) that you will pay to us.

Operations Manual.

We provide information about our System Standards through our online operations manual (the "Operations Manual"), which may include one (1) or more separate manuals as well as audiotapes, videotapes, compact discs, computer software, information available on an Internet site, other electronic media, or written materials. Our current Operations Manual has 238 pages. We have provided the table of contents as Exhibit F.

Training Program.

Currently, we conduct training programs once a month, but we may change the frequency of the program as we deem appropriate. We may conduct any training program in-person and/or virtually. No later than eight (8) weeks before the scheduled opening of your Center, your Required Trainees (i.e., your Managing Owner, General Manager, Nurse Practitioner, and Aesthetic RN) must complete our initial training program to our satisfaction. We do not charge any fee for providing initial training to your initial Managing Owner and your initial General Manager; however, you must pay us the following amount for providing initial training to your Nurse Practitioner and Aesthetic RN: \$5,000 per Nurse Practitioner and

\$2,500 per Aesthetic RN. Any replacement or substitute Required Trainee must complete initial training for their respective positions to our satisfaction prior to serving in such positions, and may charge a fee for any initial training provided to any replacement or successor Required Trainees (currently, we charge \$5,000 per Nurse Practitioner; \$2,500 per Aesthetic RN; and we do not currently charge a fee for providing initial training to your replacement Managing Owners or General Managers but we reserve the right to do so).

Your Required Trainees and such other persons as we may designate from time to time must attend such additional or remedial training programs and seminars as we may offer periodically, and you must pay our then-current training fee for any additional or remedial training designated by us or requested by you.

Each of your Owners, Required Trainees, and such other persons we require must attend all meetings and conferences, including regional and national conferences of persons involved in the ownership or operation of NextHealth Centers (each a “Conference”) that we periodically designate. You will be responsible for all travel and living expenses, wages, and benefits owed to, and other costs of, persons attending such Conferences on your behalf or at your request. You must pay us the registration fee we charge for attendance at each Conference organized by us or our affiliates, which fee will be due and payable regardless of whether any required attendee actually attends the particular Conference.

You are responsible for all travel and living expenses, wages, and benefits owed to, and other costs of, persons attending any training program or conference on your behalf or at your or our request.

We may provide on-site assistance with the initial opening of your Center. We will determine the timing, the identity of the person(s) providing, and the length of such assistance. We will not charge a fee for providing opening assistance, but if we determine it to be necessary to increase or re-schedule our available resources to accommodate the timing of the opening of your Center or the kind or extent of assistance we determine to be necessary, we may require that you reimburse our expenses associated with doing so. Our personnel supporting your Center’s opening will not be responsible for the operation of your Center or providing or supervising Medical Services at your Center.

As of the date of this Disclosure Document, we provide the following initial training:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
GM Operations	16	8	At our principal office or at a mutually agreed location in California
Nurse Practitioner Medical	8	32	At our principal office or at a mutually agreed location in California
Aesthetic Training	8	32	At our principal office or at a mutually agreed location in California
HR Operations	6	2	At our principal office or at a mutually agreed location in California
Sales and Marketing	12	2	At our principal office or at a mutually agreed location in California

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Technology	6	2	At our principal office or at a mutually agreed location in California
TOTAL	56	78	At our principal office or at a mutually agreed location in California

Training is conducted and supervised by (i) Kai Belveal (Training and Development Manager), who has six (6) years of experience in the subjects taught and has six (6) years of experience with us or our affiliates; (ii) Will Craig (Director of Sales), who has four (4) years of experience in the subjects taught and has two (2) years of experience with us or our affiliates; (iii) Jessica Brewer (Clinic Director – PA-C), who has seven (7) years of experience in the subjects taught and has six (6) months of experience with us or our affiliates; and (iv) Ross Callahan (Registered Nurse (NCLEX-RN) Skin Care and Aesthetic Expert) who has ten (10) years of experience in the subjects taught and has six (6) years of experience with us or our affiliates.

Training materials include management training program materials, team member training materials and the Operations Manual. The initial training program is designed to cover all phases of the operation of NextHealth Centers. Any individual attending the training who has not signed the form of Guaranty and Assumption of Obligations attached to the Franchise Agreement must execute a confidentiality agreement in the form provided by us. Any training or training materials provided by us or on our behalf relates solely to the performance of activities not regulated by laws governing the provision of Medical Services. Under no circumstances shall any training and/or assistance provided by us or on our behalf constitute the practice of medicine or the performance of Medical Services

ITEM 12 **TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, except as described in this Item 12, so long as you are in compliance with the terms of your Franchise Agreement, we will not, during the term of the Franchise Agreement, operate or authorize anyone else to own or operate a NextHealth Center within the “Designated Area” identified in your Franchise Agreement, and so long as you are in compliance with the terms of your Area Development Agreement, we will not, during the term of the Area Development Agreement, operate or authorize anyone else to own or operate a NextHealth Center in the Development Area identified in the Area Development Agreement. These are referred to as your “Territorial Protections.”

Determination of Development Area and Designated Area.

If you and we sign an Area Development Agreement, the agreement will identify the Development Area in which you will be authorized to search for proposed premises and in which all of the NextHealth Centers you develop (each pursuant to an individual Franchise Agreement) will be located. We will review and approve/reject sites proposed by you for all NextHealth Centers to be developed pursuant to the Area Development Agreement and designate a protected area (if any) using our then-current standards before issuing you each Franchise Agreement. Each Franchise Agreement that you and we sign will identify the address for the premises that you have proposed and that we have approved for the location of the Center and, if applicable, an area surrounding the Center that we have approved to be your Center's "Designated Area." If, however, when the Franchise Agreement is signed (most likely the first Franchise Agreement signed pursuant to an Area Development Agreement), the premises have not yet been approved and the Designated Area has not yet been agreed upon, you must, within 90 days after the execution of the Franchise Agreement, locate and obtain our approval of the premises for your Center. If we are unable to agree on the premises or Designated Area, we may terminate the Franchise Agreement, as applicable.

There are no minimum requirements regarding the size or configuration of Development Areas or Designated Areas, but in each case we consider factors such as demographics (for example, number of people living and working in the area, income levels, and buying habits), other similar and complementary businesses and destinations in the area, traffic patterns and natural barriers impacting how people get to and move within the area, availability of potential sites, likely trade areas, and growth trends. Development Areas and Designated Areas are typically described on a map attached to the Area Development Agreement or Franchise Agreement, as applicable, but may also be identified by other means including, for example zip codes, market service areas (MSAs) or designated marketing areas (DMAs), streets, or official city or county boundaries.

To maintain the Territorial Protections described above you must comply with your obligations under the Area Development Agreement (including the agreed upon Development Schedule) and each Franchise Agreement. You are not otherwise obligated to achieve minimum sales volumes, market penetration or other contingencies to maintain the Territorial Protections. However, we may revise the size or configuration of the Development Area or suspend the Territorial Protections under the Area Development Agreement on renewal of the Area Development Agreement or if you fail to comply with your obligations under the Area Development Agreement. We may revise the size or configuration of the Designated Area or suspend the Territorial Protections under the Franchise Agreement on renewal of the Franchise Agreement or if you fail to comply with your obligations under the Franchise Agreement. On expiration or termination of the Area Development Agreement, you will lose the Territorial Protections for the Development Area, but the Designated Areas under Franchise Agreements will continue as provided in those agreements until their termination or expiration.

Reservation of Rights Under the Area Development Agreement and Franchise Agreement.

The Territorial Protections are limited to those agreements we describe in the first paragraph of this Item 12. We and our affiliates reserve all rights that are not expressly granted to you under the Area Development Agreement and Franchise Agreements and the right to engage in all other activities that are not included in the Territorial Protections, including, for example, the right to do any of the following (and you are not permitted to exercise any of the following rights):

- (1) own and operate, and license others to own and operate, NextHealth Centers using the System Standards and the Marks, at any location outside the areas covered by the Territorial Protections on such terms and conditions we deem appropriate;

- (2) while we and our affiliates do not currently do so, and have no current plans to do so, we and our affiliates may develop or become associated with other businesses, including other health and wellness concepts and systems that offer the same or similar products, and/or award franchises under such other concepts for locations anywhere, including inside and outside of the areas covered by the Territorial Protections;
- (3) acquire, be acquired by, merge or affiliate with, or engage in any transaction with any other businesses (whether or not competitive) located anywhere and (i) convert the other businesses to NextHealth Centers, and/or (ii) permit the other businesses to continue to operate under another name regardless of their locations;
- (4) market, offer and sell products and services similar to those offered by NextHealth Centers under a trademark or trademarks other than Marks at any location, both within and outside the areas covered by the Territorial Protections;
- (5) market and sell, and grant to others the right to market and sell, products and services that are authorized for sale at NextHealth Centers through alternative channels of distribution (like mail order, the Internet, e-commerce and catalog sales, and product lines in other businesses) using the Marks or other trademarks and commercial symbols; and
- (6) open and operate, or license third parties the right to open or operate, Special Venue Location, both within and outside the areas covered by the Territorial Protections. “Special Venue Locations” are NextHealth Centers located in hotels, resorts, health clubs, sports arenas, entertainment facilities, military facilities, and any captive location or host facility whose retail operations are controlled by a third party or in our judgment should be operated by a third party.

Other Items.

You have no right to change the Development Area under the Area Development Agreement or to relocate or change the location of your Center under the Franchise Agreement. If, on your request, we allow you to relocate your Center, we may condition our consent in any manner we choose including requiring you to pay us a relocation fee of \$15,000.

You have no right of first refusal or similar rights to acquire additional development rights or franchises or to establish additional NextHealth Centers.

ITEM 13 **TRADEMARKS**

NextHealth Centers operate under the Brand and other trademarks, service marks and commercial symbols and trade names that we may authorize for use (collectively, the “Marks”). Currently, Parent owns the Marks. Under the License Agreement, dated August 21, 2023, between us and Parent, (the “License Agreement”), Parent has licensed to us the right to use, and further sublicense the right to use, the Marks in connection with the franchising, development, and operation of NextHealth Centers. The License Agreement has a term of 99 years and can be terminated on 30 days’ notice without cause or for a material breach of the License Agreement which is not cured upon 30 days’ notice to us (resulting in the loss of our right to use and to sublicense the use of the Marks). Your rights to use the Marks during the current term of your Franchise Agreement will not be affected by the termination or expiration of our license. However, we will not be able to grant additional licenses of the Marks after expiration or termination of our license. Currently, there are no other agreements in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

The following Marks are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	5328709	November 7, 2017
	5328708	November 7, 2017
NEXTHEALTH	5296970	September 26, 2017

The above are the principal Marks to be licensed to you. There are currently no effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of this state or any court, pending infringement, opposition, or cancellation, or pending material litigation involving the Marks. All required renewals and affidavits for the Marks listed above have been filed.

We are not aware of anyone having superior rights of the Marks or any infringing use or anyone making a claim regarding our use, which could materially affect the use of the Marks.

Your right to use the Marks and the System comes only from the Franchise Agreement and is limited to conducting business pursuant to and in compliance with the Franchise Agreement. Your use of the Marks and the System and any goodwill established by that use are exclusively for our and our affiliates’ benefit, and your Franchise Agreement does not confer upon you any goodwill or other interest in the Marks (other than the right to use them in strict adherence to the Franchise Agreement). You must not ever contest the validity or ownership of any of the Marks or components of the System or help anyone else to do so.

You must not use any of the Marks or portion of any Mark as part of a corporate or trade name or with any prefix, suffix or other modifying words, terms, designs, or symbols or in any modified way. You must not use any of our Marks in selling any unauthorized products or services, as part of any Online Presence (except as set forth in the Operations Manual or otherwise in writing by us), or in any way not expressly authorized by us in writing. Additionally, you must not use any of our Marks in connection with any advertisement to transfer, sell or otherwise dispose of your Center, an ownership interest in you, or any Operating Assets, without our prior written consent. You must give us notice of any trademark and service mark ownership and registrations as we specify. You must obtain fictitious or assumed name registrations as required by applicable law.

You will 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 to communicate with any person other than us and our affiliates, our attorneys, and your attorneys, regarding any such infringement, challenge, or claim. We, Parent, and our affiliates may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other legal or administrative proceeding arising 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, Parent's, and our affiliates' attorneys, are necessary or advisable to protect and maintain our, Parent's, and our affiliates' interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our, Parent's, our affiliates' interests in the Marks. We will reimburse you for your costs of taking any action that we, Parent, and our affiliates ask you to take.

We will 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. At our option, we, Parent and our affiliates may defend and control the defense of any proceeding arising from your use of any Mark under the Franchise Agreement.

If at any time it becomes advisable, in our opinion, for us to modify or discontinue using any Mark or to use one or more additional or substitute trademarks or service marks, or modify any components of the System, you must comply with our directions within a reasonable time determined by us after receiving written notice from us. We will determine, in each instance, what time for compliance is reasonable, the length of which may vary based on the reason for the modification or discontinuance and the breadth and cost of making the change (for example, a shorter time may be required where the change is based on an actual or perceived threat of infringement versus where we are electing to make a change purely for marketing and branding purposes). We need not reimburse you for complying with our directions in that regard, for any loss of revenue due to any modified or discontinued Mark or component of the System, or for your expenses of promoting a modified or substitute trademark or service mark.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights.

We do not claim to own any patents or patent applications which are material to the franchise. However, we claim statutory and common law copyright and trade secret protection for several aspects of the System, methods, techniques and operational procedures, products, product specifications, design, decor, signage, manuals, and all related materials including advertisement and promotion materials though such materials may not be registered in the USPTO. These materials are proprietary and confidential and are our or Parent's property and may be used by you only as provided in your Franchise Agreement.

We may authorize you to use certain works we claim copyright rights to. These include the Operations Manual, advertisements, promotion materials, packaging, posters and signs and may include all or parts of the Marks, software, trade dress and other portions of the NextHealth franchise system. These are our or Parent's property. We and Parent have not registered any of our copyrighted materials but may do so at any time we or it deems appropriate. There are no effective determinations of the USPTO or any court regarding any materials as to which we claim copyright rights. There are no agreements in effect that significantly limit our right to use or license copyrighted materials. There are no infringing uses known to us which could materially affect your use of the copyrighted materials in any state.

We need not protect or defend our copyrighted works. We may control any action involving copyrighted works, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving the copyrighted works.

If you develop any methods, formulas, specifications, processes, procedures, programs, projects, works of art or other materials in the course of operating your Center, which we approve for use and/or

sale in the NextHealth Center, it will be deemed to be a work made-for-hire belonging to us or Parent, and automatically become our or its property. To the extent it is not deemed to be a work-made-for-hire, you assign all rights and ownership to us. At our request you must sign documents and take action any we ask to enable us to secure all rights in us. If you do not, then we can sign and act on your behalf as your attorney-in-fact.

Confidential Information.

We will provide you with proprietary, confidential and trade secret information. Any improvements you develop or customer lists and databases you obtain will be our proprietary information. Our trade secrets include methods, formulas, specifications, processes, procedures and/or improvements regarding the NextHealth Center, the System, System Standards, and any information that is valuable and secret in the sense that it is not generally known to competitors of us. You must maintain absolute confidentiality of all such information during and after the term of the franchise and must not use any such information in any other business or in any manner not specifically authorized or consented to in writing by us.

You may provide confidential information only to the extent and only to those of your employees or agents who must have access to that information to operate your Center and are bound by the confidentiality obligations and execute a Business Associate Agreement in the form attached as Attachment C to the Franchise Agreement.

The goodwill associated with all phone and fax numbers, email addresses, domain names and social media and other Internet addresses and Online Presence used in operation of your Center is an asset that belongs to us. On cancellation, termination or expiration of the Franchise Agreement you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or service associated with these. You must sign instruments we request to further confirm the assignments and transfers to us. On our request you must notify the phone companies, internet service providers, listing agencies, websites and others whom we request that you notify, of the termination, cancellation or expiration and transfer to us of all right to use of these and any regular, classified or other phone directory listing associated with the Marks and give notice of making the transfer to us.

You must never, in perpetuity, divulge to any person or entity any information, trade secrets, techniques, and processes used in the services offered at the NextHealth Centers or any information stated in our Operating Manual.

We will be entitled to obtain restraining orders and injunctive relief to safeguard our proprietary and confidential information.

We can change, update or modify the System, adopt and require use of new or modified trade names, trademarks, service marks or copyrighted materials, products, equipment, point-of-sale system, computers, technologies, techniques, marketing, promotion and any other aspects or elements. We will tell you of modifications through the Operating Manual or other means we select. You must comply with modifications we make. You must not modify or alter the NextHealth franchise system.

We rely upon your agreement to deal exclusively with us. You therefore agree that, during your operation of your Center, neither you, any of your owners, nor any of your or your owners' immediate family members will: (i) have any direct or indirect interest as an owner – 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); (ii) perform services for or provide benefits to, in any capacity, a Competitive Business, wherever located or operating; (iii) divert or attempt to divert any actual or potential business or customer of your Center to a Competitive Business; (iv) interfere or attempt to interfere with us or our affiliates' relationship with any vendors, franchisees or consultants; or (v) directly or indirectly, appropriate, use or duplicate the System or System Standards, or any portion thereof, for use in any other business or endeavor.

The term "Competitive Business" means any business other than a NextHealth Center which (1) generates or is expected to generate at least 20% of its revenue from performing cryotherapy, IV therapy, hormone replacement therapy, hyperbaric oxygen therapy, diagnostic testing and/or other services that are provided at NextHealth Centers, or (2) franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses. Subject to applicable laws, you must obtain similar covenants from the personnel we specify, including officers, directors, managers, and other employees attending our training program or having access to Confidential Information. 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.

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

Franchise Agreement.

If you are not a natural person, each of your Owners that has any direct or indirect ownership interest, must sign a guaranty of your obligations under the Franchise Agreement (the form is attached to the Franchise Agreement as Attachment A). Each person signing a guaranty assumes and agrees to discharge all of your obligations (i.e., the franchisee's) under the Franchise Agreement. If any Owner is an individual, his or her non-Owner spouse must consent in writing to that owner's execution of the guaranty. Each Owner signing the guaranty agrees to be bound to provisions of the Franchise Agreement applicable to such person.

If you are not a natural person then one of your Owners that you designate, and we approve, will be the "Managing Owner" of your Center. Your Managing Owner will be authorized, on your behalf, to deal with us in all matters that arise in respect of the Agreement. We will be entitled to rely on the decision of the Managing Owner without being obligated to seek approvals of your other Owners. We do not require you or your Owners to participate personally in the direct operations of your Center.

Unless you are licensed to provide Medical Services and are not prohibited from splitting fees derived from provided Medical Services with an unlicensed person, you must enter into a Management Agreement with the Medical Service Manager pursuant to which it will provide a designated Medical Director for your Center and, for a fee to be paid to you by the Medical Services Manager, you will provide the Medical Service Manager with certain management services related to the provision of the Medical Services at your Center by the Medical Service Manager and its Medical Director. In any event, you must designate (1) a Medical Director who will provide and supervise all Medical Services; (2) a general manager (the "General Manager") to manage the day-to-day nonclinical operations of your Center; (3) a Nurse Practitioner to administer and supervise the administration of certain Medical Services that a nurse practitioner is permitted under applicable law to administer and supervise; and (4) an Aesthetic RN to administer and supervise the administration of certain Medical Services that a registered nurse is permitted under applicable law to administer and supervise. You must ensure that all personnel who are employed by, contracted by, or work with you in any manner are properly licensed, certified, registered with appropriate authorities, trained, educated and experienced to perform the tasks assigned

to them or to which they are likely to engage in connection with their relationship with your Center. You must also ensure that if applicable law permits certain activities to be performed under the direct supervision and control of a lawfully licensed certified professional, such activities are so supervised and controlled.

The Medical Director, General Manager, Nurse Practitioner, and Aesthetic RN may, but need not, be your Owners; however, they must be acceptable to us. Prior to the opening of your Center, your Managing Owner, General Manager, Nurse Practitioner, and Aesthetic RN must complete our initial training program to our satisfaction, and they must also complete to our satisfaction any other training programs we may periodically designate.

You must not change or replace your Managing Owner, the Medical Service Manager, Medical Director, Nurse Practitioner, Aesthetic RN, or General Manager without our prior written consent and must promptly notify us in writing if any of them cannot continue or no longer qualify to serve as such and must take corrective action within 30 days thereafter. During that period, you must provide interim personnel as necessary to comply with our System Standards. If your General Manager, Nurse Practitioner, or Aesthetic RN have not signed a guaranty to the Franchise Agreement, they must sign our then-current form of confidentiality and non-competition agreement; however, you are responsible for ensuring that our form of confidentiality and non-competition agreement complies with all applicable laws. You must adopt and implement all reasonable procedures to prevent unauthorized use or disclosure of Confidential Information and disclose Confidential Information to your personnel on a need-to-know basis.

Area Development Agreement.

If you are not a natural person, each of your Owners must sign a guaranty of your obligations under the Area Development Agreement (the form is attached to the Area Development Agreement as Attachment A). Each person signing a guaranty assumes and agrees to discharge all of your obligations (i.e., the developer's) under the Area Development Agreement. If any Owner is an individual, his or her spouse must consent in writing to that owner's execution of the guaranty. Each Owner signing the guaranty agrees to be bound to provisions of the Area Development Agreement applicable to such person. If any Owner is an individual, his or her non-Owner spouse must consent in writing to that owner's execution of the guaranty.

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

The franchisees of NextHealth Centers offer and sell certain non-medical products and services to their customers that are specifically designated by us periodically and provide certain non-clinical and administrative services that are requested by the Medical Service Manager and the Medical Director. We do not require NextHealth franchisees to practice medicine, hire licensed health care professionals or provide training to them, provide Medical Services, or exert control over the delivery or supervision of Medical Services; however, we require each NextHealth franchisee to (i) be or have a relationship with a Medical Director who will use its independent medical judgement, perform or, where permitted, supervise the performance of certain Medical Services at the franchisee's NextHealth Center, and (ii) engage at least one (1) Nurse Practitioner and one (1) Aesthetic RN to administer certain Medical Services under the supervision of the Medical Director. If you determine that applicable laws permit you to own and operate your Center, offer and provide Medical Services at your Center, hire licensed healthcare professionals to provide Medical Services at your Center, and pay royalty and other amounts to us based

on the revenue derived from Medical Services, then upon your request, you and we may enter into a written amendment to waive the requirement to engage a Medical Service Manager.

You will: (i) offer and sell from your Center all non-medical products and services in the manner that we periodically specify; (ii) not offer or sell at or from your Center or any other location any products or services we have not authorized, including any Medical Services; (iii) not either directly or indirectly supervise, control, or interfere with the provision of Medical Services unless you are qualified and licensed under applicable law to do so; and (vi) discontinue selling and offering for sale any products or services that we at any time disapprove. There is no limit on our right to change the goods or services that you can and cannot sell at and from your Center.

Your Medical Director will offer, provide, and supervise all Medical Services at your Center and make all determinations in respect thereof in accordance with its independent medical judgment. Your Nurse Practitioner and Aesthetic RN will administer and supervise the administration of certain Medical Services that registered nurses are permitted under applicable law to administer and supervise.

We will not require that Speculative Medical Services be provided at your Center, but if Speculative Medical Services are provided at your Center, then (i) in addition to complying with other laws applicable to your Center you will be responsible for investigating applicable laws, rules, and regulations in your jurisdiction and your ability to advertise those services in the manner you and we believe to be appropriate; (ii) we may introduce you to vendors to provide goods or services related to one or more Speculative Medical Services in connection with your Center (each of whom you may freely elect to use); and (iii) all advertising for Speculative Medical Services will be subject to the applicable laws, rules, and regulations, and policies of the advertising medium or host, and will avoid making representations regarding the results that will be achieved from any such services.

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

THE FRANCHISE RELATIONSHIP

The following tables list certain important provisions of the Franchise Agreement, the Area Development Agreement, and the Management Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	Franchise Agreement: Section 2.A	Unless sooner terminated, 10 years.
	Area Development Agreement: Section 2.A	Term ends on the earlier of (i) the scheduled opening date of the last NextHealth Center as specified on the Development Schedule, or (ii) the last day of the last development period.
	Management Agreement: Section 8.A	Unless sooner terminated, upon the expiration of the Franchise Agreement.
b. Renewal or extension of the term	Franchise Agreement: Section 14.A	If you are in substantial compliance with the Franchise Agreement, you may extend the term for 1 consecutive term of 10 years.

PROVISION	SECTION IN AGREEMENT	SUMMARY
	Area Development Agreement: N/A	Not Applicable.
	Management Agreement: Section 8.A	Same the successor franchise term.
c. Requirements for franchisee to renew or extend	Franchise Agreement: Section 14.A	You must: give at least 180 days' prior notice (no earlier than 12 months prior to end of term); take all steps to bring your Center into full compliance with our then-current System Standards; not be in breach of any agreement with us or our affiliates; have right to remain in possession of the premises; executed our then-current Franchise Agreement and general release (unless prohibited by law); renew your Management Agreement with your Medical Service Manager; and pay a renewal fee. The then-current Franchise Agreement may contain terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements. We will be under no obligation to grant you a successor franchise if, at the time of renewal, we are not granting franchises for NextHealth Centers in your state.
	Area Development Agreement: N/A	Not Applicable.
	Management Agreement: N/A	Not Applicable.
d. Termination by franchisee	Franchise Agreement: Section 15.A	You may terminate the Franchise Agreement if we materially breach the Franchise Agreement and do not cure such default within 30 days after our receipt of written notice from you.
	Area Development Agreement: Section 6.A	You may terminate the Area Development Agreement if we materially breach the Area Development Agreement and do not cure default within 30 days after our receipt of notice from you.
	Management Agreement: Section 8.B	You may terminate the Management Agreement if we materially breach the Management Agreement and do not cure default within 30 days after our receipt of notice from you.
e. Termination by franchisor without cause	Franchise Agreement: N/A	Not Applicable.
	Area Development Agreement: N/A	Not Applicable.
	Management Agreement: N/A	Not Applicable.
f. Termination by franchisor with cause	Franchise Agreement: Section 15.B	Subject to applicable law, we may terminate only if you or your owners commit one of several violations, including for your failure to cure defaults within the applicable cure period (if any) under other agreements (including Area Development Agreements and the Management Agreement) executed with us or our affiliates.

PROVISION	SECTION IN AGREEMENT	SUMMARY
	Area Development Agreement: Section 6.B	Subject to applicable law, we may terminate only if you or your owners commit one of several violations, including your failure to cure defaults within the applicable cure period (if any) under other agreements (including Franchise Agreements executed pursuant to any Area Development Agreement) executed with us or our affiliates.
	Management Agreement: Section 8.C	Subject to applicable law, the Medical Service Manager may terminate only if you or your owners commit one of several violations, including for your failure to cure defaults within the applicable cure period (if any) under other agreements (including Franchise Agreements and Area Development Agreement) executed with us or our affiliates.
g. "Cause" defined - curable defaults	Franchise Agreement: Section 15.B	Subject to applicable law, under the Franchise Agreement, you have: 21 days to cure your trainees' failure to complete the initial training to our satisfaction; 72 hours to cure a violation of any law, ordinance, rule or regulation; 5 days to cure monetary defaults; 15 days to cure quality assurance audits; 30 days to cure operational defaults and other defaults not listed in (h) below; and cure period (if any) under other agreements (including Area Development Agreement and Management Agreement) executed with us or our affiliates to avoid cross default.
	Area Development Agreement: Section 6.B	Subject to applicable law, under the Area Development Agreement, you have 30 days to cure defaults not listed in (h) below; and cure period (if any) under other agreements (including Franchise Agreements executed pursuant to any Area Development Agreement and Management Agreement) executed with us or our affiliates to avoid cross default.
	Management Agreement: Section 8.C	Subject to applicable law, under the Management Agreement, you have 30 days to cure defaults not listed in (h) below; and cure period (if any) under other agreements (including Franchise Agreements and Area Development Agreement) executed with us or our affiliates.

PROVISION	SECTION IN AGREEMENT	SUMMARY
h. "Cause" defined - non-curable defaults	Franchise Agreement: Section 15.B	Non-curable defaults under the Franchise Agreement include: material misrepresentations or omissions; failure to secure site for your Center within 90 days after Franchise Agreement's effective date; failure to open your Center on time; un approved closure, failure to operate for more than three days, or other abandonment; conviction of a felony; dishonest or unethical conduct which may likely have an adverse effect on the reputation of any NextHealth Center; unapproved transfers; you lose the right to occupy the premises of your Center; your or your Owner' unauthorized use or disclosure of confidential information; failure to pay taxes; understatement of Gross Sales three or more times; repeated defaults (even if cured); your or your Owners' insolvency; your or your Owners' failure to comply with anti-terrorism laws; health and safety risks; your failure to have a valid Management Agreement with the Medical Service Manager; your comply with the Management Agreement; failure to designate one of your Medical Service Manager's licensed health care professionals as your Medical Director; and failure to cure defaults under other agreements (including the Management Agreement and the Area Development Agreement) with us or our affiliate within the applicable cure period, if any.
	Area Development Agreement: Section 6.B	Non-curable defaults under the Area Development Agreement include: material misrepresentations or omissions; failure to comply with Development Schedule or failure to make progress to indicate you will not fulfill development obligations; unapproved transfers; repeated defaults (even if cured); bankruptcy; an assignment for the benefit of creditors; appointment of a trustee or receiver; failure to comply with anti-terrorism laws; and failure to cure defaults under other agreements (including Franchise Agreement and Management Agreement) with us or our affiliate within the applicable cure period, if any.
	Management Agreement: Section 8.C	Non-curable defaults under the Management Agreement for which the Medical Service Manager may terminate include: your or your Owners' conviction of a felony; your or your Owners' unauthorized use or disclosure of the confidential information; failure to pay applicable taxes; repeated defaults (even if cured); your or your Owners' bankruptcy or insolvency; your or your Owners' failure to comply with anti-terrorism laws; health and safety risks; and failure to cure defaults under other agreements (including Franchise Agreements) with us or our affiliate within the applicable cure period, if any.

PROVISION	SECTION IN AGREEMENT	SUMMARY
i. Franchisee's obligations on termination /non-renewal	Franchise Agreement: Section 16.A	Under the Franchise Agreement, you must: pay us all amounts owed to us and our affiliates; cease operating your Center and using the Marks; cease identifying yourself as a current or former franchisee; de-identify the business; cease using and return all Confidential Information; cancel all fictitious or assumed names; cease using or operating any Online Presence; notify telephone company of termination of rights to use telephone number and transfer number to our designee; comply with confidentiality requirements and post-termination non-competition covenants; and at our option, sell or assign to us your rights in your Center premises and the assets used in the business.
	Area Development Agreement: Section 7.A	Under the Area Development Agreement, you must: cease to directly or indirectly exercise or attempt to exercise any rights granted to you under the Area Development Agreement; comply with all post-termination obligations; and refrain from interfering or attempting to interfere with our or our affiliates' relationships with vendors, franchisees, or consultants.
	Management Agreement: Section 8.D	Under the Management Agreement, the Medical Service Manager and Medical Director will cease providing services; you must return to the Medical Service Manager (or its designee) all confidential information, medical records, books and records pertaining to provision of Medical Services at its Center, and other proprietary materials; and you must deposit all amounts owed into the Medical Service Manager's designated bank account.
j. Assignment of contract by franchisor	Franchise Agreement: Section 13.A	No restriction on our right to assign.
	Area Development Agreement: Section 5. A	No restriction on our right to assign.
	Management Agreement: Section 11.B	No restriction on the Medical Service Manager's right to assign.
k. "Transfer" by franchisee - definition	Franchise Agreement: Section 13.B	Includes voluntary or involuntary sale, assignment, transfer, conveyance, gift, pledge, mortgage, or otherwise disposal of or encumbrance of any direct or indirect interest in the Franchise Agreement, your Center or its assets (other than in ordinary course of business), your right to possession of the premises, or any direct or indirect ownership interest in you (if you are an entity).
	Area Development Agreement: Section 5.B	Includes voluntary or involuntary sale, assignment, transfer, conveyance, gift, pledge, mortgage, or otherwise disposal of or encumbrance of any direct or indirect interest in the Area Development Agreement, your development rights, or any direct or indirect ownership interest in you (if you are an entity).

PROVISION	SECTION IN AGREEMENT	SUMMARY
	Management Agreement: N/A	Not Applicable.
l. Franchisor's approval of transfer by franchisee	Franchise Agreement: Section 13.B	We have the right to approve all transfers by you or your owners but will not unreasonably withhold or delay approval.
	Area Development Agreement: Section 5.B	You cannot assign or transfer without first obtaining our prior written consent.
	Management Agreement: 11.B	You cannot assign or transfer without first obtaining the Medical Service Manager's prior written consent.
m. Conditions for franchisor approval of transfer	Franchise Agreement: Section 13.C	Your Center has opened for business; you or transferee must provide all application materials and satisfy all selection criteria; you (and your Owner) are in compliance with the Franchise Agreement; you must provide transfer documents and transfer must meet our criteria; you (and your Owners) and transferee (and its owners) must sign all documents required by us in connection with transfer (including then-current Franchise Agreement, the provisions of which may differ materially from those contained in the form Franchise Agreement attached to this Disclosure Document); transferee upgrades, remodels and/or refurbishes your Center; the transfer must not place your Center in undue financial or operational risk; you (and your owners) sign a general release (unless prohibited by state law) and a non-competition covenant; your Center is being operated in all respects in compliance with our System Standards and you are current on all your payment obligations in connection with your Center; whether, if you or your Owners offer the transferee financing for any part of the purchase price, you and your Owners are willing to agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Center will be subordinate to the transferee's obligation to pay amounts it owes to us, our affiliates, and third party vendors and otherwise to comply with the Franchise Agreement; all mandatory training for transferee has been completed and paid for; all approvals relating to the proposed Transfer (including any landlord notices or consents) have been given or obtained, as required, with copies provided to us payment of transfer fee; and all business operations (insurance and licenses) are transferred.

PROVISION	SECTION IN AGREEMENT	SUMMARY
	Area Development Agreement: Section 5.C	You (and your owners) are in compliance with the Area Development Agreement; transferee must provide all application materials and satisfy all selection criteria; you must provide transfer documents and transfer must meet our criteria; you (and your owners) and transferee (and its owners) must sign all documents required by us in connection with transfer; all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Development Rights must be subordinate to the transferee's obligation to pay all amounts due to us; you (and your owners) sign a general release (unless prohibited by state law) and a non-competition covenant; all monetary obligations have been paid; you (and your owners) had not breached the Area Development Agreement or any other agreement with us or our affiliate (including any Franchise Agreement) for 60-day period prior to request for consent to transfer; the transferee must sign our then current form of Area Development Agreement (the provisions of which may differ materially from those contained in the form Area Development Agreement attached to this Disclosure Document); payment of transfer fee; and the transfer of the Area Development Agreement must not be made separate and apart from the transfer to the same transferee of all Franchise Agreements that were signed pursuant to the Area Development Agreement.
	Management Agreement: N/A	Not applicable
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement: Section 13.G	If you receive an offer to sell or transfer an interest, direct or indirect, in the Franchise Agreement, your Center or any direct or indirect ownership interest in you (if you are an entity), we have a right of first refusal to purchase such interest offered for the price and on the terms and conditions contained in the offer with certain provisions; if this right is not exercised within 30 days of our receipt of notice of such intention to sell or transfer, then you may sell or transfer in accordance with items (k) through (m) of this Item 17.
	Area Development Agreement: Section 5.F	If you receive an offer to sell or transfer an interest, direct or indirect, in the Area Development Agreement, your business operated under the Area Development Agreement, or any direct or indirect ownership interest in you (if you are an entity), we have a right of first refusal to purchase such interest offered for the price and on the terms and conditions contained in the offer with certain provisions; if this right is not exercised within 30 days of our receipt of such intention to sell or transfer, then you may sell or transfer in accordance with items (k) to (m) in this Item 17.
	Management Agreement: N/A	Not Applicable.

PROVISION	SECTION IN AGREEMENT	SUMMARY
o. Franchisor's option to purchase franchisee's business	Franchise Agreement: Section 16.B	We may upon 30 days' written notice to you exercise our right to purchase your Center upon (i) expiration of the Franchise Agreement without grant of a successor franchise; (ii) our termination of the Franchise Agreement; and (iii) your termination of the Franchise Agreement without cause. The purchase price for your Center will be the net realizable value of the tangible assets in accordance with the liquidation basis of accounting.
	Area Development Agreement: N/A	Not Applicable.
	Management Agreement: N/A	Not Applicable.
p. Death or disability	Franchise Agreement: Section 13.D	Your (or your owner's) interest must be transferred to someone approved by us within 6 months after the date of death or disability. Such transfers are subject to the same terms and conditions as inter vivos transfers and are subject to our right of first refusal to purchase the interest.
	Area Development Agreement: N/A	Not Applicable.
	Management Agreement: N/A	Not Applicable.
q. Non-competition covenants during the term of the franchise	Franchise Agreement: Section 8.A	Subject to applicable state laws, neither you, nor any of your Owners, General Manager, Nurse Practitioner, Aesthetic RN, or your or your Owner's immediate family members, may have any involvement, directly or indirectly, in a Competitive Business.
	Area Development Agreement: N/A	Not Applicable.
	Management Agreement: N/A	Not Applicable.
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement: Section 16.A(7)	Subject to applicable state laws, you, your Owners, General Manager, and your and their immediate family members will not have any involvement, directly or indirectly, in a Competitive Business for two (2) years at the premises of your Center, within a 10-mile radius of the premises of your Center or any NextHealth Center in existence or under development at time of termination or expiration of Franchise Agreement.
	Area Development Agreement: N/A	Not Applicable.
	Management Agreement: N/A	Not Applicable.
s. Modification of the agreement	Franchise Agreement: Section 19.B	Except for our right to modify the System and the System Standards there can be no modifications except in writing and signed by both you and us.

PROVISION	SECTION IN AGREEMENT	SUMMARY
	Area Development Agreement: Section 10.A	No modifications except in writing and signed by both you and us.
	Management Agreement: Section 11.A	No modifications except in writing and signed by you and the Medical Service Manager.
t. Integration/merger clause	Franchise Agreement: Section 19.G	Subject to applicable state laws, only the written terms of the Franchise Agreement and other related written agreements are binding. Any representation or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement is intended to disclaim the representations we made in the Disclosure Document that we furnish to you.
	Area Development Agreement: Section 10.F	Subject to applicable state laws, only the written terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representation or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable. However, nothing in the Area Development Agreement is intended to disclaim the representations we made in the Disclosure Document that we furnish to you.
	Management Agreement: Section 11.G	Subject to applicable state laws, only the written terms of the Management Agreement and other related written agreements are binding (subject to applicable state law). Nothing in the Management Agreement is intended to disclaim the representations we made in the Disclosure Document that we furnish to you.
u. Dispute resolution by arbitration or mediation	Franchise Agreement: Section 18.A	Subject to applicable state laws, we (and our affiliates) and you (and your affiliates) must arbitrate all disputes at a location in or within 50 miles of our or, as applicable, our successor's or assign's then-current principal place of business (currently Los Angeles, California).
	Area Development Agreement: Section 9.A	Subject to applicable state laws, we (and our affiliates) and you (and your affiliates) must arbitrate all disputes at a location in or within 50 miles of our or, as applicable, our successor's or assign's then-current principal place of business (currently Los Angeles, California) (subject to applicable state law).
	Management Agreement: Section 10.A	Subject to applicable state laws, the Medical Service Manager (and its affiliates) and you (and your affiliates) must arbitrate all disputes at a location in or within 50 miles of the Medical Service Manager's or, as applicable, its successor's or assign's then-current principal place of business (currently Los Angeles, California).

PROVISION	SECTION IN AGREEMENT	SUMMARY
v. Choice of forum	Franchise Agreement: Section 18.B	Subject to applicable state laws, you must sue us in the state where our or, as applicable, our successor's or assign's then-current corporate headquarters is located (currently Los Angeles, California).
	Area Development Agreement: Section 9.C	Subject to applicable state laws, you must sue us in the state where our or, as applicable, our successor's or assign's then-current corporate headquarters is located (currently Los Angeles, California).
	Management Agreement: Section 10.B	Subject to applicable state laws, you must sue the Medical Service Manager in the state where the Medical Service Manager's or, as applicable, its successor's or assign's then-current corporate headquarters is located (currently Los Angeles, California).
w. Choice of law	Franchise Agreement: Section 18.C	Subject to applicable state laws, the Franchise Agreement will be construed, and all disputes related to or arising in connection with the Franchise Agreement will be resolved, in accordance with Delaware law.
	Area Development Agreement: Section 9.B	Subject to applicable state laws, the Area Development Agreement will be construed, and all disputes related to or arising in connection with the Area Development Agreement will be resolved, in accordance with Delaware law.
	Management Agreement: Section 10.C	Subject to applicable state laws, the Management Agreement will be construed, and all disputes related to or arising in connection with the Management Agreement will be resolved, in accordance with Delaware law.

ITEM 18 **PUBLIC FIGURES**

We do not use any public figure to promote this 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.

As of June 30, 2023, Parent owns and operates five (5) NextHealth Centers, and there are no franchised NextHealth Centers in operation. Of those five (5), we have excluded two (2) NextHealth Centers from the data set included in this Item 19 because they have key characteristics that impact their operations and financial performance and that are not consistent with the design, size, location

characteristics, and services offerings of NextHealth Center franchises we are offering under this Disclosure Document or the locations our affiliates. Of the two (2) excluded NextHealth Centers, one (1) is a 1,600 square foot location with limited external signage and street-side visibility and access, and the other is a 1,000 square foot location situated within a Four Seasons hotel which offers limited services primarily to guests of the hotel.

The charts below reflect the actual historical revenue metrics for the remaining three (3) Parent-owned NextHealth Centers. Each is at least 2,000 square feet, is visible from the street, has exterior signage, and offers the full array of services your Center would offer. There are no material differences between the operation of the NextHealth Centers shown in the chart below and the Center you would operate as described in this Disclosure Document.

Partial Calendar Year 2022

Center #	Date Opened	Revenue Type	July	August	September	October	November	December
Center #1	August 2017	Medical Services Revenue	\$99,097	\$114,824	\$116,592	\$105,733	\$68,253	\$59,310
		Other Revenue	\$287,703	\$314,658	\$314,545	\$344,871	\$329,012	\$338,599
		Gross Sales	\$386,800	\$429,482	\$431,137	\$450,604	\$397,265	\$397,909
Center #2	July 2017	Medical Services Revenue	\$107,710	\$55,486	\$88,514	\$40,930	\$73,962	\$102,057
		Other Revenue	\$178,461	\$184,206	\$144,094	\$150,484	\$152,141	\$164,532
		Gross Sales	\$286,171	\$239,692	\$232,608	\$191,414	\$226,103	\$266,589
Center #3	April 2022	Medical Services Revenue	\$11,044	\$17,723	\$71,620	\$15,409	\$100,978	\$82,198
		Other Revenue	\$66,621	\$82,433	\$33,900	\$154,369	\$72,537	\$145,593
		Gross Sales	\$77,665	\$100,155	\$105,520	\$169,778	\$173,515	\$227,791

Partial Calendar Year 2023

Center #	Date Opened	Revenue Type	January	February	March	April	May	June
Center #1	August 2017	Medical Services Revenue	\$160,803	\$152,072	\$72,049	\$82,341	\$126,296	\$116,770
		Other Revenue	\$276,881	\$257,020	\$354,130	\$324,364	\$329,935	\$323,963
		Gross Sales	\$437,684	\$409,091	\$426,179	\$406,705	\$456,231	\$440,733
Center #2	July 2017	Medical Services Revenue	\$115,575	\$58,579	\$99,604	\$39,917	\$73,777	\$95,701
		Other Revenue	\$173,587	\$154,239	\$187,367	\$173,464	\$166,749	\$176,474
		Gross Sales	\$289,162	\$212,818	\$286,971	\$213,381	\$240,526	\$272,175

Center #3	April 2022	Medical Services Revenue	\$23,692	\$54,017	\$28,162	\$57,643	\$26,125	\$31,117
		Other Revenue	\$133,676	\$139,607	\$166,858	\$148,153	\$168,930	\$150,339
		Gross Sales	\$157,368	\$193,624	\$195,020	\$205,796	\$195,055	\$181,456

Notes:

1. “Medical Services Revenue” means the revenue generated from Medical Services provided by or under the supervision of a Medical Director or provided by a Registered Nurse, or an Aesthetic RN at the applicable NextHealth Center, excluding (1) all federal, state, or municipal sales, use, or service taxes collected from clients, (2) the amount of any documented refunds and credits given in good faith to the clients and the center’s employees, and (3) discounts that are permitted under the Medical Standards. “Medical Services” means those products and services that can be provided only by or under the supervision or prescription of licensed healthcare professionals.
2. “Other Revenue” means the total revenue generated from sale of products and services other than Medical Services, excluding (1) all federal, state, or municipal sales, use, or service taxes collected from clients, (2) the amount of any documented refunds and credits given in good faith to the clients and the center’s employees, and (3) discounts that are permitted under our System Standards.
3. “Gross Sales” means the sum total of Medical Services Revenue and Other Revenue.

The data reflected in the above charts shows that Parent, by being able to hire its own Medical Director, was able to retain all revenue generated by the NextHealth Centers included in the above data set, including revenue generated by the provision and sale of Medical Services. However, if the NextHealth Centers included in the charts above were franchised NextHealth Centers, and the franchisee or its Owner were not able to be the Medical Director of the NextHealth Center or if the franchisee would have been prohibited under its state’s laws from splitting with unlicensed persons the revenue derived from the provision and sale of Medical Services, then the franchisee would have been required to sign a Management Agreement with the Medical Services Manager pursuant to which the Medical Services Manager would have paid the franchisee an administrative service fee, and the Gross Sales of the Center would be the sum of the administrative service fee paid to the franchisee by the Medical Services Manager pursuant to the Management Agreement (rather than all of the Medical Services Revenue) plus Other Revenue. The charts below show that adjustment to reflect, for the same NextHealth Centers, the results that would have been achieved had there been a Management Agreement in place and, as a result, the Center’s owner would have received an administrative service fee under the Management Agreement instead of the Medical Services Revenue.

Partial Calendar Year 2022

Center #	Date Opened	Revenue Type	July	August	September	October	November	December
Center #1	August 2017	Administrative Service Fee	\$96,597	\$112,324	\$114,092	\$103,233	\$65,753	\$56,810
		Other Revenue	\$287,703	\$314,658	\$314,545	\$344,871	\$329,012	\$338,599
		Gross Sales	\$384,300	\$426,982	\$428,637	\$448,104	\$394,765	\$395,409

Center #2	July 2017	Administrative Service Fee	\$105,210	\$52,986	\$86,014	\$38,430	\$71,462	\$99,557
		Other Revenue	\$178,461	\$184,206	\$144,094	\$150,484	\$152,141	\$164,532
		Gross Sales	\$283,671	\$237,192	\$230,108	\$188,914	\$223,503	\$264,089
Center #3	April 2022	Administrative Service Fee	\$8,544	\$15,223	\$69,120	\$12,909	\$98,478	\$79,698
		Other Revenue	\$66,621	\$82,433	\$33,900	\$154,369	\$72,537	\$145,593
		Gross Sales	\$75,165	\$97,656	\$103,020	\$167,278	\$171,015	\$225,291

Partial Calendar Year 2023

Center #	Date Opened	Revenue Type	January	February	March	April	May	June
Center #1	August 2017	Administrative Service Fee	\$158,303	\$149,572	\$69,449	\$79,841	\$123,796	\$114,270
		Other Revenue	\$276,881	\$257,020	\$354,130	\$324,364	\$329,935	\$323,963
		Gross Sales	\$435,184	\$406,592	\$423,579	\$404,205	\$453,731	\$438,233
Center #2	July 2017	Administrative Service Fee	\$113,075	\$56,079	\$97,104	\$37,417	\$71,277	\$93,201
		Other Revenue	\$173,587	\$154,239	\$187,367	\$173,464	\$166,749	\$176,474
		Gross Sales	\$286,662	\$210,318	\$284,471	\$210,881	\$238,026	\$269,675
Center #3	April 2022	Administrative Service Fee	\$21,192	\$51,517	\$25,662	\$55,143	\$23,625	\$28,617
		Other Revenue	\$133,676	\$139,607	\$166,858	\$148,153	\$168,930	\$150,339
		Gross Sales	\$154,868	\$191,124	\$193,520	\$203,296	\$192,555	\$178,956

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

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

Other than the preceding financial performance representations, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Scott Svlich, Chief Operating Officer, Next Health Franchising LLC, 955 Carrillo Dr. Suite 100 Los Angeles, California 90048, phone number: (310) 295-2075, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2020 to 2022¹

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned ²	2020	2	3	+1
	2021	3	4	+1
	2022	4	5	+1
Total Outlets³	2020	2	3	+1
	2021	3	4	+1
	2022	4	5	+1

¹ Each of the years reflected in tables 1 to 4 of this Item 20 are calendar years, each ending December 31 of the applicable year.

² These numbers reflect the NextHealth Centers owned by Parent.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchise Outlets For years 2020 to 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	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets¹
For years 2020 to 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	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	1	0	0	0	3
Hawaii	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
New York	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Total	2020	2	1	0	0	0	3
	2021	3	1	0	0	0	4
	2022	4	1	0	0	0	5

¹ These numbers reflect NextHealth Centers owned by Parent.

Table No. 5
Projected Openings as of December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	0	0	1
Total	0	0	1

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

We have not sold any franchises as of the date of this Disclosure Document. During the last three fiscal years, we haven't had any franchisees, so no franchisee has signed confidentiality clauses that restrict it from discussing with you their experiences as a franchisee in our franchised system, and there are no trademark specific franchisee organizations representing NextHealth franchisees.

ITEM 21 **FINANCIAL STATEMENTS**

We are a start-up franchise system, and we started offering franchises for NextHealth Center as of June 2023. Therefore, we cannot provide all the financial statements required by the FTC Rule. Our audited opening balance sheet as of August 14, 2023 is attached as Exhibit E to this Disclosure Document. Our fiscal year end is December 31 each year.

ITEM 22 **CONTRACTS**

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

- Exhibit B – Form Franchise Agreement
 - Attachment A – Guaranty and Assumption of Obligations
 - Attachment B – Representation and Acknowledgement Statement
 - Attachment C – Business Associate Agreement
 - Attachment D – Form Management Agreement
- Exhibit C – Form Area Development Agreement
- Exhibit G – Sample General Release
- Exhibit H – State Riders

ITEM 23 **RECEIPTS**

Two copies of a detachable receipt acknowledging your receipt of this disclosure (one copy is for you and the other is to be signed by you and given to us) appear as Exhibit I.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of these states.

CALIFORNIA

Department of Financial Protection &
Innovation:

Toll Free: 1 (866) 275-2677

Los Angeles

Commissioner of Financial Protection &
Innovation

320 West 4th Street

Suite 750

Los Angeles, California 90013

(213) 576-7505

Sacramento

Commissioner of Financial Protection &
Innovation

2101 Arena Blvd.

Sacramento, CA 95834

(916) 445-7205

San Diego

Commissioner of Financial Protection &
Innovation

1455 Frazee Road, Suite 315

San Diego, California 92108

(619) 610-2093

San Francisco

Commissioner of Financial Protection &
Innovation

One Sansome Street, Suite 600

San Francisco, California 94104-4428

(415) 972-8559

HAWAII

(state administrator)

Business Registration Division
Securities Compliance Branch

Department of Commerce
and Consumer Affairs

P.O. Box 40

Honolulu, Hawaii 96810

(808) 586-2727

(agent for service of process)

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer
Affairs

Business Registration Division
Securities Compliance Branch

335 Merchant Street, Room 205

Honolulu, Hawaii 96813

(808) 586-2744

ILLINOIS

Franchise Bureau

Office of the Attorney General

500 South Second Street

Springfield, Illinois 62706

(217) 782-4465

INDIANA

(state administrator)

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

(agent for service of process)

Indiana Secretary of State
200 West Washington Street, Room 201
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6300

(agent for service of process)

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

MICHIGAN

(state administrator)

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building
525 West Ottawa Street
Lansing, Michigan 48909
(517) 335-7622

(agent for service of process)

Michigan Department of Commerce,
Corporations, Securities, and Commercial
Licensing Bureau
P.O. Box 30018
Lansing, Michigan 48909

MINNESOTA

(state administrator)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

(agent for service of process)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(state administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
(212) 416-8222

(agent for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

NORTH DAKOTA

(state administrator)

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - Fourteenth Floor, Dep't 414
Bismarck, North Dakota 58505
(701) 328-4712

(agent for service of process)

Securities Commissioner
600 East Boulevard Avenue
State Capitol - Fourteenth Floor, Dep't 414
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Department of Business Services
Division of Financial Regulation
350 Winter Street, NE, Room 410
Salem, Oregon 97310-3881
(503) 378-4387

RHODE ISLAND

Department of Business Regulation
Division of Securities
John O. Pastore Complex Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Second Floor
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(state administrator)

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

(agent for service of process)

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

WASHINGTON

(state administrator)

Washington Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

(agent for service of process)

Director
Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

WISCONSIN

(state administrator)

Securities and Franchise Registration
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-0448

(agent for service of process)

Office of the Secretary
Wisconsin Department of Financial Institutions
P.O. Box 8861
Madison, Wisconsin 53708-8861
(608) 261-9555

EXHIBIT B
FORM FRANCHISE AGREEMENT

NEXT HEALTH FRANCHISING LLC
FRANCHISE AGREEMENT



Franchisee: _____

Developer (if applicable): _____

Center Number: _____

Center Address: _____

NEXT HEALTH FRANCHISING LLC
FRANCHISE AGREEMENT
DATA SHEET

1. **Effective Date of Agreement:** _____

2. **Franchisee:**

Name:	
Address:	
Attention:	
Email Address:	
Phone:	
Date of Formation:	
State of Formation:	

3. **Business Entity Type** (check one):

- ☐ Professional medical corporation
☐ Limited liability company
☐ Partnership
☐ Corporation
☐ Others _____

4. **Franchisee Owners.**

Name	Address	Type of Interest	Percentage Held	Is he/she licensed to provide Medical Services at your Center?
				☐ Yes ☐ No
				☐ Yes ☐ No
				☐ Yes ☐ No
				☐ Yes ☐ No
				☐ Yes ☐ No

5. **Premises** [Section 2.A]: _____

6. **Designated Area** [Section 2.B]: _____

7. **Search Area** [Section 3.B] (check one):

- ☐ N/A
☐ Development Area identified in the Area Development Agreement dated _____, between Next Health Franchising LLC and _____
☐ The area shown on the following map:

[attach map]

8. **Certain Fees:**

- (a) **Lease Review Fee** [Section 3.B]: ☐ \$1,500 ☐ Other \$ _____
- (b) **Architect & General Contractor Review Fee** [Section 3.C]: ☐ \$2,000 per vendor ☐ Other \$ _____
- (c) **Construction Management Services Fee** [Section 3.D]: ☐ \$15,000 ☐ Other \$ _____
- (d) **Initial Franchise Fee** [Section 4.A]: ☐ \$80,000 ☐ Other \$ _____
- (e) **Royalty** [Section 4.B]: ☐ 9% of Gross Sales ☐ Other \$ _____
- (f) **Relocation Fee** [Section 4.D]: ☐ \$15,000 ☐ Other \$ _____
- (g) **Marketing Creative Service Fee** [Section 4.E]: ☐ \$75 per hours ☐ Other \$ _____
- (h) **Initial Training Fee** [Section 5.A]:
- (i) **Nurse Practitioner:** ☐ \$5,000 ☐ Other \$ _____
- (ii) **Aesthetic RN:** ☐ \$2,500 ☐ Other \$ _____
- (i) **Technology Fee** [Section 9.B]: ☐ \$1,599 per month ☐ Other \$ _____
- (j) **Brand Fund Contribution** [Section 10.B]: ☐ 1% of Gross Sales ☐ Other \$ _____

9. **Initial Required Personnel** [Section 9.A]:

Position / Title	Name and Contact Information (Initial)
Managing Owner	
Medical Service Manager	
Medical Director	
General Manager	
Nurse Practitioner	
Aesthetic RN	

10. **Nursing Care Area** [Section 9.C] (check one):

- ☐ N/A
- ☐ Designated Area
- ☐ The area shown on the following map:

[attach map]

11. **Local Marketing Expenditure** [Section 10.C]: ☐ \$2,500 per month ☐ Other \$ _____

12. **Additional Terms or Modifications to the Agreement.** The following terms, if any, supplement or amend the provisions of the Franchise Agreement Terms attached hereto and will control in the event of any conflicts:

[insert as applicable]

13. **Acknowledgement and Acceptance of Agreement.** By signing below, you represent and warrant to us that the information contained in this Data Sheet is true and correct and acceptable to you. The parties, intending to be legally bound, accept and agree that this Data Sheet and the accompanying Franchise Agreement Terms (together, the “**Agreement**”) describe their respective rights and obligations, and each agrees to be bound thereto and to perform as set forth therein.

IN WITNESS WHEREOF, the parties have executed and delivered this Data Sheet on the dates noted below.

NEXT HEALTH FRANCHISING LLC, a
Delaware limited liability company

FRANCHISEE:

[Name]

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

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



FRANCHISE AGREEMENT TERMS

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ATTACHMENT A	Guaranty and Assumption of Obligations
ATTACHMENT B	Representations and Acknowledgement Statement
ATTACHMENT C	Business Associate Agreement
ATTACHMENT D	Form Management Agreement



FRANCHISE AGREEMENT TERMS

The following Franchise Agreement Terms (these “**Terms**”) form an integral part of the Agreement between **Next Health Franchising LLC**, a Delaware limited liability company having its address at 955 Carrillo Dr. Suite 100 Los Angeles, California 90048 (“**us**”) and the party signing the attached Data Sheet as the “Franchisee” (“**you**”).

1. PREAMBLES.

A. BACKGROUND.

We grant franchises (each a “**Franchise**”) for developing, owning, and operating businesses (each a “**NextHealth Center**”) that provide certain nonmedical services and provide or facilitate the provision of health, wellness, medical, aesthetic and related services, products and treatments with the goal of promoting health optimization and longevity. NextHealth Centers are currently identified by the trademark “NextHealth®” (together, with such other trademarks, service marks, trade names, and commercial symbols we periodically designate, the “**Marks**”) and are developed and operated using certain specified business formats, methods, procedures, designs, layouts, standards, and specifications, each of which we may replace, further develop, or otherwise modify or discontinue from time to time (collectively, the “**System**”).

You have requested that we grant you a Franchise and, to support your request, you and, as applicable, your owners have provided us with certain information about your and their background, experience, skills, financial condition, and resources (collectively, the “**Application Materials**”). In reliance, in part, on the Application Materials, we are willing to grant you the Franchise on the terms and conditions contained in the Agreement. Your NextHealth Center is referred to as your “**Center**.”

B. BUSINESS ENTITY.

If you are not a natural person, you agree, represent and warrant to us that: (1) you were validly formed and are and will maintain, throughout the Term (defined below), your existence and good standing in all relevant jurisdictions; (2) the only business you will own or operate during the Term will be your Center and any other NextHealth Centers you operate pursuant to other franchise agreements with us; (3) at our request, you will furnish us with copies of all documents regarding your formation, existence, standing, and governance; and (4) each of your owners that has any direct or indirect ownership in you (each an “**Owner**”) and, if the Agreement is signed pursuant to an Area Development Agreement, the developer under that agreement will sign and deliver to us our then-standard form of Guaranty and Assumption of Obligations (the “**Guaranty**”), the current form of which is attached as Attachment A. The non-owner spouse of each guarantor must also sign the Guaranty in the capacity and for the purposes reflected in the Guaranty.

2. THE FRANCHISE.

A. GRANT.

We hereby grant you the right to develop, own, and operate a NextHealth Center. Your Center will operate solely at the “**Premises**” identified on the attached Data Sheet or that we subsequently approve as described in Section 3 below, for a term beginning on the Effective Date and, unless sooner terminated as provided herein, expiring at the close of regular business on the day preceding the 10th anniversary of the Effective Date (the

“Term”). Except as expressly provided in the Agreement, you agree that your Center will not offer its products or services at any location other than the Premises and to use the Premises only for your Center. You also agree that, once your Center opens for business, you will continuously operate it in accordance with these Terms throughout the entire duration of the Term.

B. EXCLUSIVITY; RESERVATION OF RIGHTS.

As long as you are in compliance with these Terms and the Management Agreement, we will not, during the Term, operate, or grant a license to a third-party to develop, own, or operate, a NextHealth Center located within the Designated Area identified on the attached Data Sheet. Notwithstanding the foregoing, we and our Affiliates have and retain all rights within and outside the Designated Area that are not expressly and exclusively granted to you under the Agreement and the right to do anything that we have not, in these Terms, expressly agreed not to do, including the right to do and to authorize others to do the following:

(1) develop, own, operate, and license others the right to develop, own, or operate, any business (including NextHealth Centers) using the System Standards and/or the Marks, at any location outside the Designated Area on such terms and conditions we deem appropriate;

(2) develop or become associated with other businesses, including other health and wellness concepts and systems, and/or award franchises under such other concepts for locations anywhere, including inside and outside of the Designated Area;

(3) acquire, be acquired by, merge or affiliate with, or engage in any transaction with other businesses (whether or not competitive) located anywhere and (i) convert the other businesses to NextHealth Centers or operate as part of the NextHealth Center System, or (ii) permit the other businesses to continue to operate under another name;

(4) market, offer and sell products and services similar to those offered by NextHealth Centers under a trademark or trademarks other than the Marks at any location, both within and outside the Designated Area;

(5) market and sell, and grant to others the right to market and sell, products and services that are authorized for sale at NextHealth Centers through alternative channels of distribution (like mail order, e-commerce and catalog sales, and product lines in other businesses) using the Marks or other trademarks and commercial symbols; and

(6) open and operate, or license third parties the right to open or operate Special Venue Locations located within and outside the Designated Area. “**Special Venue Locations**” are NextHealth Centers located in hotels, resorts, health clubs, sports arenas, entertainment facilities, military facilities, and any captive location or host facility whose retail operations are controlled by a third party or in our judgment should be operated by a third party.

3. DEVELOPMENT AND OPENING OF YOUR CENTER.

A. LOCATING AND SECURING POSSESSION OF THE PREMISES.

You are entirely responsible, at your expense, for doing everything necessary to develop and open your Center in accordance with these Terms, including, subject to our prior written acceptance, locating, selecting, and securing possession of the Premises from which your Center will operate. If the Premises are not identified in the attached Data Sheet when you sign the Agreement, you must, within 90 days after the Effective Date, locate and obtain our approval of the Premises, which must be located within the Search Area identified on the attached Data Sheet. You must provide any information we request to aid in our evaluation of your proposed Premises. We may evaluate the proposed Premises based on any criteria we believe are relevant. Criteria that may have been effective for some premises might not accurately reflect the potential for all premises, including yours. Demographic and other factors could change after we accept the Premises. Our approval of the Premises is entirely for our own

benefit and may not be relied upon as representations, warranties, or indications of any kind, including as to the suitability of the Premises or the likelihood of success of your Center at the Premises.

You must secure possession of the Premises within 90 days following our approval, by signing a lease, sublease or other agreement that allows you to develop and operate your Center at the Premises for the entire Term (the “**Lease**”). You may not, however, sign the Lease until you have received our written approval of its terms. As a condition to our acceptance of the Lease, we may require the Lease to include certain provisions that we periodically require to protect and maintain the NextHealth brand and the System. Our current Lease requirements are reflected in our form of lease addendum that is included as part of our Operations Manual. If the landlord of the Premises requires changes to our standard lease addendum, a copy of which is annexed to the Operations Manual, you must pay us a lease review fee of one thousand and five hundred dollars (\$1,500) to offset the expenses we incur to conduct the review. If we accept the Lease, we do so for our own purposes, and we make no representation or warranty as to the quality or suitability of the Lease or its terms for your purposes. We recommend you obtain the advice of your own professional advisors before signing it. You must provide us with the fully executed (by all parties) copy of the Lease (together with all exhibits) within ten (10) days after its execution.

B. DEVELOPMENT AND OPENING OF YOUR CENTER.

We will provide you our then-current prototypical plans showing the standard layout and placement specifications for all required equipment, supplies, the Computer System (defined below), furniture, fixtures and signs (all of the foregoing being referred to, collectively, as the “**Operating Assets**”). You must, by the earlier of (1) 300 days after you sign the Lease, or (2) 480 days after the Effective Date, do all things necessary to develop and open your Center in accordance with these Terms, the System Standards, the Medical Standards (as defined in Section 9.I), and applicable laws, including adapting the prototypical plans; acquiring and installing the Operating Assets; constructing your Center using approved vendors; retaining and paying all architects and contractors; securing all required operating permits, licenses, and insurance coverage to operate your Center; and retaining and training all necessary employees and contractors in compliance with applicable laws.

You may not open your Center for business until (i) your Medical Director confirms in writing that your Center is equipped and appropriately staffed to commence providing Medical Services in compliance with the Medical Standards, and (ii) we have confirmed in writing that you have paid all fees due us, you and your designated personnel have successfully completed all required training, and we have received all documents we require regarding the development and opening of your Center. Subject to your compliance with applicable laws, you must open your Center for regular business not later than five (5) days following our written confirmation of those items.

C. ARCHITECT AND GENERAL CONTRACTOR REVIEW.

We recommend that you engage our designated architect and general contractor to develop your Center; however, if you wish to engage any alternate architect or general contractor then we reserve the right to evaluate and approve your proposed architect or general contractor. If we exercise that right, you will pay us the Architect and General Contractor Review Fee identified on the attached Data Sheet to compensate us for the time we spend evaluating and training your preferred architect or general contractor.

D. USE OF OUR CONSTRUCTION MANAGEMENT SERVICES.

If you engage a general contractor other than our designated general contractor then, notwithstanding our approval of your proposed general contractor, you agree to pay us the Construction Management Services Fee identified on the attached Data Sheet.

E. **LIQUIDITY AND FINANCINGS.**

We have granted the Franchise to you based, in part, on your representations to us regarding, and our assessment of, your liquidity as of the Effective Date. You will ensure that, throughout the Term, you will maintain sufficient liquidity to meet your obligations under the Agreement. We reserve the right to establish and modify specific liquidity requirements from time to time, and you agree to comply with them. If at any time you or your Affiliates propose to obtain any financing in which the Premises, your Center or any aspects of its operation, or any Operating Assets are intended to be pledged as collateral to secure your performance in connection with such financing, the proposed loan and security agreements must be acceptable to us before you sign them. We do not allow the Franchise or this Agreement to be used as collateral for repayment of any such loans, and you agree not to grant a security interest in them.

4. **CERTAIN FEES.**

A. **INITIAL FRANCHISE FEE.**

You agree to pay us, on your execution of the Agreement, a nonrecurring and nonrefundable initial franchise fee in the amount shown on the attached Data Sheet.

B. **ROYALTY FEE.**

Throughout the Term, you agree to pay us a royalty fee (the “**Royalty**”) at the rate identified on the attached Data Sheet. The Royalty will be due and payable based on the Gross Sales (as defined below) for such periods and in such intervals that we require from time to time. Notwithstanding anything to the contrary, if any applicable law prohibits or restricts in any way your ability to pay, or our ability to collect, Royalty or other amounts based on Gross Sales derived from the operation of your Center, then we reserve the right to modify your payment obligations to us under the Agreement and revise the applicable provisions hereunder in order to provide the same basic economic effect to both us and you as currently provided in the Agreement. In such event, you agree to execute the appropriate document(s) in the form we prescribe to give effect to or take account of such revisions.

Since Royalty is calculated on the Center’s Gross Sales, you will, among other things, deprive us of our revenue stream if you temporarily close your Center without our consent. In that instance, if we do not exercise our right to terminate the Agreement, your Royalty for the period of temporary closure will be the greater of the average of the Royalty owed for the three (3) Royalty periods immediately preceding the temporary closure or \$2,000 for each week your Center is temporarily closed (prorated as appropriate). Payment of Royalty under this paragraph addresses only one element of damages caused by an unauthorized closure, so such payments will not act as a cure of the default caused by the unauthorized closure and will not impair any other rights we have under the Agreement or any other agreements between us and you or your Affiliates, all of which are reserved. You may not re-open your Center with our prior written consent.

C. **DEFINITION OF “GROSS SALES”.**

As used in the Agreement, “**Gross Sales**” means all revenue generated from the operation of your Center (whether or not in compliance with this Agreement), regardless of the manner in which the price was paid by the purchaser of such products or services (including payments by cash, check, credit or debit card, barter exchange, trade credit, or other credit transactions), but excluding (1) all federal, state, or municipal sales, use, or service taxes collected from clients and paid to the appropriate taxing authority, (2) the amount of any documented refunds and credits your Center in good faith gives to clients and your employees, and (3) the amount of any discounts from the advertised price that are given at the point of purchase and that are reasonable and, if applicable, are consistent with any discount policies that we may announce from time to time as part of the System Standards. Revenue from the purchase or redemption of gift certificates, gift cards, loyalty, or similar programs is calculated as part of Gross Sales in accordance with our then-current guidelines for such programs. Gross Sales also include all insurance proceeds you receive to replace revenue that you lose from the interruption of your Center due to a

casualty or other event covered by business interruption or similar insurance coverage. Where the laws of the state in which your Center is located restrict your ability to derive revenue from the provision of Medical Services (for example, where you are not a licensed medical provider or where the state prohibits the splitting of fees by licensed medical providers and unlicensed persons), Gross Sales will not include revenue generated from Medical Services provided at your Center or by or under the supervision of your Medical Director.

D. RELOCATION FEE.

You will not relocate your Center without our prior written consent. You must, concurrently with your request for relocation of your Center, pay us the Relocation Fee identified on the attached Data Sheet. If we approve your new proposed Premises, we may condition our consent to the relocation of your Center in any manner we deem appropriate.

E. OTHER FEES.

In addition to the fees provided in Sections 4.A, 4.B, and 4.D above, you agree to pay us the fees identified on the attached Data Sheet and elsewhere in these Terms.

F. SUPPLEMENTAL PRODUCTS & SERVICES.

You also acknowledge and agree that we might, from time to time, develop programs or provide services that might, in our discretion, be either optional or mandatory in connection with the operation of NextHealth Centers. In connection with such programs and services, we may charge an initial and/or continuing fees, which are subject to change from time to time in our sole discretion. You agree to pay the associated fees, in the manner and amounts we designate from time to time for your participation in the programs or services.

G. NON-COMPLIANCE CHARGE.

The Royalty we charge under the Agreement was determined based on the assumption that you will comply with your obligations hereunder. If you do not comply with your obligations, we will incur additional costs and expenses. Therefore, if we determine that you are not in compliance with your obligations under the Agreement, your Royalty rate will be increased by one (1) percentage point until we determine that you have cured all deficiencies and are compliant with all terms of the Agreement, at which time it will revert to the rate shown in Section 4.A above. Payment of the non-compliance charge is not a cure of the non-compliance that triggered its payment. The non-compliance fee is intended to compensate us for certain expenses or losses we will incur as a result of the non-compliance and is not a penalty or an expression of the total amount of such damages. Nothing in this Section limits any of our other rights and remedies available under the terms of these Terms.

H. LATE PAYMENTS AND REPORTING.

All amounts you owe us for any reason will bear interest after their due date at one and a half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We will charge a service fee of one hundred dollars (\$100) per occurrence for checks returned to us due to insufficient funds or in the event there are insufficient funds in the business account you designate to cover our withdrawals. We may debit your bank account automatically for the service charge and interest. You acknowledge that this Section 4.H 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, your Center.

If you fail to report the Gross Sales in the manner that we require from time-to-time, we may debit your account for 110% of the average of the last three (3) Royalty payments and Brand Fund contributions that we debited. If the amounts that we debit from your account under this paragraph are less than the amounts you actually owe us (once we have determined the true and correct Gross Sales), we will debit your account for the balance on the day we specify. If the amounts that we debit from your account are greater than the amounts you actually owe

us, we will credit the excess against the amounts we otherwise would debit from your account during the following week.

I. **APPLICATION OF PAYMENTS; SET-OFFS.**

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We and our Affiliates may set off any amounts you or your Affiliates owe to us or our Affiliates against any amounts we or our Affiliates owe you or your Affiliates. You may not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations under the Agreement or for any other reason, and you specifically waive any right you may have at law or in equity to offset any funds you may owe us or to fail or refuse to perform any of your obligations under the Agreement.

J. **METHOD OF PAYMENT.**

We may require you, and you agree, to pay any amounts you owe us or our Affiliates by any means we periodically specify whenever we deem appropriate. Currently, you authorize us to debit your designated bank account for all such amounts (the “**EFT Authorization**”). You agree to sign and deliver to us any documents we and your bank require for such EFT Authorization. Such EFT Authorization shall remain in full force and effect at all times the Agreement is in effect and for 30 days following its expiration or termination.

K. **NO REFERRAL FEE, GRATUITIES, OR GIFTS.**

Any payment made by you to us or our Affiliates pursuant to the Agreement or any other agreement will not amount to payment for the referral of customers to you, and you acknowledge and agree that the services we and our Affiliates offer do not include the referral of customers. Neither you nor your Owners will make or offer any gratuity, gift, personal service, favor, or other preferential treatment of any kind to us, our Affiliates, our or our Affiliates’ owners or employees, or family members of our or our Affiliates’ owners or employees. The foregoing does not include reasonable food and beverage or other customary courtesies.

5. **TRAINING AND ASSISTANCE.**

A. **INITIAL TRAINING.**

Pursuant to Section 9.A below, you are required to retain and have in place at all times certain required personnel including a General Manager, a Nurse Practitioner, and an Aesthetic RN (as defined in Section 9.A). You may not open your Center to the public until your Managing Owner, General Manager, Nurse Practitioner, and Aesthetic RN (collectively, the “**Required Trainees**”) complete our initial training programs to our satisfaction. We will determine the scheduling, location, content, length and format of our initial training program, and we reserve the right to require that all your trainees attend and participate at the same time. We do not charge any fee for providing initial training to your initial Managing Owner and your initial General Manager; however, you must pay us the Training Fee in the amount shown on the attached Data Sheet for providing initial training to your Nurse Practitioner and Aesthetic RN. Any replacement or substitute Required Trainee must complete initial training for their respective positions to our satisfaction prior to serving in such positions, and we reserve the right to charge a reasonable fee for any initial training provided to any replacement or successor Required Trainees. You will be responsible for all travel and living expenses, wages, and benefits owed to, and other costs of, persons attending the initial training program on your behalf or at your or our request.

B. **TRAINING OF EMPLOYEES.**

You must implement a training program that we approve for employees of your Center, and you will be responsible for the proper training of your employees; however, we do not require you to provide any medical training to licensed healthcare professionals. You must ensure that everyone you employ successfully completes the training program, is properly trained, and is qualified to perform his or her duties at your Center in accordance with the applicable laws and System Standards.

C. **OPENING ASSISTANCE.**

We may, at our discretion, provide on-site assistance with the initial opening of your Center. The timing, the identity of the person(s) providing, and the length of such assistance will be determined by us in our discretion. We will not charge a fee for providing opening assistance, but if we determine it to be necessary to increase or re-schedule our available resources to accommodate the timing of the opening of your Center or the kind or extent of assistance we determine to be necessary, we may require that you reimburse our expenses associated with doing so. Our personnel supporting your Center's opening will not be responsible for the operation of your Center or providing or supervising Medical Services at your Center.

D. **ADDITIONAL TRAINING.**

Your Required Trainees and/or such other persons as we may designate from time to time must attend such additional or remedial training programs and seminars as we may offer periodically. You must pay our then-current training fee for any additional training designated by us or requested by you. You will be responsible for all travel and living expenses, wages, and benefits owed to, and other costs of, persons attending the additional training programs on your behalf or at your request.

E. **MEETINGS AND CONFERENCES.**

We reserve the right to require each of your Required Attendees (as defined below) to attend, both in-person and virtually, meetings and conferences, including regional and national meetings and conferences of persons involved in the ownership or operation of NextHealth Centers and other industry related conferences (each a "**Conference**") that we designate from time to time. Each of your Owners, Required Trainees and such other persons as we may designate from time to time depending on the nature of the Conference ("**Required Attendees**") must attend each such Conference unless we provide prior written consent otherwise. You will be responsible for all travel and living expenses, wages, and benefits owed to, and other costs of, persons attending such Conferences on your behalf or at your request. We reserve the right to require you to pay us a registration fee for attendance at each Conference organized by us or our Affiliates, which fee will be due and payable regardless of whether any Required Attendee actually attends the particular Conference.

F. **OPERATIONS MANUAL.**

During the Term, we will provide you with access to our manual applicable to the development and operation of NextHealth Centers (the "**Operations Manual**"). We will determine the content of the Operations Manual, the frequency in which it may be updated, and the manner and format in which it is delivered or made available to you. The Operations Manual may contain mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for developing, managing, and operating NextHealth Centers ("**System Standards**"); however, our System Standards do not directly or indirectly govern or regulate the purchase, placement or use of Operating Assets used in provision of Medical Services or any other aspect of provision of Medical Services. You agree to comply with our System Standards. The Operations Manual may, from time to time, also contain other specifications, standards and policies that our Affiliates implement in their NextHealth Centers and that you may elect to implement at your discretion. Adoption of those items in the operation of your Center will be optional. We may periodically modify the Operations Manual, including in the form of memoranda and newsletters, to reflect changes in System Standards.

Our master copy of the Operations Manual is the controlling copy. The Operations Manual and any passwords and access credentials are part of our Confidential Information (defined below) and must be protected against improper use and disclosure. As such, you may use it only in the operation of your Center in accordance with these Terms and protect it from improper use and disclosure as described in Section 7 below. You are responsible for any loss, destruction, damage, or unauthorized access or use of your copy of the Operations Manual.

G. **ACKNOWLEDGEMENT REGARDING TRAINING, ASSISTANCE, & SYSTEM STANDARDS.**

NOTWITHSTANDING ANYTHING TO THE CONTRARY, YOU ACKNOWLEDGE AND AGREE THAT THE AGREEMENT, THE OPERATIONS MANUAL, SYSTEM STANDARDS, AND/OR ANY TRAINING OR ASSISTANCE PROVIDED TO YOU BY US OR ON OUR BEHALF (1) RELATE SOLELY TO THE PERFORMANCE OF ACTIVITIES THAT ARE NOT REGULATED BY LAWS GOVERNING PROVISION OF MEDICAL SERVICES, (2) DO NOT CONSTITUTE OR INTEND TO CONSTITUTE THE PRACTICE OF MEDICINE OR THE PERFORMANCE OF MEDICAL SERVICES IN A MANNER THAT IS NOT PERMISSIBLE UNDER THE APPLICABLE LAWS, (3) DO NOT AMOUNT TO US OR OUR AFFILIATES EXERTING CONTROL OVER THE DELIVERY OR SUPERVISION OF MEDICAL SERVICES, AND (4) DO NOT REQUIRE YOU TO PRACTICE MEDICINE, HIRE LICENSED HEALTH CARE PROFESSIONALS OR PROVIDE TRAINING TO THEM, PROVIDE MEDICAL SERVICES, OR EXERT CONTROL OVER THE DELIVERY OR SUPERVISION OF MEDICAL SERVICES. NOTWITHSTANDING ANYTHING TO THE CONTRARY, IN THE EVENT OF CONFLICT BETWEEN THE SYSTEM STANDARDS AND THE MEDICAL STANDARDS, THE MEDICAL STANDARDS WILL SUPERSEDE THE SYSTEM STANDARDS. TO THE EXTENT, THE DOCTRINE OF CORPORATE PRACTICE OF MEDICINE OR ANY APPLICABLE LAW PROHIBITS US FROM EXERCISING ANY OF OUR RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT, THOSE RIGHTS AND OBLIGATIONS WILL BE DEEMED MODIFIED TO COMPLY WITH THE DOCTRINE OF CORPORATE PRACTICE OF MEDICINE AND ANY APPLICABLE LAW.

6. **INTELLECTUAL PROPERTY.**

A. **OWNERSHIP AND GOODWILL.**

Your right to use the Marks and the System is derived solely from the Agreement and limited to your operating your Center at the Premises according to these Terms and all System Standards. Your unauthorized use of the Marks or the System is a breach of the Agreement and infringes our and our Affiliates' intellectual property rights. Your use of the Marks and the System and any goodwill created by that use are exclusively for our and our Affiliates' benefit, and the Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to use them strictly as described in these Terms). All provisions of the Agreement relating to the Marks, or the System apply to any additional proprietary, modified, or substitute trademarks and, service marks, operating procedures, or other components of the foregoing that we authorize for NextHealth Centers. You agree not to, at any time during or after the Term, contest or assist any other person in contesting the validity of our and our Affiliates' rights to the Marks or the System.

B. **LIMITATIONS ON YOUR USE OF MARKS.**

You agree to use the Marks we periodically designate to solely identify your Center and to identify yourself as the licensee of the Marks and the independent owner of your Center in the manner we prescribe. You may not use any Mark (i) as part of any business entity name, (ii) with any modifying words, terms, designs, or symbols (other than logos we have licensed to you), (iii) in selling any unauthorized services or products, (iv) as part of any website, domain name, email address, social media account, user name, other online presence or presence on any electronic medium of any kind ("**Online Presence**"), except as set forth in the Operations Manual or otherwise in writing from time to time, or (v) in any other manner that we have not expressly authorized in writing. You agree to give the notices of trademark and service mark ownership and registrations that we specify and to maintain, solely during the Term, any fictitious or assumed name registrations required under applicable laws. You may not use any Mark in advertising the transfer, sale, or other disposition of your Center, an ownership interest in you, or any Operating Assets, without our prior written consent.

C. **NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights to or in any Mark or any component of the System (each an "**Infringement Matter**"), and not to communicate with any person other than us or our Affiliates, our attorneys, and your attorneys, regarding any such Infringement Matter. We and our Affiliates may take the action we or they deem appropriate (including no action) and control exclusively any litigation, administrative actions, or other legal proceedings arising from any Infringement Matter, and you agree to sign any documents and take any other reasonable action that we believe to be necessary or advisable to protect and maintain our and our Affiliates' interests in any such proceeding or otherwise to protect and maintain our and their interests in the Marks and the System. We will reimburse you for your reasonable costs of taking any action that we or our Affiliates ask you to take in this regard. We also agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark and the System under the Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding.

D. **DISCONTINUANCE OR MODIFICATION.**

If it becomes advisable, in our opinion, to modify or discontinue using any Mark, use one or more additional or substitute trademarks or service marks, or modify any components of the System, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses of complying with our directions in that regard, for any loss of revenue due to any modified or discontinued Mark or component of the System, or for your expenses of promoting a modified or substitute trademark or service mark. We may exercise these rights at any time and for any reason, business or otherwise, that we think best, and you waive any claims, demands or damages arising therefrom.

E. **NON-DISPARAGEMENT.**

During and after the Term, you agree not to, and to cause your respective current and former immediate family members, owners, officers, directors, agents, employees, representatives, spouses, Affiliates, successors, and assigns not to: (i) disparage or otherwise speak or write negatively, directly or indirectly, of us, our Affiliates, any of our or our Affiliates' directors, officers, employees, or representatives, the "NextHealth" brand, any NextHealth Center, any business using the Marks, or any other brand concept operated or franchised by us or our Affiliates; (ii) take any other action which would, directly or indirectly, subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact or injure the goodwill of the System or the Marks; or (iii) take any other action which would constitute an act of moral turpitude and/or is or could reasonably become the subject of public scandal, disrepute, or infamy.

7. **CONFIDENTIAL INFORMATION.**

A. **TYPES OF CONFIDENTIAL INFORMATION.**

In connection with your Franchise under the Agreement, you, your Owners, and personnel may from time to time be provided and/or have access to non-public information about the Franchise System and the operation of NextHealth Centers (some of which constitutes our trade secrets under applicable law), regardless of whether such information is marked confidential (the "**Confidential Information**"), including:

- (1) site selection criteria;
- (2) training and operations materials, including Operations Manual;
- (3) the System Standards and other methods, formats, specifications, standards, systems, procedures, techniques, market research, client data, knowledge, and experience used in developing, promoting and operating NextHealth Centers and the products they offer and sell;

- (4) market research, promotional, marketing and advertising programs for NextHealth Centers;
- (5) knowledge of specifications for, and vendors of, Operating Assets and other products and supplies;
- (6) any software or other technology which is proprietary to us, our Affiliates, or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other materials generated by, the software or other technology;
- (7) knowledge of the operating results and financial performance of NextHealth Centers, including your Center;
- (8) Personal Information (as defined in Section 9.K) of your Center's customers; and
- (9) any other information designated as confidential or proprietary by us.

Confidential Information does not include any information, materials, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our Affiliates.

NOTWITHSTANDING ANYTHING TO THE CONTRARY, TO EXTENT ANY CONFIDENTIAL INFORMATION REGARDING YOUR CENTER OR YOUR CENTER'S CUSTOMERS CANNOT BE TRANSMITTED OR SHARED WITH US UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT ("HIPAA") OR OTHER APPLICABLE LAWS, THEN THE AGREEMENT SHALL BE INTERPRETED SO AS TO COMPLY WITH SUCH LIMITATIONS.

B. DISCLOSURE AND LIMITATIONS OF USE.

You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development, management, and operation of your Center in accordance with these Terms, and that the use, duplication or improper distribution or publication of the Confidential Information in any case would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary to us and our Affiliates, includes trade secrets belonging to us and our Affiliates, and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you will: (i) not use the Confidential Information in any other capacity; (ii) maintain the absolute confidentiality of the Confidential Information during and after the Term; (iii) not make unauthorized copies of, or improperly disclose or publish any portion of, the Confidential Information however and in whatever form or format disclosed to you; and (iv) adopt and implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of the Confidential Information, including, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information.

C. EXCEPTIONS TO LIMITATIONS.

The restrictions on your disclosure and use of the Confidential Information will not apply to the: (i) disclosure or use of information, processes, or techniques which are generally known and used in your Center industry (as long as the availability is not because of a disclosure by you), provided that you have first given us written notice of your intended disclosure and/or use; (ii) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially; and (iii) disclosure of your Center's operating results and financial performance to your existing and prospective lenders, and, provided they are bound by confidentiality obligations, to potential investors in you or purchasers of your Center.

D. **INNOVATIONS.**

You must promptly disclose to us all ideas, concepts, methods, techniques, and products conceived or developed by you, your Affiliates, and/or any of your or your Affiliates', owners, agents, representatives, contractors or employees during the Term relating to the development or operation of your Center or other NextHealth Centers ("Innovations"), whether or not protectable intellectual property and whether created by or for you or your Owners, General Manager, Nurse Practitioner, Aesthetic RN, or other employees. All Innovations are our sole and exclusive property and works made-for-hire for us and shall constitute our Confidential Information. To the extent any Innovation does not qualify as a work made-for-hire for us, by this Section you assign ownership of that Innovation, and all related rights to that Innovation, to us and agree to sign (and to cause your Owners, employees, and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our Affiliates have no obligation to make any payments to you or any other person with respect to any Innovations. You may not use any Innovation in operating your Center or otherwise without our prior approval.

8. **COMPETITION AND INTERFERENCE DURING TERM.**

A. **COVENANTS.**

We have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us and the agreement of certain of your related parties not to engage in activities that are competitive with us and NextHealth Centers. You therefore agree that, during the Term, neither you and your Owners nor any of your and your Owners' immediate family members will:

- (1) have any direct or indirect interest as an owner (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);
- (2) perform services for or provide benefits to, in any capacity, a Competitive Business, wherever located or operating;
- (3) divert or attempt to divert any actual or potential business or client of your Center to a Competitive Business;
- (4) interfere or attempt to interfere with our or our Affiliates' relationships with any vendors, franchisees, or consultants; or
- (5) directly or indirectly, appropriate, use or duplicate the System or System Standards, or any portion thereof, for use in any other business or endeavor.

Subject to the applicable laws, you agree to obtain similar covenants and the covenants described in Section 16.A(10) from your Owners, General Manager, Nurse Practitioner, Aesthetic RN, and other personnel we specify from time to time. 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.

B. **COMPETITIVE BUSINESS DEFINED.**

The term "**Competitive Business**" means any business other than a NextHealth Center which (1) generates or is expected to generate at least 20% of its revenue from performing cryotherapy, IV therapy, hormone replacement therapy, hyperbaric oxygen therapy, diagnostic testing and/or other services that are provided at

NextHealth Centers from time to time, or (2) franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses.

9. **BUSINESS OPERATIONS AND SYSTEM STANDARDS.**

A. **CERTAIN REQUIRED PERSONNEL.**

It is your responsibility to hire such number of personnel that are necessary to operate your Center in compliance with the System Standards, the Medical Standards, and applicable laws. You must ensure that all personnel who work at your Center are properly licensed, certified, registered with appropriate authorities, trained, educated and experienced to perform the tasks assigned to them or to which they are likely to engage in connection with their relationship with your Center. You must also ensure that if applicable law permits certain activities to be performed under the direct supervision and control of a lawfully licensed certified professional, such activities are so supervised and controlled.

You are solely responsible for all decisions relating to employees, agents, and independent contractors that you hire to assist with the operation of your Center. Any employee, agent or independent contractor that you hire will not be our or our Affiliates' employee, agent or independent contractor. You are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Center in compliance with federal, state, and local employment laws.

At a minimum, you must, at all times, satisfy the following requirements:

(1) **Managing Owner.** If you are not a natural person then you must designate, subject to our approval, one of your Owners who is a natural person to be your “**Managing Owner.**” You agree that your Managing Owner will be authorized, on your behalf, to deal with us in all matters that arise in respect of the Agreement. We will be entitled to rely on the decision of the Managing Owner without being obligated to seek approvals of your other Owners.

(2) **Medical Director.** You are required, at all times and subject to our approval, to be or have a relationship with a licensed healthcare professional (the “**Medical Director**”) engaged by the Medical Director who is licensed to practice medicine in the jurisdiction in which your Center is located and can, using their independent medical judgement, perform or, where permitted, supervise the performance of certain Medical Services (defined in Section 9.D) that are required under applicable law to be performed or supervised by a licensed healthcare professional. Before you commence the operation of your Center, you must (i) enter into our then-current form of management agreement (the “**Management Agreement**”), the current form of which is attached to this Agreement as Attachment D, with one of our Affiliates that will serve as the Medical Service manager of your Center (the “**Medical Service Manager**”), and (ii) designate one of your Medical Service Manager's licensed healthcare professionals as your Medical Director. Under the Management Agreement, you will provide non-clinical management and administrative support services to your Medical Director and collect fees from your Medical Service Manager for providing such services to your Medical Director. We make no representation or warranty that our standard form of Management Agreement complies with applicable laws, including those governing corporate practice of medicine. You are responsible for independently engaging your own legal counsel to review, negotiate, and advise you of the merits and risks of your Management Agreement. The final version of the Management Agreement you intend to sign and any subsequent modifications to the agreement are subject, in all cases, to our prior written approval. You must provide us with an executed version of your Management Agreement for our records.

Notwithstanding the foregoing, if you determine that applicable laws permit you to own and operate your Center, offer and provide Medical Services at your Center, hire licensed healthcare professionals to provide Medical Services at your Center, and pay royalty and other amounts to us based on the revenue derived from Medical Services, then upon your request, you and we may enter into an written amendment to waive the requirement to enter into a Management Agreement with our Affiliate and amend other related provisions under the Agreement.

(3) **Nurse Practitioner.** You must, at all times, retain and designate, subject to our approval, a licensed and registered nurse practitioner (“**Nurse Practitioner**”) to administer and supervise the administration of certain Medical Services that a nurse practitioner is permitted under applicable law to administer and supervise.

(4) **Aesthetic Registered Nurse.** You must, at all times, retain and designate, subject to our approval, a licensed and registered nurse (“**Aesthetic RN**”) to administer and supervise the administration of certain Medical Services that a registered nurse is permitted under applicable law to administer and supervise.

(5) **General Manager.** You must, at all times, retain and designate, subject to our approval, a natural person who is not one of your Owners to manage and oversee the day-to-day non-clinical operations of your Center (the “**General Manager**”).

You agree not to change or replace your Managing Owner, Medical Service Manager, Medical Director, Nurse Practitioner, Aesthetic RN, or General Manager without our prior written consent and must promptly notify us in writing if any of them cannot continue or no longer qualify to serve as such and must take corrective action within 30 days thereafter. During that period, you must provide for interim management of your Center in accordance with these Terms and our System Standards. If your General Manager, Nurse Practitioner, or Aesthetic RN have not signed a Guaranty, they must sign our then-current form of confidentiality and non-competition agreement; however, you are responsible for ensuring that our form of confidentiality and non-competition agreement complies with all applicable laws.

B. CONDITION AND APPEARANCE OF YOUR CENTER.

You agree to place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we periodically approve. You further agree to maintain the condition and appearance of your Center, its non-clinical Operating Assets, and the Premises in accordance with the System Standards and, consistent with the image of NextHealth Centers, as an efficiently operated business offering high quality products and services and observing the highest cleanliness and efficient, courteous service. You agree to store, display, and maintain all medical equipment and supplies and other goods and services used in connection with providing Medical Services in accordance with the Medical Standards. You agree, without limitation and at your expense, to: (i) clean, repaint, redecorate, repair, and maintain the interior and exterior of the Premises at intervals that we prescribe; (ii) maintain, repair or, at our discretion, replace damaged, worn-out, or obsolete non-clinical Operating Assets at intervals that we may prescribe (or, if we do not prescribe an interval for replacing any non-clinical Operating Asset, as that Operating Asset needs to be repaired or replaced); (iii) maintain, repair or, at your Medical Director’s discretion, replace damaged, worn-out, or obsolete clinical Operating Assets at intervals that your Medical Director may prescribe (or, if your Medical Director does not prescribe an interval for replacing any non-clinical Operating Asset, as that Operating Asset needs to be repaired or replaced) and (iv) renovate, refurbish, remodel, or replace the real and personal property and equipment used at your Center when reasonably required by us and your Medical Director to comply with the System Standards and the Medical Standards, as applicable.

C. **USE OF DESIGNATED COMPUTER SYSTEM.**

In connection with the management of your Center, you agree to obtain and use only that integrated computer hardware and software that we periodically specify from time to time in the Operations Manual and that complies with applicable laws in respect of any Personal Information, including HIPAA, (the “**Computer System**”). You also agree to maintain a functioning e-mail address and all specified points of high-speed internet connection. We may modify specifications for, and components of, the Computer System, which might require you to acquire new or modified computer hardware or software and obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over the Agreement’s remaining Term, you agree to incur the costs of complying with our requirements for the Computer System. We have no obligation to reimburse you for any Computer System costs. You must at all times during the Term ensure that your Computer System, as modified, meets our System Standards and functions properly. Subject to compliance with HIPAA and other applicable laws, we will, at all times, have access to your Computer System and that we will have the right to collect and retain from the Computer System any and all data concerning your Center.

You may be required to license, and sign a software license agreement regarding, certain proprietary software as part of our requirements for the Computer System. We and our Affiliates may charge you an initial or recurring fee for any software or technology that we or our Affiliates license to you and for other maintenance, support, and technology development services that we or our Affiliates provide. The fee in effect on the Effective Date, which is subject to change based on the technology services we provide, is identified as the “**Technology Fee**” on the attached Data Sheet. We may also require that you pay us for software and other technology that you receive from our designated third-party providers. You will have sole and complete responsibility for the manner in which your Computer System interfaces at our specified levels of connection speed with our and any third party’s computer system and any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

D. **PRODUCTS AND SERVICES YOUR CENTER OFFERS.**

Certain services that are offered at NextHealth Centers may amount to practice of medicine that require licensure, certification, registration, or training under applicable laws (“**Medical Services**”). All Medical Services will be offered, provided, and/or supervised by your Medical Director in accordance with its independent medical judgement, and your Medical Director will make all determination in respect thereof. You agree to comply with Medical Standards as they may apply to the non-clinical management and administrative support services you provide to your Medical Director.

Some of the Medical Services such as stem cell therapies, ozone therapies, treatments, exosome therapies, and peptide therapies may be considered “speculative medical treatments” as that term may, from time to time, be defined by various governments or advertising outlets or as they may be commonly known (“**Speculative Medical Services**”). We and our Affiliates do not make any determination as to which services amount to Medical Services or Speculative Medical Services, and it is solely your responsibility to make such determination. We will not require that Speculative Medical Services be provided at your Center. If you, at your discretion, choose to require your Medical Director to offer Speculative Medical Services at your Center, then (i) you will be responsible for investigating applicable laws, rules, and regulations in your jurisdiction and your ability to advertise those services in the manner you and we believe to be appropriate; (ii) we may introduce you to vendors to provide goods or services related to one or more Speculative Medical Services in connection with your Center (each of whom you may elect to use in your discretion); and (iii) all advertising for Speculative Medical Services will be subject to the provisions of the Agreement, applicable laws, rules, and regulations, and policies of the advertising medium or host, and will avoid making representations regarding the results that will be achieved from any such services.

If we permit your Medical Director to offer and provide off-site nursing care services within the Nursing Care Area described in the attached Data Sheet, then you will provide such non-clinical management and

administrative service to your Medical Director as may be required by your Medical Director to provide such care. We may at any time, and without compensation to you, revoke our authorization to provide off-site nursing care services or modify or reduce the Nursing Care Area.

You agree that: (i) you will offer and sell from your Center all non-medical products and services in the manner that we periodically specify; (ii) you will not offer or sell at or from your Center, the Premises or any other location any products or services we have not authorized, including any Medical Services; (iii) your Medical Director will offer, provide, and supervise all Medical Services at your Center and make all determinations in respect thereof in accordance with its independent medical judgment; (iv) all services offered and provided by your Nurse Practitioner and Aesthetic RN will, all times, be provided under the supervision of your Medical Director; (v) you will not either directly or indirectly supervise, control, or interfere with the provision of Medical Services; and (vi) you will discontinue selling and offering for sale any products or services that we at any time disapprove. You must immediately bring your Center into compliance with (i) the Medical Standards as they relate to provision of Medical Services at your Center, and (ii) our System Standards as they relate to operation of your Center and the non-clinical products and services sold at your Center.

E. **APPROVED VENDORS.**

Subject to applicable laws, you agree to use the manufacturers, vendors, distributors, suppliers, and producers (collectively referred to herein as “**vendors**”) that we specify or approve for all aspects of development and operation of your Center for which such vendors provide goods or services, which may include or be limited to us or our Affiliates.

We also reserve the right to periodically approve or designate the terms and distribution methods for any goods or services. We may, at our option, arrange with designated vendors to collect or have our Affiliates collect fees and expenses associated with products and services they provide to you and, in turn, pay the vendor on your behalf for such products or services. If we elect to do so, you agree that we or our Affiliates may auto-debit your bank account for such amounts in the same manner and using the same authorization that you grant us with respect to payment of Royalty and other fees. We or any of our Affiliates may be a vendor, or otherwise party to these transactions, and may derive revenue or profit from such transactions. We and any of our Affiliates may use such revenue or profit without restriction.

If you would like us to consider approving a vendor that is not then approved by us, you must submit a written request before purchasing any items or services from that vendor. We are not required to respond to your request for approving alternate vendors; however, we will endeavor to respond to your requests within ninety (90) our receipt of all information and materials required by us in connection with your request. Any actions we take in response to your request will be at our sole and unfettered discretion, and we may require you to reimburse the cost incurred by us in evaluating your proposed Vendor or product. We may, with or without cause, revoke our approval of any vendor at any time.

Notwithstanding anything to the contrary and to the extent required by applicable laws, your purchase of goods and services related to provision of Medical Services will be subject to your compliance with the Medical Standards and your Medical Director’s approval.

F. **COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.**

You must secure and maintain in force throughout the Term all required licenses, permits and certificates relating to the business you operate under the Agreement and the operation of your Center. You must ensure that the business you operate under the Agreement and your Center operates in full compliance with all applicable laws, ordinances, and regulations, including the HIPAA, and PCI compliance standards. You agree to comply with, and assist us and our Affiliates in our and our Affiliates’ compliance efforts with, any and all laws, regulations, executive orders (whether at the federal, state or local level), including those related to HIPAA, anti-

terrorist activities, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury or other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Center as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 17.C pertain to your obligations hereunder.

We do not make, and have not made, any representations of any kind whatsoever regarding whether the Agreement complies with any laws governing Medical Services, or the various legal doctrines commonly referred to as the “*corporate practice of medicine*”; any federal or state law, rule or regulation governing Medicare or Medicaid, including state and federal laws regulating the relationships between providers and suppliers of health care products and services on one hand and physicians and other providers and suppliers of health care products and services on the other hand; the Fraud and Abuse provisions of the Medicare and Medicaid Statutes; state and federal laws governing self-referral by physicians; fee splitting, patient brokerage prohibitions; anti-kickback prohibitions; or any other law, rule or regulation related to the field of medicine or public health. You must review and remain in compliance with the various state and federal laws and regulations governing Medical Services and the structure of entities involved with those fields. You further acknowledge that you may be prohibited by applicable law from billing or accepting any form of insurance, including Medicare, Medicaid or private insurance, for any or all of the services you provide to your clients. You understand and agree that this limitation may restrict the clients to whom you are able to market or provide services. Accordingly, you understand and agree that it is solely your responsibility to identify and consult with competent healthcare counsel for the state(s) in which you plan to open your Center. By executing this Agreement, you represent that you have either (i) consulted with such counsel, or (ii) declined the opportunity to do so.

You agree to comply with our website privacy policy, as it may be amended periodically, pertaining to any Online Presence or use or access to any System Website (as defined in Section 10.E below); you further agree to comply with any requests to return or delete consumer personal information, whether requested by us or directly by the consumer, as required by applicable data sharing and privacy laws.

You and your Center must in all dealings with its clients, vendors, us and the public adhere to the highest honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice that might injure our business, any NextHealth Center, or the goodwill associated with the Marks. You must notify us in writing within three (3) business days of: (i) the commencement of any action, suit or proceeding relating to your Center; (ii) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality relating to your Center; (iii) any notice of violation of any law, ordinance or regulation relating to your Center; (iv) receipt of any notice of complaint from the Better Business Bureau, any local, state or federal consumer affairs department or division, or any other government or independent third party involving a complaint from a client or potential client relating to your Center; (v) written complaints from any client or potential client, and (vi) any and all other notices you receive claiming that you (or your Affiliates or representatives) have violated or breached any intellectual property rights, or the terms and conditions of any agreements related to the operation of your Center. You must immediately provide to us copies of any documentation you receive of any of the foregoing events and resolve the matter in a prompt and reasonable manner in accordance with good business practices.

G. INSURANCE.

During the Term you must, at your expense, maintain in force comprehensive business owners coverage (including contents insurance, loss of business income, employee dishonesty, money coverage, and comprehensive general liability) hired/non owned auto liability, umbrella coverage, building coverage, auto liability coverage, malpractice coverage, and errors and omission coverage, all containing the minimum liability

coverage we prescribe from time to time. You also must maintain workers' compensation insurance for your employees in accordance with laws applicable in the state in which your Center is operated. We may periodically change the amounts of coverage required under these insurance policies 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 liability, higher damage awards or other relevant changes in circumstances. All insurance policies for liability coverage must name us and any Affiliates we designate as additional named insureds, using a form of endorsement that we have approved, 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 a Certificate 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 such insurance for you and your 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. Your obligation to maintain insurance coverage will not be limited in any respect by reason of insurance maintained by us or any other party. Additionally, no insurance coverage that you or any other party maintains will be deemed a substitute for your indemnification obligations to us or Affiliates under Section 17.C or otherwise.

Our insurance requirements represent only the minimum coverage that we deem acceptable to protect our interests and are not representations or warranties of any kind that such coverage is sufficient to protect your or your Center's interests. It is your sole responsibility to make that determination and to acquire any additional coverages you believe are necessary to protect your and your Center's interests, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances.

H. **PRICING.**

Unless prohibited by applicable laws, we may periodically set a maximum or minimum price that you may charge for non-medical products and services offered by your Center. If we impose such a maximum or minimum price, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

I. **CONTACT INFORMATION AND LISTINGS.**

You agree that each telephone or facsimile number, directory listing, and any other type of contact information used by or that identifies or is associated with your Center (any "**Contact Identifiers**") will be used solely to identify your Center in accordance with these Terms. You acknowledge and agree that, as between us and you, we have the sole rights to, and interest in, all Contact Identifiers and also all Online Presences. You hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet service provider and all listing agencies to transfer such Contact Identifiers to us.

J. **COMPLIANCE WITH SYSTEM STANDARDS AND MEDICAL STANDARDS.**

You agree that at all times your Center will operate and be maintained by you in compliance with each and every System Standard, as we periodically modify and supplement them. Though we retain the right to establish and periodically modify System Standards, you retain the right and sole responsibility for the day-to-day management and the implementation and maintenance of System Standards at your Center. Our System Standards do not, and will not be deemed to, constitute practice of medicine or us exerting control over delivery or supervision of Medical Services; however, they may regulate all non-clinical aspects of the operation of your Center, including any one or more of the following:

- (1) staffing levels for your Center as it relates to provision of non-medical goods and services at your Center, non-medical training, dress, and appearance (although employee selection and promotion, hours worked, rates of pay and other benefits, work assigned and working conditions are your sole responsibility);
- (2) use and display of the Marks;
- (3) the point-of-sale system used at your Centers and methods of payment that your Center may accept from customers for services other than Medical Services;
- (4) participation in market research and product and service testing programs;
- (5) participation in gift card, loyalty, and similar programs;
- (6) non-clinical products and services offered at the NextHealth Centers;
- (7) bookkeeping, accounting, non-clinical data processing, and record keeping systems and forms (including the requirement to use our standard chart accounts and accounting periods); formats, content and frequency of reports to us of sales, revenue, and financial performance and condition;
- (8) sales, marketing, advertising and promotional programs and materials and media used in connection with your Center;
- (9) participation in quality assurance and client satisfaction programs;
- (10) types, amounts, terms and conditions of insurance coverage required for your Center, including criteria for your insurance carriers; and
- (11) any other non-clinical aspects of maintaining your Center that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and NextHealth Centers.

Our modification of System Standards, which may accommodate regional or local variations, may obligate you to invest additional capital in your Center and incur higher operating costs. We will give reasonable notice to you if we modify the System Standards. Subject to applicable laws and at our discretion, we may require certain modifications to the System Standards on a regional or local basis. These modifications do not need to be implemented throughout the System, and in certain situations, could only affect your Center, and could include requiring temporary closure. We will determine the scope and duration of such modifications.

Your Medical Director will periodically issue certain standards and specifications regarding the offer, provision, and supervision of Medical Services at your Center, including those governing purchase, storage, placement, and use of Operating Assets that will be used in providing Medical Services; marketing of Medical Services; and other aspects relating to offer, provision, and supervision of Medical Services at your Center that your Medical Director's deems appropriate in the independent exercise of its medical judgement (collectively, the "**Medical Standards**"). You must also comply with the Medical Standards as they may apply to the non-clinical management and administrative support services to provide to your Medical Director. Your Medical Director may periodically, upon notice to you, modify the Medical Standards in accordance with its independent

medical judgement. Your Medical Director's modification of the Medical Standards may obligate you to invest additional capital in your Center and incur higher operating costs.

K. **INFORMATION SECURITY.**

You must implement, entirely at your responsibility, all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information ("**Personal Information**") in accordance with all applicable laws and industry best practices, including related to the collection, access use, storage, disposal and disclosure of Personal Information. Through your Medical Director, you may have access to certain health information of customers of the Center that may be protected under HIPAA or other applicable laws. You agree to not use, process, copy, display, publish, store, or transfer the Personal Information of any customer without its prior written consent in compliance with the applicable laws. If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately of the breach or unauthorized access and specify the extent to which Personal Information was compromised or disclosed, and your plans to correct and prevent any further breach or unauthorized access. You will allow us, in our discretion, to participate in any response or corrective action.

10. **MARKETING.**

A. **GRAND OPENING ADVERTISING.**

You must, at your expense and on the dates we designate before and after your Center opens, conduct presale marketing and grand opening marketing for your Center (collectively, "**Grand Opening**") that complies with the requirements set forth in the Operations Manual and the applicable laws. The amount you will be required to spend on your Grand Opening will depend on various factors, but we will not require you to spend more than fifty thousand dollars (\$50,000). The amount you spend on Grand Opening will not count towards your other required marketing expenditures under this Article 10 or the Marketing Expenditure Cap (defined below).

B. **BRAND PROMOTION FUND.**

You agree to contribute to a fund we establish to promote the awareness of the NextHealth brand and NextHealth Centers generally (the "**Brand Fund**"). Your contribution will be in amounts we periodically specify and will be payable in the same manner as the Royalty. Currently, the required Brand Fund contribution is the amount shown on the attached Data Sheet; however, we have the right, at any time and on notice to you, to change the amount you must contribute to the Brand Fund subject to the Marketing Expenditure Cap defined in Section 9.C below.

We and our Affiliates will have exclusive control over all programs and services administered by the Brand Fund, with sole discretion over the creative concepts, materials, and campaigns and their geographic market, media placement and allocation. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any Online Presences or other software or applications; administering advertising and marketing campaigns; administering regional and multi-regional marketing and advertising programs; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, NextHealth brand, and/or NextHealth Centers. We may also use the Brand Fund to pay for the Brand Fund's other administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, and any other expenses that we or our Affiliates incur that are related to administering or directing the Brand Fund and its programs. We may also elect to use (but will not have the obligation to use) the Brand Fund to pay for or reimburse franchisees for so costs

they may incur for promoting their NextHealth Centers and/or complying with updated branding guidelines. We may modify Brand Fund programs, services, or expenditures at any time in our sole discretion.

We will account for the Brand Fund separately from our other funds. However, neither we nor any of our Affiliates has any fiduciary obligation to you or any other person for administering the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will prepare an annual, unaudited statement of Brand Fund collections and expenses and give you the statement upon written request. We may have the Brand Fund audited annually, at the Brand Fund's expense, by an independent certified public accountant. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all the rights and duties specified in this Section.

We intend for the Brand Fund to promote the applicable Marks, the NextHealth franchise system, NextHealth Centers, and the NextHealth® brand generally. As such, you acknowledge and agree that there is no guarantee that you or your Center will benefit from Brand Fund expenditures directly or in proportion to your Brand Fund contribution. You further acknowledge and agree that the results of any marketing and promotional programs are by their nature uncertain, and that neither we nor any of our Affiliates or representatives has guaranteed the results of any Brand Fund programs, services, or expenditures in any manner.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund contributions at the Brand Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We may upon notice to you suspend the Brand Fund's operations or terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will, at our option, either spend all unspent monies in accordance with this Section until such amounts are exhausted, or distribute the funds in the Brand Fund to NextHealth franchisees owners on a pro rata basis. We may elect to maintain multiple Brand Funds or the administration thereof, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Brand Funds or the administration thereof, in each case provided that each such Brand Fund will otherwise remain subject to this Section.

C. **LOCAL MARKETING EXPENDITURES.**

In addition to your obligations under Section 10.A above and beginning after you complete your Grand Opening advertising pursuant to Section 10.A, each month you must spend the amount we specify from time to time on local advertising and related activities in connection with the promotion and marketing of your Center (the "**Local Marketing Expenditure**"). The current Local Marketing Expenditure is specified on the attached Data Sheet. We have the right, at any time and on notice to you, to change the amount of your Local Marketing Expenditure; provided, however, we agree that we cannot require that your Brand Fund Contribution and Local Marketing Expenditure, in the aggregate, exceed five percent (5%) of your Center's Gross Sales (the "**Marketing Expenditure Cap**"). You must list and advertise your Center with the online directories we periodically prescribe and establish any other Online Presence we require or authorize, each in accordance with our System Standards. Within 30 days after the end of each calendar quarter, you agree to send us, in the manner we prescribe, an accounting of your expenditures required under this Section during the preceding calendar quarter.

You must obtain (i) our written approval of all advertising and marketing materials that you intend to use in connection with your Center, and (ii) your Medical Director's written approval of all information regarding Medical Services that is included in the advertising and marketing materials of your Center. All such materials must be completely clear, factual, ethical, not misleading, and must conform to our marketing and advertising

policies that we periodically prescribe and applicable laws. All advertising and marketing materials that you intend to use in connection with your Center must clearly state that all Medical Services are provided and/or supervised, as required under applicable laws, by licensed healthcare professionals. You must submit to us, for our approval, samples of marketing materials you intend to use at least ten (10) days prior to your proposed use. If you do not receive our written approval of the materials within ten (10) days of your submission, they are deemed to be disapproved. We may, in our discretion, withdraw our approval if a regulatory or other issue arises that, in our opinion, makes such withdrawal in our or the System's best interests. Our approval of any advertising and marketing material is entirely for our own benefit and may not be relied upon as representations, warranties, or indications of any kind, including compliance of such materials with applicable laws.

We reserve the right, at any time, to issue you a notice that the amounts required to be spent by you under this Section 10.C shall, instead, be paid to us or our designee. If we exercise this option, we will then spend such amounts, in accordance with local marketing guidelines and programs that we periodically develop, to advertise and promote your Center on your behalf. We may instead, in our discretion, contribute any such amounts to the Brand Fund. We may also elect, on one or more occasions and without prejudice to our rights to issue further notices, to temporarily or permanently cease conducting such marketing activities on your behalf and, instead, to require you to conduct such marketing activities yourself in accordance with this Section 10.C.

D. SYSTEM WEBSITES & ONLINE PRESENCES.

We may establish, develop and update Online Presences to advertise, market, and promote NextHealth Centers, the products and services that they offer and sell, or the NextHealth Center franchise opportunity (each a "System Website"). We may, but are not obligated to, provide you with a webpage or other Online Presence that references your Center on any System Website, upon which, you must: (i) provide us the information and materials we request to develop, update, and modify the information about your Center; (ii) notify us whenever any information about your Center is not accurate; and (iii) pay our then current initial fee and monthly maintenance fee for the Online Presences that are dedicated to your Center. You acknowledge that we have final approval rights over all information on any System Website.

If you default under the Agreement, we may, in addition to our other remedies, temporarily remove references to your Center from any System Website until you fully cure the default. All advertising, marketing, and promotional materials that you develop for your Center must contain notices of the System Website's domain name in the manner we designate.

You may not, without our prior written consent, develop, maintain or authorize any Online Presence that mentions your Center, links to any System Website, or displays any of the Marks. You may not, directly or indirectly, through any Online Presence, promote, advertise or sell any products or services without our prior written approval. If we approve the use of any such Online Presence in your Center's operations, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites. Unless we specify otherwise, we will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence. If we allow you to maintain an Online Presence for your Center, you must prepare and link a privacy policy to such Online Presence, which must comply with all applicable laws, the System Standards, and other terms and conditions that we may prescribe in writing.

TO THE MAXIMUM EXTENT PERMITTED BY LAW, WE HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES (WHETHER EXPRESS, IMPLIED OR STATUTORY) RELATED TO THE AVAILABILITY AND PERFORMANCE OF A SYSTEM WEBSITE AND YOUR CENTER'S PAGE, INCLUDING ANY IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, WE SHALL NOT BE

LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES (INCLUDING ANY CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES OR DAMAGES FOR LOST PROFITS OR LOSS OF BUSINESS) RELATED TO THE USE, OPERATION, AVAILABILITY OR FAILURE OF THE SYSTEM WEBSITE OR YOUR CENTER'S PAGE.

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

You must establish and maintain, at your own expense, a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we periodically prescribe, including using our standard chart of accounts. Subject to applicable laws, you must provide us with such reports and information we request from time to time regarding the performance of your Center. These requests may include, among other things, operational data, financial statements showing your net worth and operating results, copies of your income and sales tax returns, information on the status of any loans for which your Center is used as collateral, and current financial information for your Owners and guarantors sufficient to demonstrate their ability to satisfy their obligations under their individual Guarantees. You agree to provide this information in the frequency, manner and format we periodically prescribe. Subject to applicable law, we may disclose data derived from these reports, and we may, as often as we deem appropriate (including on a daily basis), access the Computer System and retrieve all information relating to the operation of your Center. You agree to preserve and maintain all records in a secure location at your Center for at least three (3) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, client lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

12. **INSPECTIONS AND AUDITS.**

A. **OUR RIGHT TO INSPECT YOUR CENTER.**

To determine whether you are complying with the Agreement and you are complying with all System Standards, we (or our designee) may subject to applicable laws and without prior notice to you: (i) inspect and photograph, capture moving images, and observe your Center and its operations for consecutive or intermittent periods we deem necessary (except as prohibited by law); (ii) remove samples of any products and supplies; (iii) interview your personnel and clients (except as prohibited by law); (iv) inspect your Computer System and its components (except as prohibited by law); and (v) inspect and copy any books, records, and documents relating to the operation of your Center. You agree to fully cooperate with us. If we exercise any of these rights, we will not interfere unreasonably with the operation of your Center. You agree to present to your clients the evaluation forms that we may prescribe and to participate in and request your clients to participate in any surveys performed by or for us. We may also engage third parties to conduct mystery shopper, customer survey or other market research testing, and quality assurance inspections at your Center. You agree to reimburse us for the cost of any mystery shoppers that we engage to inspect your Center from time to time.

B. **OUR RIGHT TO AUDIT.**

We and our designated agents or representatives may at any time during your business hours, and without prior notice to you, examine the bookkeeping and accounting records for your Center, the sales and income tax records and returns, and such other records we deem necessary to determine your compliance with the Agreement. You agree to cooperate fully with us and our representatives and independent accountants in any examination, and you hereby appoint us as your attorney-in-fact to receive and inspect your confidential sales and other tax records and hereby authorize all tax authorities to provide such information to us for all tax periods during the Term. If any examination discloses an understatement of the Gross Sales, you agree to pay us, within 15 days after receiving the examination report, the Royalty and Brand Fund Contributions 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 timely furnish reports, supporting records, or other information as required, or if our examination reveals a Royalty or Brand Fund Contribution understatement exceeding two percent (2%) of the amount that you actually reported to us for the period examined, 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. These remedies are in addition to our other remedies and rights under the Agreement and applicable law.

13. **TRANSFER.**

A. **BY US.**

We have the right to delegate the performance of any portion or all of our rights and obligations under the Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. We maintain a staff to manage and operate the System and that staff members can change as employees come and go. You represent that you have not signed the Agreement in reliance on any particular manager, owner, director, officer, or employee remaining with us in any capacity. We may change our ownership or form or assign the Agreement and any other agreement to a third party without restriction.

B. **BY YOU OR YOUR OWNERS.**

Your rights and duties under the Agreement are personal to you (or your Owners if you are not a natural person), and we have granted you the Franchise in reliance upon our perceptions of your (or your Owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither you nor any of your Owners, nor any of your or their permitted successors or assigns, shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise dispose of or encumber any direct or indirect interest in the Agreement (including, without limitation, any or all of your rights or obligations under it), your Center or its assets (other than in the ordinary course of business), your right to possession of the Premises, or any direct or indirect ownership interest in you (regardless of its size) (each, a "**Transfer**"), without our prior written consent. Any Transfer without our prior written approval is a material breach of the Agreement and has no effect.

If you intend to list your Center for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement and any advertising materials. You may not use any Mark in advertising the sale of your Center or of any ownership in you without our prior written consent.

C. **CONDITIONS FOR APPROVAL OF TRANSFER.**

We may reject or condition our approval of a proposed Transfer in our reasonable discretion. You agree that the following is a non-exclusive list of reasonable factors and conditions that we may and are likely to consider:

- (1) whether the Center has opened for business;
- (2) whether you (and your Owners) are in compliance with these Terms;
- (3) whether the proposed transferee and its owners (if the transferee is not a natural person) are qualified to own and operate your Center;
- (4) whether you have provided us with all information and documents we request regarding the Transfer and the proposed transferee and its owners or Affiliates;
- (5) whether the structure of the Transfer, including any associated debt, places the Center at undue financial or operational risk;
- (6) whether, if you or your Owners offer the transferee financing for any part of the purchase price, you and your Owners are willing to agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Center will be subordinate to the transferee's

obligation to pay amounts it owes to us, our Affiliates, and third party vendors and otherwise to comply with the Agreement (or any applicable franchise agreement replacing the Agreement);

(7) whether the transferee is willing to upgrade, remodel and/or refurbish your Center in accordance with our then-current System Standards;

(8) your (and your Owners') and, if the transferee or its owners are franchisees of other NextHealth Centers, their willingness to sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees and agents;

(9) your (and your transferring Owners' and your or their immediate family members) willingness to agree, commencing on the effective date of the Transfer, to comply with the post-termination obligations under these Terms regarding confidentiality and noncompetition;

(10) whether all persons required to complete training under the transferee's franchise agreement has satisfactorily completed our training program, and transferee has paid all costs and expenses we incur to provide the training program to such persons;

(11) whether all notices or approvals relating to the proposed Transfer (including any landlord notices or consents) have been given or obtained, as required, with copies provided to us;

(12) whether, at our request, the transferee signs our then-current form of franchise agreement and related documents for the balance of the Term, any and all of the provisions of which may differ materially from any and all of those contained in these Terms;

(13) your payment to us of a Transfer fee in the amount of 50% of our then-current initial franchise fee; and

(14) our receipt of fully executed copies of all agreements by which the Transfer takes place along with evidence we reasonably request to show that appropriate measures have been taken to effect the Transfer as it relates to your Center's operations, including, by transferring all necessary and appropriate business licenses, insurance policies, and material agreements, or obtaining new business licenses, insurance policies and material agreements.

We may review all information regarding your 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 your Center.

D. DEATH OR DISABILITY.

Transfers by inheritance are Transfers under Section 13.B above. On your or your Owner's death or disability (as applicable), we may require you or your Owner's executor, administrator, conservator, guardian or other personal representative to Transfer your interest in the Agreement (or your Owner's interest in you) to a third party we approve. Such disposition must be completed within six (6) months from the date of death or disability and will be subject to all of the terms and conditions applicable to Transfers contained in Sections 13.B and 13.C above. Failure to Transfer your interest in the Agreement or the ownership interest in you within this period of time constitutes a breach of the Agreement. For purposes of this Section, "**disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an Owner from operating your Center in accordance with these Terms.

If any of the foregoing in this Section 13.D occurs, and your Center is not being managed by a trained Managing Owner, the executor, administrator or other personal representative must, within a reasonable period of time, not to exceed 15 days from the date of death or disability, appoint a qualified manager to operate your Center. If it has not already done so, such Managing Owner will be required to complete our initial training program at your expense. Pending the appointment of a new Managing Owner as provided herein, or if, in our judgment, your Center

is not being managed properly any time after your death or disability, we have the right, but not the obligation, to appoint an interim manager for your Center. All funds from the operation of your Center during the management by our appointed manager will be kept in a separate account, and all expenses of your Center, including compensation, other costs and travel and living expenses of our manager, will be charged to this account. We also have the right to charge a reasonable management fee (in addition to amounts payable under the Agreement) during the period that our appointed manager manages your Center. Operation of your Center during any such period will be on your behalf, provided that we only have a duty to utilize our best efforts and will not be liable to you or your Owners for any debts, losses or obligations incurred by your Center or to any of your creditors for any products, materials, supplies or services your Center purchases during any period it is managed by our appointed manager.

E. EFFECT OF CONSENT TO TRANSFER.

Our consent to a Transfer is not a representation of the fairness of the terms of any contract between you or your Owners and the transferee, a guarantee of your 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 full compliance by you and the transferee with the Agreement.

F. PUBLIC OR PRIVATE OFFERING.

Written information used to raise or secure funds can reflect upon us and the System. You agree to submit any written information intended to be used for that purpose to us before inclusion in any registration statement, prospectus or similar offering memorandum. Should we object to any reference to us or our Affiliates or any of our business in the offering literature or prospectus, the literature or prospectus shall not be used until our objections are withdrawn. You may not engage in a public offering of securities without our prior written consent.

G. OUR RIGHT OF FIRST REFUSAL.

If you (or any of your Owners) desire to engage in a Transfer, 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, executed written offer (which may include a letter of intent) relating solely to an interest in you or in the Agreement and 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. To be a valid, bona fide offer, the entire proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering 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.

Within 30 days after we receive an exact copy of the bona fide offer and all relevant information we request, we may, by written notice to you, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer. We may substitute for cash any non-cash form of payment proposed in the offer. If we exercise our right of first refusal, we will have 30 days from the date we notified you of our intended purchase to complete the purchase. You and your Owners must 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, and you and your selling owner(s) (and your and their immediate family members) must comply with the obligations regarding Competitive Businesses, as described in Section 16.D below, as though the Agreement had expired on the date of the purchase. We have the unrestricted right to assign this right of first refusal, and the assignee will have the rights described in this Section 13.G.

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 13.B and 13.C above. If you do not complete the sale to the proposed buyer within 60 days after either we notify you that we do not intend to exercise our right of first refusal or the time our exercise expires, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the

30-day period following either the expiration of the 60-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.

14. **EXPIRATION OF THE AGREEMENT.**

A. **YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.**

Subject to this Article 14, you may acquire one (1) consecutive successor Franchise of ten (10) years (or, if shorter, until the expiration or termination of your right to possess the Premises). If you desire to acquire a successor Franchise, then each of the following conditions must be met before and/or at the time of acquisition (as appropriate):

(1) you must have given us written notice of your election to acquire a successor Franchise not less than 180 days nor more than 365 days before the end of the Term;

(2) you must have taken, at your expense, all steps identified by us to bring your Center into full compliance with the then-current System Standards;

(3) you must be, and must have been throughout the Term in compliance with your obligations under these Terms, and during that same period, you and your Affiliates must have been in compliance with your or their obligations under any other agreements with us;

(4) you must present satisfactory evidence that you have the right to remain in possession of the Premises for the operation of your Center for the duration of the successor term;

(5) you must present satisfactory evidence that you have renewed your Management Agreement with our Affiliate to act as your Medical Service Manager for the duration of the successor term on such terms that are acceptable to us;

(6) you and you owners must execute our then-current form of franchise agreement, which will supersede the Agreement in all respects, and the terms of which may differ from the terms of the Agreement, including a higher royalty fee and Brand Fund Contribution or expenditure requirement (you will not, however, be required to pay to us an initial franchise fee, but you or it must pay a successor franchise fee of 50% of our then-current or last initial franchise fee for new single unit franchises);

(7) you and your Owners must have executed and delivered to us a general release (in a form prescribed by us) of all claims against us and our Affiliates, and each of our respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, including claims arising under the Agreement or under federal, state or local laws, rules, regulations or orders; and

(8) we are then granting Franchises for NextHealth Centers in the state in which your Center is located.

B. **GRANT OF A SUCCESSOR FRANCHISE.**

We will respond, in writing, within 90 days after we receive your notice under Section 14.A(1) with our decision to grant you a successor franchise and listing any deficiencies that must be corrected or to not grant a successor franchise with reasons for our decision. If our decision is to grant you a successor franchise, our willingness to do so will also be subject to your continued compliance with all of the terms and conditions of the these Terms through the date of expiration of the Agreement. Failure to sign such agreements and releases necessary for the successor franchise and to deliver them to us, along with payment of the applicable fee, for acceptance and signature within the earlier of 60 days after their delivery to you or the expiration of the Term will be deemed an election not to acquire a successor franchise.

15. **TERMINATION OF AGREEMENT.**

A. **BY YOU.**

If you and your Owners are fully complying with the Agreement and we materially fail to comply with the Agreement and do not correct the failure within 30 days after you deliver written notice of the material failure to us or if we cannot correct the failure within 30 days and we fail to give you within 30 days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate the Agreement effective an additional 30 days after you deliver to us written notice of termination. Your termination of the Agreement other than according to this Section 15.A. will be deemed a termination without cause and a breach of the Agreement.

B. **BY US.**

(1) **Without Opportunity to Cure.** We may terminate the Agreement, effective on delivery of written notice to you, if:

(a) you (or any of your Owners) have made any material misrepresentations or omissions in the Application Materials or other information provided to us in acquiring the Franchise or operating your Center;

(b) you do not sign a Lease for an acceptable site for the Premises or open your Center within the time periods specified under Article 3;

(c) you (i) close your Center for business or inform us of your intention to cease operation of your Center, (ii) fail to actively operate your Center for three (3) or more consecutive days, or (iii) otherwise abandon or appear to have abandoned your rights under the Agreement;

(d) you (or any of your Owners) are or have been convicted by a trial court of, or plead or have pleaded no contest or guilty to, a felony;

(e) you (or any of your Owners) engage in any conduct which, in our reasonable opinion, adversely affects or is likely to have an adverse effect on the reputation of your Center, other NextHealth Centers, the System, or the goodwill associated with the Marks;

(f) you (or any of your Owners) make or attempt to make a Transfer without complying with the requirements of Article 13;

(g) you lose the right to occupy the Premises;

(h) you (or any of your Owners) make any unauthorized use or disclosure of any Confidential Information;

(i) you fail to pay when due any federal or state taxes due on or in connection with the operation of your Center, unless you are in good faith contesting your liability for those taxes;

(j) you understate the Gross Sales three (3) times or more during the Term;

(k) you (or any of your Owners) (a) fail on three (3) or more separate occasions within any 12 consecutive month period to comply with any provision of these Terms or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under these Terms, in either case, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(l) you (or any of your Owners) file a petition in bankruptcy or a petition in bankruptcy is filed against you; you make an assignment for the benefit of creditors or admit in writing to insolvency or inability to pay debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your Center is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of you or your Center is not vacated within 30 days following the order's entry;

(m) you (or any of your Owners) fail to comply with anti-terrorism laws, ordinances, regulations and Executive Orders;

(n) you create or allow to exist any condition in connection with your operation of your Center, at any location, which we reasonably determine to present a health or safety concern for the NextHealth's clients or employees;

(o) if at any time after your Center commences operations, you don't have a valid Management Agreement in place with our Affiliate;

(p) you fail to comply with any provision of the Management Agreement or Medical Standards and do not correct the failure within the applicable cure period (if any);

(q) if at any time after your Center commences operations, you fail to designate one of your Medical Service Manager's licensed health care professionals as your Medical Director; or

(r) you or your Affiliate fails to comply with any other agreement with us or our Affiliate and does not correct such failure within the applicable cure period, if any.

(2) **Following an Opportunity to Cure.** We may terminate the Agreement, effective on delivery of written notice to you, if:

(a) we determine any Required Trainees are not capable or qualified to satisfactorily complete the Initial Training Program, and you do not replace them with persons who are able to, and do, successfully complete the Initial Training Program within 21 days following our written notice to you;

(b) you 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 72 hours after you receive notice from us or any other party;

(c) you fail to pay us or our Affiliates any amounts due and do not correct the failure within five (5) days after written notice of that failure has been delivered or fail to pay any third party obligations owed in connection with your ownership or operation of your Center and do not correct such failure within any cure periods permitted by the person or entity to whom such obligations are owed;

(d) your Center fails to pass a quality assurance audit, and do not cure such failure within 15 days after we deliver written notice of the failure to you; or

(e) you (or any of your Owners) fail to comply with any other provision of these Terms or any System Standard, and do not correct the failure within 30 days after we deliver written notice of the failure to you.

C. ASSUMPTION OF MANAGEMENT.

Subject to applicable laws, we (or a third part(ies) we designate) may assume the management of your Center under the following circumstances: (1) if you abandon or fail to actively operate your Center; (2) if we are entitled to terminate the Agreement under Section 15.B above; or (3) if the Agreement expires or is terminated and we are deciding whether to exercise our option to purchase your Center under Section 16.B. below. If we exercise our rights under clauses (1) or (2) above, that will not affect our right to terminate the Agreement under Section 15.B. above, and you agree to pay us (in addition to the Royalty, Brand Fund Contributions, and other amounts due under the Agreement) an amount equal to 10% of Gross Sales, plus the direct out-of-pocket costs and expenses incurred in the operation of your Center, for any period we deem appropriate. If we or a third party we designate assumes the management of your Center, you acknowledge that we or such third party will have a duty to utilize only reasonable efforts and will not be liable to you or your Owners for any debts, losses, or obligations your Center incurs, or to any of your creditors for any supplies, products, or other assets or services your Center purchases, while we or such third party manages your Center.

16. RIGHTS AND OBLIGATIONS ON TERMINATION OR EXPIRATION.

A. YOUR OBLIGATIONS.

On expiration or termination of the Agreement, you and, as applicable, your Owners, and all such other persons or entities who are bound under the terms of the Agreement must immediately do the following:

- (1) pay us and our Affiliates all amounts which are then owed and unpaid;
- (2) unless permitted under other franchise agreements with us, cease:
 - a. operating your Center or selling any products and services previously offered by your Center unless we direct you otherwise in connection with our exercise of our option to purchase pursuant to Section 16.B below;
 - b. using, for any purpose, any Confidential Information or Marks or any colorable imitation of a Mark;
 - c. identifying yourself or your business as having or having had any relationship with us or NextHealth Centers,
 - d. using any Contact Identifiers or Online Presence, and, at our direction, either disable such Contact Identifiers or Online Presence or transfer exclusive control and access of such Contact Identifiers or Online Presence to us or our designee;
 - e. interfering or attempting to interfere with our or our Affiliates' relationships with any vendors, franchisees or consultants or engaging in any other activity which might injure the goodwill of the Marks or the System;
- (3) take all action necessary to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark;
- (4) return to us or, at our direction, destroy all items, forms and materials containing any Confidential Information or Mark;
- (5) if we do not exercise our option to purchase your Center under Section 16.B below, make the alterations we specify to distinguish the Premises clearly from its former appearance and from other NextHealth Centers, including by removing all materials bearing the Marks and removing from both the interior and exterior of the Premises all materials and components of our trade dress as we determine to be necessary in order to prevent public confusion and in order to comply with the non-competition provisions set forth in paragraph (7) below;

(6) comply with all other System Standards and applicable laws in connection with the closure and de-identification of your Center, including as it relates to disposing of Personal Information, in any form, in your possession or the possession of any of your employees; and

(7) subject to the applicable laws, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this paragraph (7) begin to comply with their obligations hereunder, whichever is later, neither you nor any of your Owners, General Manager, and your and their immediate family members will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, lessor, representative, or agent in any Competitive Business located or operating (i) at the Premises, (ii) within a ten (10) mile radius of the Premises; or (iii) within a ten (10) mile radius of any other NextHealth Center in operation or under construction on the later of the effective date of the termination or expiration of the Agreement or the date on which all persons restricted by this paragraph (7) begin to comply with such obligations.

Within 10 days after the expiration or termination of the Agreement, you must give us evidence satisfactory to us of your compliance with these obligations. If you fail to take any of the actions or refrain from taking any of the actions described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Center. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies. If any person restricted by Section 16.A(7) above refuses voluntarily to comply with those obligations, the two-year period for that person will commence with the entry of a court order enforcing that provision. You and your Owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 16.A(7) will not deprive you of your personal goodwill or ability to earn a living.

B. OUR RIGHT TO PURCHASE YOUR CENTER.

In addition to any other rights to purchase we have under these Terms, we have the right to purchase your Center (the “**Purchase Option**”) on the expiration or termination of the Agreement. We will have 30 days after expiration or termination to exercise the Purchase Option by written notice to you. We have the unrestricted right to assign the Purchase Option in our discretion. The purchase price for your Center will be the net realizable value of the tangible assets in accordance with the liquidation basis of accounting (not the value of your Center as a going concern) (“**Liquidation Value**”). If you dispute our calculation of the Liquidation Value, we will appoint one independent accredited appraiser, within 15 days after we receive all relevant financial and other information necessary to calculate the Liquidation Value, who will calculate the Liquidation Value based on the criteria above. You and we will share equally the appraiser’s fees and expenses. The appraiser must complete its calculation within 30 days after its appointment. The appraiser’s calculation of the Liquidation Value will be the purchase price. Closing of the purchase will take place, as described below, on a date we select which is within 90 days after determination of the Liquidation Value.

You agree that, if we require that you continue to operate your Center while we consider exercising our Purchase Option or close on the purchase, you will do so in accordance with these Terms up to the closing or until we direct that you cease doing so. You agree to cooperate with us in conducting due diligence, including providing us with access to your business and financial records, contracts and all other information relevant to your Center. At the closing, we (or our assignee) will pay the purchase price in cash. You agree to execute and deliver to us (or our assignee):

(1) all customary agreements, in form and substance acceptable to us and in which you (i) provide all customary warranties and representations, including, without limitation, as to ownership and condition of and title to assets, no liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise; (ii) transfer good and merchantable title to the

assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you; (iii) and assign the Lease and all of the licenses and permits for your Center which are permitted to be assigned or transferred; and

(2) an agreement, in form and substance satisfactory to us, voluntarily terminating the Agreement under which you and your Owners release, in form and substance satisfactory to us, any and all claims you and your Owners have against us and our shareholders, officers, directors, employees, agents, successors, and assigns and agree to comply with all post-term obligations set forth in Sections 16.A above and with all other obligations which, either expressly or by their nature, are intended to survive termination or expiration of the Agreement.

C. LOST REVENUE DAMAGES.

If we terminate the Agreement because of your breach or if you terminate the Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties through the remainder of the Term. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the “**Lost Revenue Damages**”), is an amount equal to the net present value of the Royalties that would have become due had the Agreement not been terminated, from the date of termination to the earlier of: (1) 36 months following the date of termination, or (2) the originally scheduled expiration of the Term (the “**Measurement Period**”). For the purposes of this Section, Lost Revenue Damages shall be calculated as follows: (1) the number of calendar months in the Measurement Period, multiplied by (2) the Royalty fee percentage, multiplied by (3) the highest monthly Gross Sales of your Center during the 36 full calendar months immediately preceding the termination date (or, if the termination is based on your unapproved closure of your Center, the 36 full calendar months immediately preceding the closure date); provided, that if as of the termination date (or the closure date in light of the foregoing), your Center has not been operating for at least 36 months, the highest average monthly Gross Sales of all NextHealth Centers operating under the Marks during the 36 months immediately preceding the termination date.

You agree to pay us Lost Revenue Damages, as calculated in accordance with this Section, within 15 days after the Agreement is terminated, or on any later date that we determine. You and we agree that the calculation described in this Section is a calculation only of the Lost Revenue Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of the Agreement.

D. CONTINUING OBLIGATIONS.

All provisions of these Terms that expressly or by their nature survive the Agreement’s expiration or termination (including all obligations relating to non-disparagement, non-competition, non-interference, confidentiality, and indemnification) will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until all obligations are satisfied in full or by their nature expire.

17. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

A. INDEPENDENT CONTRACTORS.

The Agreement does not create a fiduciary relationship between you and us. You and we are and will be independent contractors, and nothing in the 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 clients, vendors, public officials, your personnel, and others as the owner of your Center under a franchise we have granted and to place notices of independent ownership on the business cards, advertising, and other materials we periodically require.

You will have a contractual relationship only with us and will look only to us to perform under the Agreement. None of our Affiliates is a party to the Agreement and has no obligations under it. However, you

and we agree that our Affiliate who is the owner of the Marks is a third-party beneficiary of those provisions in these Terms relating to use of the Marks, with the independent right to enforce such provisions against you and to seek damages from you for your failure to comply with those provisions.

B. NO LIABILITY TO OR 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 operation of your Center or the business you conduct under the Agreement. We will have no liability for your obligations to pay any third parties, including any product vendors. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your 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 such taxes that we must pay to any state taxing authority on account of your operation or payments that you make to us.

C. INDEMNIFICATION.

You agree to indemnify, defend, and hold us, our Affiliates, and our and their respective owners, directors, managers, officers, employees, agents, successors, and assignees (the “**Indemnified Parties**”) harmless 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 development, management, or operation of your Center, the business you conduct under the Agreement, or your breach of the Agreement or Management Agreement, including, without limitation, those alleged to be caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party’s intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. 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’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense (including choosing and retaining its own legal counsel) and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding the Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subparagraph.

18. ENFORCEMENT.

A. ARBITRATION.

All controversies, disputes, or claims between us or any of our Affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your Owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to: (1) the Agreement or any other agreement between you (or any of your Owners) and us (or any of our Affiliates); (2) our relationship with you; (3) the scope or validity of the Agreement or any other agreement between you (or any of your Owners) and us (or any of our Affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “**AAA**”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then current Commercial Arbitration Rules. All

proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our (or our successor's or assign's, as applicable) then-current principal place of business (currently, Los Angeles, California). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys' fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our Affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys' fees and costs.

In any arbitration proceeding, each party will be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. Each party 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. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by any party.

If any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of the Agreement.

In any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." No interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

The provisions of this Section are intended to benefit and bind certain third-party non-signatories. The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Agreement. Any provisions of the Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

B. CONSENT TO JURISDICTION.

Subject to Section 18.A above and the provisions below, we and you agree that all controversies, disputes, or claims between us or any of our Affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to the Agreement or any other agreement between you (or any of your owners) and us (or any of our Affiliates) or our relationship with you must be commenced exclusively in state or federal court closest to our (or our successor's or assign's, as applicable) then-current principal place of business (currently, Los Angeles, California), and the parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, the parties agree that any of us may

enforce any arbitration orders and awards in the courts of the state or states in which you are or your Center is located.

C. **GOVERNING LAW.**

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, the agreement (or any other agreement between us (or our Affiliates) and you (or your Affiliates)), the Franchise, the Management Agreement, and all claims arising from the relationship between us (or your Affiliates) and you (or your Affiliates) will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules, except that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section.

D. **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR, AND JURY TRIAL.**

Except for your obligation to indemnify us under Section 17.C, we and you (and your Owners) waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other 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 agree that all proceedings, whether submitted to arbitration under Section 18.A above or submitted to a court, will be conducted on an individual basis and that no proceeding between us and any of our Affiliates, or our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (or your owners, guarantors, Affiliates, and employees), on the other hand, may be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other proceeding, (iii) joined with any claim of an unaffiliated third-party, or (iv) brought on your behalf by any association or agent.

We and you irrevocably waive trial by jury in any action or proceeding brought by either of us.

E. **INJUNCTIVE RELIEF.**

Nothing in the Agreement, including the provisions of Section 18.A, bars our right to obtain specific performance of the provisions of the Agreement and injunctive or other equitable 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 injunctions. 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).

F. **COSTS AND ATTORNEYS' FEES.**

The prevailing party in any judicial or arbitration proceeding shall be entitled to recover from the other party all damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such proceeding.

G. **LIMITATIONS OF CLAIMS.**

Except for claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to the Agreement (or any other agreement between us and our Affiliates, and you and your Affiliates), the Franchise, and all claims arising from the relationship between us and you will be barred

unless a judicial or arbitration proceeding is commenced in accordance with these Terms within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

No previous course of dealing shall be admissible to explain, modify, or contradict the terms of the Agreement. No implied covenant of good faith and fair dealing shall be used to alter the expressed terms of the Agreement.

19. **MISCELLANEOUS.**

A. **SECURITY INTEREST.**

You hereby collaterally assign to us the Lease and grant us a security interest in all of the Operating Assets and all other assets of your Center, including but not limited to inventory, accounts, supplies, contracts, cash derived from the operation of your Center and sale of other assets, and proceeds and products of all those assets. You agree to execute such other documents as we may reasonably request in order to further document, perfect and record our security interest. If you default in any of your obligations under the Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under the Agreement and at law. If an approved third-party lender requires that we subordinate our security interest in the assets of your Center as a condition to lending you working capital for the construction or operation of your Center, we will agree to subordinate pursuant to terms and conditions determined by us. The Agreement shall be deemed to be a security agreement and financing statement and may be filed for record as such in the records of any county and state that we deem appropriate to protect our interests.

B. **BINDING EFFECT.**

The Agreement is binding on each of us and our respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, the Agreement may only be modified by a written agreement signed by each of us.

C. **RIGHTS OF PARTIES ARE CUMULATIVE.**

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

D. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in the Agreement, each section, paragraph, term, and provision of the 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 the Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, 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.

If any applicable and binding law or rule of any jurisdiction requires more notice than the Agreement requires of the Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that the Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of the Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of the 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 the Agreement, as though it were separately articulated in and made a part of the Agreement.

E. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under the 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 10 days' prior written notice.

We and you will not be deemed to have waived or impaired any right, power, or option the 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 the Agreement before its term expires) because of any custom or practice at variance with the Agreement's terms; our or your failure, refusal, or neglect to exercise any right under the Agreement or to insist upon the other's compliance with the 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 NextHealth Centers; the existence of franchise agreements for other NextHealth Centers which contain provisions different from those contained in the Agreement; or our acceptance of any payments due from you after any breach of the 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.

F. THE EXERCISE OF OUR JUDGMENT.

We have the right to operate, develop, and change the System in any manner that is not specifically prohibited by the Agreement. Whenever we have reserved in the Agreement a right to take or to withhold an action, to grant or decline to grant you a right to take or withhold an action, or to provide or withhold approval or consent, we may, except as otherwise specifically provided in the Agreement, make our decision or exercise our rights in our sole and unfettered discretion.

G. CONSTRUCTION.

The preambles and exhibits are a part of these Terms, which together with the attached Data Sheet, constitute our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of the Agreement, the franchise relationship, or your Center (any understandings or agreements reached, or any representations made, before the Agreement are superseded by the Agreement). Any policies that we periodically adopt and implement to guide us in our decision-making are subject to change, are not a part of the Agreement, and are not binding on us. Except as provided in Section 17.A, nothing in the Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to the Agreement. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

Except where the 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 construe the contents of these sections or paragraphs.

References in these Terms to the "Agreement" mean these Terms and the attached Data Sheet, together. 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. “Including” means “including, without limitation.”

If two or more persons are at any time the owners of the Franchise and your 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 the Agreement and your Center or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), the Agreement, the Franchise, or your 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. References to a “controlling interest” means the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. “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. The term “Center” includes all of the assets of the NextHealth Center you operate under the Agreement, including its revenue and the Lease.

The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

H. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by the Agreement or the Operations Manual will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand, (ii) at the time delivered via computer transmission and, in the case of the Royalty, Brand Fund Contributions, and other amounts due, at the time we actually receive electronic payment, or (iii) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery. Any notice must be sent to you at the mailing address or email address shown on the attached Data Sheet and to us at the address shown in the opening paragraph of these Terms, attention: President, or to the most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of the Premises.

I. COUNTERPARTS; COPIES.

The Agreement may be executed in multiple counterparts which, taken together, shall constitute a single instrument. Faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

J. SAFETY.

We will not be required to send any of our representatives to your Center to provide any assistance or services if, in our sole determination, it is unsafe to do so. Such determination by us will not relieve you from your obligations under the Agreement (including, without limitation, to pay monies owed) and will not serve as a basis for your termination of the Agreement.

K. **PROHIBITED PARTIES.**

You hereby represent and warrant to us, as an express consideration for the Franchise granted hereby, that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been:

(1) Listed on: (a) the U.S. Treasury Department's List of Specially Designated Nationals, (b) the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders, (c) the U.S. State Department's Debarred List or Nonproliferation Sanctions, or (d) the Annex to U.S. Executive Order 13224; or

(2) A person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism.

You further represent and warrant to us that you are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you to us or our Affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all employees, agents, representatives, and any other person or entity associated with you not to, during the Term, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

You further covenant that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, will, during the Term of the Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[Signature page follows]

[Signature page to Franchise Agreement Terms]

IN WITNESS WHEREOF, the parties have executed and delivered the Agreement on the dates noted below, to be effective as of the Effective Date.

**NEXT HEALTH FRANCHISING LLC, a
Delaware limited liability company**

FRANCHISEE:

[Name]

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

ATTACHMENT A
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given by each of the undersigned persons indicated below who have executed this Guaranty (each a “**Guarantor**”) to be effective as of the Effective Date of the Agreement (defined below).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (as amended, modified, restated or supplemented from time to time, the “**Agreement**”) on this date by **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company (“**us**”) each Guarantor personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that _____ (“**Franchisee**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in 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, confidentiality, and transfer requirements.

Each Guarantor consents and agrees that: (1) Guarantor’s direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) Guarantor 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, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) at our request, each Guarantor shall present updated financial information to us as reasonably necessary to demonstrate such Guarantor’s ability to satisfy the financial obligations of Franchisee under the Agreement.

Each Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Franchisee arising as a result of the Guarantor’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of Guarantor’s 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.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

The provisions contained in Section 18 (Enforcement) of the Agreement, including Section 18.A (Arbitration), Section 18.B (Consent to Jurisdiction) and Section 18.F (Costs and Attorneys’ Fees) of the Agreement are incorporated into this Guaranty by reference and shall govern this Guaranty and any disputes between the Guarantors and us. The Guarantors shall reimburse us for all costs and expenses we incur in connection with enforcing the terms of this Guaranty.

By signing below, the undersigned non-owner spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor’s performance of this Guaranty. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to

the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, without limitation, to bind the spouse’s own separate property).

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Franchisee (or any of its Affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor’s account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

This Guaranty is binding upon each Guarantor and its respective executors, administrators, heirs, beneficiaries, and successors in interest.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as this Guaranty and Assumption of Obligations was executed.

DEVELOPER (IF DIFFERENT THAN FRANCHISEE)
Name: _____
By: _____
Title: _____

GUARANTOR(S)	SPOUSE(S)
Name: _____	Name: _____
Sign: _____	Sign: _____
Address: _____	Address: _____
_____	_____
_____	_____
Name: _____	Name: _____
Sign: _____	Sign: _____
Address: _____	Address: _____
_____	_____
_____	_____

ATTACHMENT B
TO FRANCHISE AGREEMENT

REPRESENTATIONS AND ACKNOWLEDGEMENT STATEMENT

DO NOT SIGN THIS STATEMENT IF YOU OR THE FRANCHISE GRANTED HEREBY ARE SUBJECT TO THE FRANCHISE REGISTRATION OR DISCLOSURE LAWS IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

The purpose of this Statement is to demonstrate to **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company (“Franchisor”) that the person(s) signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the development and/or franchise rights (“Franchisee”), (a) fully understands that the purchase of a NextHealth Center franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) with which you were provided prior to signing the Agreement in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.	INITIAL:
I acknowledge that I have had the opportunity to personally and carefully review the FDD and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.	INITIAL:
Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.	INITIAL:
My decision to purchase the Franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.	INITIAL:
I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.	INITIAL:

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.

INITIAL:

Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of success) other than information contained in the FDD?

☐ Yes ☐ No (Initial Here: ____)

If you selected “Yes,” please describe the information you received on the lines below:

_____.

Sign: _____

Name: _____

Capacity: Individually, and for and on behalf of
[Franchisee Name]

Sign: _____

Name: _____

Capacity: Individually, and for and on behalf of
[Franchisee Name]

Sign: _____

Name: _____

Capacity: Individually, and for and on behalf of
[Franchisee Name]

ATTACHMENT C
TO FRANCHISE AGREEMENT

BUSINESS ASSOCIATE AGREEMENT

_____, as a Covered Entity (“CE”) under the Privacy Rule, wishes to disclose certain information to _____ in its role as a Business Associate (“BA”), some of which may constitute Protected Health Information (“PHI”). The purpose of this Agreement is to satisfy certain standards and requirements of the HIPAA Rules, including, but not limited to, Title 45, Section 164.504(e) of the Code of Federal Regulations (“CFR”) and Title 45 CFR Sections 164.308(b) and 164.314(a), as the same may be amended from time to time.

I. DEFINITIONS

Terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in the HIPAA Rules. In the event of a conflict between the definitions in this Agreement and the definitions in the HIPAA Rules, the definitions in the HIPAA Rules shall be applied.

Covered Entity shall generally have the same meaning as the term “covered entity” at 45 C.F.R. §160.103.

Business Associate shall generally have the same meaning as the term “business associate” at 45 C.F.R. §160.103.

Protected Health Information (“PHI”) includes electronic Protected Health Information and means any information, whether oral or recorded in any form or medium that:

- a. Relates to the past, present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual;
- b. Identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual; and
- c. Is limited to the information created or received by BA from or on behalf of CE.

Electronic Protected Health Information (“e-PHI”) is a subset of Protected Health Information and means PHI that is transmitted by or maintained in any electronic media.

Disclose means the release, transfer, provision of access to, or divulging in any other manner of PHI to parties outside the BA’s organization.

Use means the sharing, employment, application, utilization, examination, or analysis of PHI within the BA’s organization.

Secretary means the Secretary of Health and Human Services or any other officer or employee of HHS to whom the authority involved has been delegated.

Data aggregation means, with respect to PHI created or received by a BA in its capacity as a BA of a CE, the combining of such PHI by the BA with the PHI received by the BA in its capacity as a BA of another CE, to permit data analyses that relate to the health care operations of the respective covered entities.

Individual means the person who is the subject of PHI and shall include a person who qualifies as a personal representative in accordance with 45 CFR §164.502(g).

HIPAA Rules mean the Privacy, Security, Breach Notification and Enforcement Rules at 45 C.F.R. Part 160 and Part 164.

Required By Law means a mandate contained in law that compels a CE to make a use or disclosure of PHI and that is enforceable in a court of law.

Availability means that data or information is accessible and useable upon demand by an authorized person.

Confidentiality means that data or information is not made available or disclosed to unauthorized persons or processes.

Integrity means that data or information have not been altered or destroyed in an unauthorized manner.

Security Incident means the successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.

HITECH means the Health Information Technology for Economic and Medical Directoral Health Act, found in Title XIII of the American Recovery and Reinvestment Act of 2009, Public Law 111-005.

Unsecured PHI shall have the same definition that the Secretary gives the term in guidance issued pursuant to § 13402 of HITECH.

II. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE

1. Nondisclosure. BA shall not use or disclose CE's PHI otherwise than as permitted or required by this Agreement or as Required By Law.
2. Minimum Necessary. BA shall use or further disclose PHI only in the minimum amount and to the minimum number of individuals necessary to achieve the purpose of the services being rendered to or on behalf of CE, or otherwise in furtherance of the underlying Services Agreement between BA and CE.
3. Safeguards. BA shall use appropriate safeguards to prevent use or disclosure of CE's PHI otherwise than as provided for by this Agreement.
4. Reporting of Unauthorized Disclosures. BA shall report to CE any use or disclosure of CE's PHI not provided for by this Agreement of which BA becomes aware, including breaches of unsecured PHI as required at 45 C.F.R. §164.410 and any security incident of which it becomes aware.
5. Mitigation. BA shall mitigate, to the extent practicable, any harmful effect that is known to BA of a use or disclosure of PHI by BA in violation of the requirements of this Agreement.
6. BA's Agents. In accordance with 45 C.F.R. §§ 164.502(e)(1)(ii) and 164.308(b)(2), if applicable, BA shall ensure that any agents, including subcontractors, that create, receive, maintain or transmit PHI on behalf of BA agree to the same restrictions, conditions and requirements that apply to the BA with respect to such information.
7. Access to PHI. BA shall provide access, at the request of CE, and in the time and manner designated by CE, to PHI to CE or, as directed by CE, to an Individual in order to meet the requirements under 45 CFR §164.524. This provision applies only to PHI received or created by BA pursuant to this Agreement, if BA possesses such PHI.
8. Documentation of Disclosures. BA shall document such disclosures of PHI and information related to such disclosures as would be required for CE to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR §164.528.
9. Accounting of Disclosures. BA shall provide to CE, in time and manner designated by CE, information collected in accordance with Section 8 of this Agreement, to permit CE to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 CFR § 164.528. Except in the case of a direct request from an Individual for an accounting related to treatment, payment, or operations disclosures through electronic health records, if the request for an accounting is delivered directly to BA or its agents or subcontractors, if any, BA shall within ten (10) business days of a request notify CE about such request. CE shall either request BA to provide such information directly to the Individual, or it shall request that the

information be immediately forwarded to CE for compilation and distribution to such Individual. In the case of a direct request for an accounting from an Individual related to treatment, payment, or operations disclosures through electronic health records, BA shall provide such accounting to the Individual in accordance with HITECH § 13405(c). BA shall not disclose any PHI unless such disclosure is required by law or is in accordance with this Agreement. BA shall document such disclosures. Notwithstanding anything in the Agreement to the contrary, BA and any agents or subcontractors shall continue to maintain the information required for purposes of complying with this Section for a period of six (6) years after termination of the Agreement.

10. Amendment of PHI. BA shall make any amendment(s) to PHI that the CE directs or agrees to pursuant to 45 CFR § 164.526 at the request of CE or an Individual, and in the time and manner designated by CE. This provision applies only to PHI received or created by BA pursuant to this Agreement, if BA possesses such PHI.
11. Internal Practices. BA shall make its internal practices, books and records relating to the use and disclosure of PHI received from CE, or created or received by BA on behalf of CE, available to the CE, or to the Secretary, for purposes of the Secretary determining CE's compliance with the HIPAA Rules.
12. Security of e-PHI. If BA creates, receives, maintains or transmits e-PHI at any time during the term of this agreement, BA agrees to appropriately safeguard the e-PHI as follows:
 - a. **Safeguards**. Develop, implement, maintain, and use appropriate safeguards to prevent any use or disclosure of the PHI or e-PHI other than as provided by this Agreement, and to implement administrative, physical, and technical safeguards as required by §164.308, 164.310, 164.312 and 164.316 and HITECH to protect the confidentiality, integrity, and availability of e-PHI or PHI that BA creates, receives, maintains, or transmits, in the same manner that such sections apply to the CE. *See* HITECH § 13401;
 - b. **Agents**. BA will ensure that any agent, including a subcontractor, to whom it provides e-PHI agrees to implement reasonable and appropriate safeguards to protect it; and
 - c. **Reporting**. BA will report to CE any Security Incident, of which BA becomes aware.
13. BA shall comply with any additional requirements of Title XIII of HITECH that relate to privacy and security and that are made applicable with respect to covered entities. *See* HITECH § 13401.
14. BA shall adopt the technology and methodology standards required in any guidance issued by the Secretary pursuant to HITECH §§ 13401-13402.
15. BA shall mitigate any harmful effect that is known to BA of a use or disclosure of PHI by BA in violation of the requirements of this Agreement and notify CE of any breach of Unsecured PHI, as required under HITECH § 13402.
16. In the case of a breach of Unsecured PHI, the BA shall, promptly following the discovery of a breach of such information, notify CE of such breach. The notice shall include the identification of each individual whose Unsecured PHI has been, or is reasonably believed by the BA to have been, accessed, acquired, or disclosed during the breach.
17. BA shall be solely responsible for the cost of the required reporting, notification or mitigation associated with BA's breach of Unsecured PHI. Further, BA shall reimburse CE for any costs CE incurs as a result of assisting BA with BA's requirements as a result of a breach of Unsecured PHI.

18. BA shall enter into an agreement with each of its subcontractors pursuant to 45 CFR § 164.308(b)(1) and HITECH § 13401 that is appropriate and sufficient to require each such subcontractor to protect PHI to the same extent required by BA hereunder.
19. BA shall along with its agents or subcontractors, if any, only request, use and disclose the minimum amount of PHI necessary to accomplish the purpose of the request, use or disclosure. BA agrees to comply with the Secretary's guidance on what constitutes "minimum necessary". See HITECH § 13405.
20. BA shall take reasonable steps to cure the breach or end the violation if BA knows of a pattern of activity or practice by CE that constitutes a material breach or violation of CE's obligations under this Agreement. If such steps are unsuccessful within a period of 30 days, BA will either: 1) terminate the Agreement, if feasible; or 2) report the problem to the Secretary. See HITECH § 13404(b).

III. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE

1. Permitted Uses and Disclosures. Except as otherwise limited in this Agreement, BA may use or disclose PHI to perform necessary functions, activities, or services for, or on behalf of CE, provided such use or disclosure would not violate the HIPAA Rules if done by the CE.
2. Use for Management and Administration. Except as otherwise limited in this Agreement, BA may use PHI for the proper management and administration of the BA or to carry out the legal responsibilities of the BA.
3. Disclosure for Management and Administration. Except as otherwise limited in this Agreement, BA may disclose PHI for the proper management and administration of the BA or to carry out the legal responsibilities of the BA, provided that:
 - a. Disclosures are required by law; or
 - b. BA obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and will be used or further disclosed only as required by law or for the purpose for which it was disclosed to the person, and
 - c. The person notifies the BA of any instances of which it is aware in which the confidentiality of the information has been breached.
4. Data Aggregation. Except as otherwise limited in this Agreement, BA may use PHI to provide Data Aggregation services to CE relating to the health care operations of the CE.
5. Report Violations of Law. Except as otherwise limited in this Agreement, BA may use PHI to report violations of law appropriate to federal and state authorities consistent with 45 CFR §164.502(j)(1).

IV. OBLIGATIONS OF COVERED ENTITY

1. Changes in Permission. CE shall notify BA of any changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent that such changes may affect BA's use or disclosure of PHI.
2. Notification of Restrictions. CE shall notify BA of any restriction to the use or disclosure of PHI that CE has agreed to or must comply with in accordance with 45 CFR § 164.522 and/or HITECH §13405(a), to the extent that such restriction may affect BA's use or disclosure of PHI.

V. PERMISSIBLE REQUESTS BY COVERED ENTITY

1. Requests by Covered Entity. CE shall not request BA to use or disclose PHI in any manner that would not be permissible under the HIPAA Rules if done by CE.
2. Audits, Inspection and Enforcement. From time to time upon reasonable notice, CE may inspect the facilities, systems, books and records of BA to monitor compliance with this Agreement. BA shall promptly remedy any violation of any term of this Agreement and shall certify the same to CE in writing. The fact that CE

Attachment C - 4

inspects, fails to inspect, or has the right to inspect BA's facilities, systems and procedures does not relieve BA of its responsibility to comply with this Agreement, nor does CE's (i) failure to detect or (ii) detection of a violation of any term of this Agreement.

VI. TERM AND TERMINATION

1. Term. The Term of this Agreement shall be effective as of _____, and shall terminate when all of the PHI provided by CE to BA, or created or received by BA on behalf of CE, is destroyed or returned to the CE, or if it is infeasible to return or destroy PHI, protections are extended to such information, in accordance the termination provisions in this Section.
2. Termination for Cause. Upon CE's knowledge of a material breach by BA, CE shall either:
 - a. provide an opportunity for BA to cure the breach or end the violation and if BA does not cure the breach or end the violation within the time specified by CE, terminate this Agreement;
 - b. immediately terminate this Agreement if BA has breached a material term of this Agreement and cure is not possible; or
 - c. report the violation to the Secretary if neither cure of the breach nor termination of this Agreement is feasible.
3. Effect of Termination. Except as provided in paragraph (4) of this section, upon termination of this Agreement, for any reason, BA shall return or destroy all PHI received from CE, or created or received by BA on behalf of CE. This provision shall apply to PHI that is in the possession of subcontractors or agents of BA. BA shall retain no copies of the PHI.
4. Return or Destruction of PHI Not Feasible. In the event that BA determines that returning or destroying PHI is not feasible, BA shall notify CE in writing of the conditions that make return or destruction infeasible. If return or destruction of the PHI is infeasible, BA shall extend the protections of this Agreement to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as BA maintains such PHI.

VII. MISCELLANEOUS

1. Regulatory References. A reference in this Agreement to a section in the HIPAA Rules and HITECH means the section as in effect or as amended, and for which compliance is required.
2. Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time for CE to comply with the requirements of the HIPAA Rules.
3. Survival. The respective rights and obligations of BA under Section VI.3. and VI.4. of this Agreement shall survive the termination of this Agreement.
4. Interpretation. This Agreement shall be interpreted as broadly as necessary to implement and comply with the HIPAA Rules and applicable state laws. The parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that permits CE to comply with the HIPAA Rules and applicable state laws.
5. Assistance in Litigation or Administrative Proceedings. BA shall make itself, and any subcontractors, employees or agents assisting BA in the performance of its obligations under this Agreement, available to CE, at no cost to CE, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against CE, its directors, officers or employees based upon claimed violation of the Privacy Rule, except where BA or its subcontractor, employee or agent is a named adverse party.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed this Business Associate Agreement on the dates set forth with their respective signatures, below.

[Name of Franchisee]

Dated: _____, 20__

By: _____
[Printed Name]
Its: [Title]

[Name of Business Associate]

Dated: _____, 20__

By: _____
[Printed Name]
Its: [Title]

ATTACHMENT D
TO FRANCHISE AGREEMENT
MANAGEMENT AGREEMENT

This **MANAGEMENT AGREEMENT** (this “**Agreement**”) is made, entered into by and between Next Health Franchise Medical Group, LLC, a Delaware limited liability company having its address at 955 Carrillo Dr. Suite 100 Los Angeles, California 90048 (the “**Medical Service Manager**”), and the party signing this Agreement as the “NextHealth Franchisee” (the “**NextHealth Franchisee**”) to be effective as of the Effective Date set forth in Exhibit A.

RECITALS

A. The Medical Service Manager is in the business of providing health, wellness, medical, aesthetic, and related services, products, and treatments that under the applicable law must be provided and/or supervised by licensed physicians (“**Medical Services**”).

B. The NextHealth Franchisee owns and operates a franchised NextHealth Center located at the address identified on Exhibit A to this Agreement (the “**Center**”). The Center facilitates the provision of Medical Services by providing non-clinical administrative services to healthcare and wellness practices.

C. The Medical Service Manager wishes to provide Medical Services at the Center and engage the non-clinical administrative services of the NextHealth Franchisee in accordance with the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **ENGAGEMENT.**

The Medical Service Manager hereby engages the NextHealth Franchisee, and the NextHealth Franchisee hereby agrees to serve the Medical Service Manager, as the exclusive provider of non-clinical administrative services at the Center (the “**Administrative Services**”).

2. **DUTIES OF MEDICAL SERVICE MANAGER.**

During the term of this Agreement, the Medical Service Manager will, at its own cost and expense, provide, or arrange for the provision of, the services described in this Section 2 to the NextHealth Franchisee. Notwithstanding anything to the contrary, the NextHealth Franchisee acknowledges and agrees that, except for performing its obligations under this Agreement in compliance with the applicable laws, the Medical Service Manager will not, and nothing in this Agreement requires the Medical Service Manager to, take any action to (i) ensure that the Center is operated in compliance with applicable laws, or (ii) fulfill any of the NextHealth Franchisee’s obligations under applicable law or to the franchisor of NextHealth centers (the “**Franchisor**”).

A. MEDICAL DIRECTOR.

During the term of this Agreement, the Medical Service Manager will make a qualified and licensed physician (the “**Medical Director**”) available to the NextHealth Franchisee, who will (i) offer and provide all Medical Services at the Center, and (ii) to the extent required by applicable law supervise and oversee the services administered at the Center by the nurse practitioners and the registered nurses (“**Clinical Staff**”). The parties hereby designate the person identified as the Medical Director on Exhibit A hereto as the Center’s Medical Director. The parties agree that the Medical Director identified on Exhibit A will offer, provide, and supervise Medical Services at the Center only during the terms of its physician participation agreement or similar agreement with the Medical Service Manager, and if such agreement between the Medical Director and the Medical Service Manager is terminated or expires, or if the Medical Director ceases to be licensed or qualified to practice medicine in the jurisdiction in which the Center is located, then the Medical Service Manager will (i) promptly notify the NextHealth Franchisee, (ii) cause such Medical Director to immediately cease providing Medical Services at the Center, and (iii) make commercially reasonable efforts to engage a replacement Medical Director who will thereafter offer, provide, and supervise Medical Services at the Center in accordance with this Agreement. The parties may from time to time revise Exhibit A to identify the then-current Medical Director of the Center. The Medical Service Manager will have the sole responsibility, and the NextHealth Franchisee will have no responsibility, for the hiring, firing, compensation, supervision or training of the Medical Director or any other personnel employed or otherwise retained by the Medical Service Manager.

Notwithstanding anything to the contrary, the parties agree that the Medical Director will use its independent medical judgement and offer, provide, and/or, where permitted by applicable laws, supervise the performance of, the Medical Services at the Center. The Medical Director will have complete and absolute control over the methods by which Medical Services will be rendered at the Center. Notwithstanding anything to the contrary, neither the Medical Service Manager nor the NextHealth Franchisee and the Franchisor will exercise any authority, influence, or control over the Medical Services rendered at the Center. Nothing in this Agreement is intended to interfere with the Medical Director’s ability to exercise independent, clinical, and professional judgment, including making referrals as medically appropriate, and the Medical Director’s decisions with respect to all aspects of the offer and provision of Medical Services will supersede anything that either directly or indirectly interferes with the Medical Director’s ability to exercise independent, clinical, and professional judgment with respect to the Medical Services.

B. MEDICAL STANDARDS.

The Medical Service Manager will cause the Medical Director to issue certain standards and specifications regarding the offer, provision, and supervision of Medical Services at the Center, including those governing purchase, storage, placement, and use of equipment and supplies that will be used in providing Medical Services; marketing of Medical Services; and other aspects relating to offer, provision, and supervision of Medical Services at the Center that the Medical Director’s deems appropriate in the independent exercise of its medical judgement (collectively, the “**Medical Standards**”). The NextHealth Franchisee must (i) comply with the Medical Standards as they may apply to the non-clinical administrative support services to provide by it to the Medical Service Manager and the Medical Director, and (ii) cause its Clinical Staff to comply with the Medical Standards while administering Medical Services at the Center. The Medical Director may periodically, upon notice to the NextHealth Franchisee, modify the Medical Standards in accordance with its independent medical judgement. Any modification of the Medical Standards may obligate the NextHealth Franchisee to invest additional capital in the Center and incur higher operating costs.

C. BILLING.

The Medical Service Manager shall control the amount of professional fees or other amounts charged and collected by the Medical Service Manager for the Medical Services provided at the Center. To the extent permitted by applicable law, the Medical Service Manager hereby appoints the NextHealth Franchisee to act as its agent in the billing and collection of all revenue generated from the provision of Medical Services at the Center (the “**Professional Fees**”). The Medical Service Manager shall cooperate and shall cause the Medical Director to cooperate with the NextHealth Franchisee in all reasonable matters relating to the billing and collection of Professional Fees. The Medical Director shall review and approve the reports and other information required to support complete and accurate bills. Additionally, the Medical Service Manager and Medical Director will provide such information necessary to appeal or contest any denials of claims or other regulatory issues. The Medical Service Manager, in consultation with the NextHealth Franchisee, shall establish reasonable policies and procedures with respect to billing and collection matters. The Medical Service Manager hereby authorizes the NextHealth Franchisee to endorse and negotiate on the Medical Service Manager’s behalf any checks or payments received by the Medical Service Manager or Medical Director (in his or her capacity as such) and agrees to cooperate with the NextHealth Franchisee in billing and collection activities pertaining to the professional services provided by the Medical Service Manager or the Medical Director. The Medical Service Manager and the NextHealth Franchisee shall comply with applicable federal, state, and local statutes and regulations regarding the billing and collection of all Professional Fees.

D. MEDICAL RECORDS.

The Medical Service Manager will cause the Medical Director to maintain, in a timely manner, complete, accurate and legible records for all patients who receive Medical Services at the Center (the “**Medical Records**”). The parties agree that, to the extent permitted by applicable laws, between the Medical Service Manager and the NextHealth Franchisee all such Medical Records will be the property of the Medical Service Manager. The Medical Service Manager will grant the NextHealth Franchisee access to the information contained in Medical Records to the extent that access to such information is permitted by law and is required in connection with the NextHealth Franchisee’s administrative responsibilities hereunder. As required by the privacy regulations issued under the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”), the parties will comply with the terms of the Business Associate Addendum attached as Exhibit B of this Agreement.

E. ESTABLISHMENT OF RECEIVABLES ACCOUNT; DEPOSIT OF PROCEEDS.

The Medical Service Manager may establish and maintain a deposit bank account (the “**Receivables Account**”). The Medical Service Manager may (i) deposit or cause to be deposited promptly all cash, checks, drafts, or other similar items of payment relating to or constituting receivables of the Medical Service Manager into the Receivables Account and (ii) request in writing and otherwise take such reasonable steps to ensure that all account debtors remit all payments of Professional Fees into the Receivables Account.

3. DUTIES OF NEXT HEALTH FRANCHISEE.

During the term of this Agreement, the NextHealth Franchisee will, at its own cost and expenses and in compliance with all applicable laws, provide the following Administrative Services to the Medical Service Manager and/or the Medical Director, as applicable:

A. RECOMMENDED PROFESSIONAL FEES.

The parties acknowledge and agree that the Medical Service Manager shall have sole control over the amount of Professional Fees charged, collected, or other amounts due in connection with services and goods provided by the Medical Service Manager. The NextHealth Franchisee may, subject to applicable laws, recommend charges, premiums, or other amounts due in connection with services and goods provided by or under the supervision of Medical Director.

B. CONSULTATION SERVICES.

The NextHealth Franchisee shall, in consultation with the Medical Service Manager, assist the Medical Service Manager in assessing the Medical Service Manager's business activities at the Center, including customer satisfaction, and outcomes monitoring. The NextHealth Franchisee shall develop systems to assist the Medical Service Manager in tracking Medical Service Manager's revenues from its operations at the Center, including expenses, cost accounting, utilization, quality assurance, physician productivity, and customer satisfaction.

C. PREMISES

The NextHealth Franchisee must, throughout the term of this Agreement, grant unrestricted access to the premises of the Center to the Medical Director and the Medical Service Manager and its representatives. This Agreement will not be construed as a lease or sublease of the premises of the Center and will not be deemed to create a relationship of that of landlord and tenant between the parties or between the NextHealth Franchisee (on one hand) and the Medical Service Manager and/or the Medical Director (on the other hand).

D. RELATED OFFICE SERVICES.

The NextHealth Franchisee shall, in consultation with the Medical Service Manager, manage the Premises of the Center and provide any related office and medical furniture, fixtures, supplies and equipment necessary to enable the Medical Service Manager to provide Medical Services in an organized and efficient manner, provided that the Medical Director shall approve the selection of any medical equipment and medical supplies. The Medical Director shall maintain complete control over those aspects of related office services that involve direct medical care provided to individuals.

E. ELECTRONIC MEDICAL RECORD.

The NextHealth Franchisee shall make available to the Medical Director an electronic medical record system. The Medical Service Manager will cause the Medical Director to maintain proper documentation of medical services by the Medical Director and Clinical Staff in such electronic medical record system and shall own the contents of all such medical records.

F. BUSINESS OFFICE AND SUPPORT SERVICES.

The NextHealth Franchisee shall provide, in accordance with applicable law, computer, billing and collection, accounts receivable and accounts payable services necessary for the management of the services performed by or under the supervision of the Medical Director at the Center. The NextHealth Franchisee shall also order and purchase office and other supplies reasonably requested by the Medical Service Manager or Medical Director. The NextHealth Franchisee must comply with all applicable laws in ordering, purchasing, stocking, and monitoring of any pharmaceuticals or other medical items and supplies that require a permit, licensure registration, certification, or identification number to order. Upon request from

the Medical Service Manager, the NextHealth Franchisee may arrange for access to information systems services and other necessary operational services.

G. PERSONNEL SERVICES.

The NextHealth Franchisee shall provide managerial, clerical, secretarial, bookkeeping, billing and collection personnel, including personnel for the maintenance of billing and collection records, financial records, and medical records, as requested by the Medical Service Manager.

The NextHealth Franchisee shall determine the assignments, salaries, and fringe benefits of all the nonmedical personnel provided by the NextHealth Franchisee. Unless otherwise expressly provided in this Agreement, the NextHealth Franchisee retains decision-making authority regarding all non-medical administrative matters. The non-medical personnel may perform services from time to time for the NextHealth Franchisee or other individuals or entities, provided that such services do not interfere with the NextHealth Franchisee's obligations hereunder. The NextHealth Franchisee, in its sole discretion, may utilize employees or independent contractors to provide such services.

H. BILLING AND COLLECTION.

The NextHealth Franchisee shall provide billing and collection services for the Professional Fees. Such billing and collection services may include: (i) submission of regular bills for each individual who receives Medical Services at the Center; and (ii) accounting for the collection of all Medical Services. The Medical Service Manager and the NextHealth Franchisee shall comply with applicable federal, state, and local statutes and regulations regarding the billing and collection of the Professional Fees. All charges collected and all collections from services rendered by the Medical Service Manager shall be paid directly to the Medical Service Manager and deposited in an account in the name of and under the Medical Service Manager's sole control.

I. ADDITIONAL SERVICES.

The NextHealth Franchisee shall provide Administrative Services required for the day-to-day operation of the Medical Service Manager, including any additional administrative services that are reasonably requested by the Medical Service Manager and are not otherwise described above.

Notwithstanding anything to the contrary, the NextHealth Franchisee will not provide any of the following services to the Medical Service Manager or the Medical Director:

- (i) assignment of the Medical Director or any other licensed healthcare professional to treat patients, including determining how many patients the Medical Director or any other licensed healthcare professional must see in a given period or how many hours the Medical Director or any other licensed healthcare professional must work;
- (ii) assumption of responsibility for the care of patients including the treatment options available;
- (iii) serving as the party to whom bills and charges for Medical Services are made payable;
- (iv) determining what diagnostic tests are appropriate for a particular condition;
- (v) determining the need for referrals to or consultation with another physician/specialist; or

- (vi) any activity that involves the practice of medicine or that would cause the NextHealth Franchisee to be subject to licensure under the applicable laws and regulations in the state in which the Center is located.

4. **FEES.**

A. ADMINISTRATIVE SERVICE FEE.

Subject to the NextHealth Franchisee's compliance with its obligations under this Agreement and any other agreement with the Medical Service Manager or its affiliates, the Medical Service Manager will in exchange for all the Administrative Services rendered by the NextHealth Franchisee in accordance with this Agreement, pay the NextHealth Franchisee an Administrative Service Fee in the amount described in Exhibit A hereto. The Administrative Services Fee will be due and payable for such periods and in such intervals as the parties may mutually agree on from time to time.

The parties acknowledge and agree that the Administrative Services Fee is commercially reasonable and reflective of the parties' negotiated agreement as to the fair market value of the services provided by the NextHealth Franchisee to the Medical Service Manager by the NextHealth Franchisee pursuant to this Agreement. No portion of the Administrative Services Fee is intended to be, or will be interpreted as, any commission, bonus, kickback, rebate, patient-brokering, or fee splitting arrangement in any form.

B. MEDICAL DIRECTOR FEE.

Throughout the term of this Agreement, you must pay us a monthly Medical Director fee (the "**Medical Director Fee**") in the amount identified on Exhibit A to this Agreement. The Medical Director Fee will be due and payable on such date and in such manner that we require from time to time.

5. **CONFIDENTIALITY.**

"**Confidential Information**" means all non-public or proprietary information that is provided to the NextHealth Franchisee by or on behalf of the Medical Service Manager, including any patents, patent applications, licenses, copyrights, trademarks, trade names, service marks, service names, know-how, trade secrets, and other information related to the provision of the Medical Services at the Center, including customer lists, details of health care facility, payor or consulting contracts, pricing policies, operational methods, marketing plans or strategies, product development techniques or plans, procurement and sales activities, promotional and pricing techniques, credit and financial data concerning health care facilities, payors or customers, business acquisition plans or any portion or phase of any scientific or technical information, ideas, discoveries, designs, computer programs (including source or object codes), processes, procedures, or formulas, whether or not in written or tangible form, and whether or not registered, and including all memoranda, notes, plans, reports, records, documents, improvements, and other evidence thereof.

The NextHealth Franchisee agrees that this Agreement does not vest in the NextHealth Franchisee any interest in the Confidential Information other than the right to use it provide Administrative Services in accordance with this Agreement, and that the use, duplication or improper distribution or publication of the Confidential Information in any case would constitute an unfair method of competition. The NextHealth Franchisee acknowledges and agrees that the Confidential Information (as defined below) is a valuable, confidential, special, and unique asset of the Medical Service Manager and its affiliates, and that NextHealth Franchisee will: (i) not use the Confidential Information in any other capacity, except as the provider of Administrative Services in accordance with this Agreement; (ii) maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (iii) not make unauthorized copies

of, or improperly disclose or publish any portion of, the Confidential Information however and in whatever form or format disclosed to the NextHealth Franchisee; and (iv) adopt and implement all reasonable procedures periodically prescribed by the Medical Service Manager to prevent unauthorized use or disclosure of the Confidential Information, including, restrictions on disclosure to its employees and the use of nondisclosure and noncompetition agreements that the Medical Service Manager may prescribe for employees or others who have access to the Confidential Information.

The restrictions on the NextHealth Franchisee's disclosure and use of the Confidential Information will not apply to the: (i) disclosure or use of information, processes, or techniques which are generally known and used in the health and wellness industry (as long as the availability is not because of a disclosure by the NextHealth Franchisee), provided that the NextHealth Franchisee has first given to the Medical Service Manager a written notice of its intended disclosure and/or use; and (ii) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent the NextHealth Franchisee is legally compelled to disclose it, provided that the NextHealth Franchisee has first given to the Medical Service Manager the opportunity to obtain an appropriate protective order or other assurance satisfactory to the Medical Service Manager that the information required to be disclosed will be treated confidentially.

Upon the termination of this Agreement for any reason, the NextHealth Franchisee agrees to return to Medical Service Manager, or destroy, at the Medical Service Manager's direction all Confidential Information then in the NextHealth Franchisee's possession or control. The provisions of this Section 5 will survive the termination of this Agreement for any reason.

6. **INSURANCE.**

The franchise agreement for the Center requires the NextHealth Franchisee to maintain in force certain types and limits of insurance coverages in connection with the operation of the Center. In addition to those types and limits of insurance coverages, the Medical Service Manager periodically may require the NextHealth Franchisee to maintain different or additional insurance coverages in connection with the operation of the Center. Any liability coverage insurance policy in connection with the Center must name the Medical Service Manager and any affiliates designated by the Medical Service Manager as additional non-contributing insureds, using a form of endorsement that the Medical Service Manager has provided or approved, and each insurance policy must provide for 30 days' prior written notice to the Medical Service Manager of a policy's material modification, cancellation or expiration. The NextHealth Franchisee routinely must furnish to the Medical Service Manager copies of its Certificate of Insurance or other evidence regarding the maintenance of insurance coverage and paying premiums.

7. **RECORDS; REPORTS; AUDIT.**

The NextHealth Franchisee must establish and maintain, at its own expense, a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats the Medical Service Manager periodically prescribes, including using the Medical Service Manager's standard chart of accounts. The NextHealth Franchisee must provide the Medical Service Manager with such reports and information that the Medical Service Manager requests from time to time regarding the performance of the Medical Services at the Center. The NextHealth Franchisee agrees to provide this information in the frequency, manner, and format that the Medical Service Manager periodically prescribes. Subject to applicable law, the Medical Service Manager may disclose data derived from these reports, and the Medical Service Manager may, as often as it deems appropriate (including on a daily basis), access the NextHealth Franchisee's computer systems and retrieve all information relating to the provisions of Medical Services at Center.

The Medical Service Manager will have unrestricted and unlimited right to inspect and audit the books and records of the NextHealth Franchisee to ensure compliance with the NextHealth Franchisee's obligations under this Agreement.

To the extent that the provisions of Section 1861(v)(1)(I) of the Social Security Act 42 U.S.C. §1395x(v)(1)(I) are applicable to this Agreement, the parties agree to make available, upon the written request of the Secretary of the Department of Health and Human Services or upon the request of the Comptroller General, or any of their duly authorized representatives, this Agreement, and other books, records and documents that are necessary to certify the nature and extent of costs incurred by them for services furnished under this Agreement. The obligations hereunder shall extend for four (4) years after furnishing such services. The parties shall notify each other of any such request for records.

8. TERM AND TERMINATION.

A. TERM.

The term of this Agreement will commence on the Effective Date and, unless sooner terminated as provided herein, will expire upon the expiration of the term of the franchise agreement executed by the NextHealth Franchisee and the Franchisor in connection with the operation of the Center. If the NextHealth Franchisee is granted a successor franchise term, then the NextHealth Franchisee and the Medical Service Manager and the Medical Service Manager must enter into the then-current form of the Management Agreement for a term that is commensurate with the successor franchise term.

B. TERMINATION BY NEXTHEALTH FRANCHISEE.

If the NextHealth Franchisee and its owners are fully complaint with this Agreement or any other agreement with the Medical Service Manager or its affiliates, and the Medical Service Manager materially fails to comply with this Agreement and does not correct the failure within 30 days after the NextHealth Franchisee delivers written notice of the material failure to the Medical Service Manager or if the Medical Service Manager cannot correct the failure within 30 days and the Medical Service Manager fails to give the NextHealth Franchisee within 30 days after its receipt of the notice reasonable evidence of its effort to correct the failure within a reasonable time, the NextHealth Franchisee may terminate this Agreement effective an additional 30 days after it delivers a written notice of termination to the Medical Service Manager. The NextHealth Franchisee's termination of this Agreement other than according to this Section 8.B. will be deemed a termination without cause and a breach of this Agreement.

C. TERMINATION BY MEDICAL SERVICE MANAGER.

The Medical Service Manager may terminate this Agreement effective immediately upon notice to the NextHealth Franchisee if:

- (i) the NextHealth Franchisee (or any of its owners) have been convicted by a trial court of, or plead or have pleaded no contest or guilty to, a felony;
- (ii) the NextHealth Franchisee (or any of its owners) make any unauthorized use or disclosure of any Confidential Information;
- (iii) the NextHealth Franchisee fails to pay when due any federal or state taxes due on or in connection with the operation of the Center, unless it is in good faith contesting its liability for those taxes;
- (iv) the NextHealth Franchisee (or any of its owners) (a) fail on three (3) or more separate

occasions within any 12 consecutive month period to comply with any provision of this Agreement or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, in either case, whether or not the NextHealth Franchisee is notified of the failures, and, if the NextHealth Franchisee notified of the failures, whether or not the NextHealth Franchisee corrects the failures after its receipt of default notices;

- (v) the NextHealth Franchisee (or any of its owners) files a petition in bankruptcy or a petition in bankruptcy is filed against the NextHealth Franchisee (or any of its owners); the NextHealth Franchisee (or any of its owners) make an assignment for the benefit of creditors or admit in writing to insolvency or inability to pay debts generally as they become due; the NextHealth Franchisee (or any of its owners) consents to the appointment of a receiver, trustee, or liquidator of all or the substantial part of the NextHealth Franchisee's (or any of its owner's) property; the Center is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of the NextHealth Franchisee or the Center is not vacated within 30 days following the order's entry;
- (vi) the NextHealth Franchisee (or any of its owners) fail to comply with anti-terrorism laws, ordinances, regulations and executive orders;
- (vii) the NextHealth Franchisee creates or allows to exist any condition in connection with the operation of the Center, at any location, which the Medical Service Manager reasonably determines to present a health or safety concern for the clients or the Center's personnel;
- (viii) the NextHealth Franchisee or its affiliates fail to comply with any other agreement with the Medical Service Manager (or its affiliates), including the franchise agreement for the Center, and do not correct such failure within the applicable cure period, if any; or
- (ix) the NextHealth Franchisee is in default of any obligation under this Agreement other than those for which a ground of termination is described in Section 8.C.(i)-(viii) and fails to cure such default within 30 days from its receipt of notice of default.

D. EFFECTS OF TERMINATION.

On expiration or termination of this Agreement:

- (i) the Medical Service Manager will immediately cease providing its services to the NextHealth Franchisee pursuant to this Agreement;
- (ii) the Medical Director will immediately cease providing Medical Services at the Center;
- (iii) the NextHealth Franchisee must immediately return to the Medical Service Manager (or its designee) the following without retaining any copy: all Confidential Information, Medical Records, books and records pertaining to provision of Medical Services at the Center, and other information or material that is reasonably requested by the Medical Service Manager in connection with provision of the Medical Services at the Center; and

- (iv) deposit all Professional Fees and checks associated with the Professional Fees in the Medical Service Manager's designated bank account.

Within 10 days after the expiration or termination of the Agreement, the NextHealth Franchisee must provide to satisfactory evidence to the Medical Service Manager of the NextHealth Franchisee's compliance with these obligations.

If the NextHealth Franchisee fails to take any of the actions or refrain from taking any of the actions described above, the Medical Service Manager may take whatever action and sign whatever documents it deem appropriate on the NextHealth Franchisee behalf to cure the deficiencies, including, without liability to the NextHealth Franchisee or third parties for trespass or any other claim, to enter the Center and retrieve such materials containing Confidential Information, Medical Records, books, and records pertaining to provision of Medical Services at the Center. The NextHealth Franchisee must reimburse the Medical Service Manager for all costs and expenses incurred by the Medical Service Manager in correcting any such deficiencies.

9. **INDEMNIFICATION.**

Each party (the "**Indemnifying Party**") will indemnify, defend, and hold harmless the other party (the "**Indemnified Party**") from and against any and all third party costs, fees, expenses, claims, demands, actions and rights of action, damages, liabilities, and reasonable expenses of any kind whatsoever ("**Liabilities**") that will or may arise by virtue of any act or omission by or of, or any breach of this Agreement by, the Indemnifying Party, *except* to the extent such Liabilities arise as a direct result of the gross negligence or willful misconduct of the Indemnified Party; provided, however, that the Indemnifying Party will be notified promptly and in writing of the existence of such Liabilities and will have the right to assume defense of any such Liabilities.

10. **ENFORCEMENT.**

A. ARBITRATION.

All controversies, disputes, or claims between the Medical Service Manager and its affiliates (and Medical Service Manager's and its affiliates' respective shareholders, officers, directors, agents, and employees), on the one hand, and the NextHealth Franchisee (and its affiliates, owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement or any other agreement between the Medical Service Manager (and/or its affiliates) and the NextHealth Franchisee (or its owners or affiliates); (2) the relationship between the parties hereto; or (3) the scope or validity of this Agreement, any other agreement between the Medical Service Manager (and/or its affiliates) and the NextHealth Franchisee (or its owners or affiliates), or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which the parties acknowledge is to be determined by an arbitrator, not a court), must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the "**AAA**"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of the Medical Service Manager's (or its successor's or assign's, as applicable) then current principal place of business (currently, Los Angeles, California). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator will be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys' fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by Medical Service Manager and its affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (the parties hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator will award to the prevailing party its attorneys' fees and costs.

In any arbitration proceeding, each party will be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. Each party 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. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by any party.

If any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause will not apply to that dispute, controversy or claim and that such dispute, controversy or claim will be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

In any arbitration arising as described in this Section, the arbitrator will have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests will be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and will not include broad phraseology such as "all documents directly or indirectly related to." No interrogatories or requests to admit will be propounded, unless the parties later mutually agree to their use.

The provisions of this Section are intended to benefit and bind certain third-party non-signatories. The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings will be subject to this Agreement to arbitrate contained in this Section.

B. CONSENT TO JURISDICTION.

Subject to Section 10.A above and the provisions below, the parties agree that all controversies, disputes, or claims between Medical Service Manager and its affiliates (and Medical Service Manager's and its affiliates' respective shareholders, officers, directors, agents, and employees), on the one hand, and the NextHealth Franchisee (and its affiliates, owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to this Agreement or any other agreement between the Medical Service Manager (and/or its affiliates) and the NextHealth Franchisee (or its owners or affiliates) or the parties' relationship with each other must be commenced exclusively in state or federal court closest to the Medical Service Manager's (or its successor's or assign's, as applicable) then-current principal place of business (currently, Los Angeles, California), and the parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, the parties agree that any party may enforce any arbitration orders and awards in the courts of the state or states in which the NextHealth Franchisee is, or the Center is located.

C. GOVERNING LAW.

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, or other federal law, this Agreement (or any other agreement between the Medical Service Manager (and/or its affiliates) and the NextHealth Franchisee (or its owners or affiliates), the franchise agreement for the Center, and all claims arising from the relationship between the Medical Service Manager (and/or its affiliates) and NextHealth Franchisee (or its owners or affiliates) will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules.

D. WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR, AND JURY TRIAL.

Except for the NextHealth Franchisee's indemnification obligation under Section 9, the parties waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between the parties, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

The parties agree that all proceedings, whether submitted to arbitration under Section 10.A above or submitted to a court, will be conducted on an individual basis and that no proceeding between the Medical Service Manager (and/or its affiliates, owners, officers, directors, agents, and employees) on one hand and the NextHealth Franchisee (or its affiliates, owners, officers, directors, agents, and employees) on the other hand, may be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other proceeding, (iii) joined with any claim of an unaffiliated third-party, or (iv) brought on behalf of the NextHealth Franchisee by any association or agent.

The parties irrevocably waive trial by jury in any action or proceeding brought by either party or their respective affiliates.

E. INJUNCTIVE RELIEF.

Nothing in this Agreement, including the provisions of Section 10.A, bars Medical Service Manager's right to obtain specific performance of the provisions of this Agreement and injunctive or other equitable relief against threatened conduct that will cause loss or damage to the Medical Service Manager under customary equity rules, including applicable rules for obtaining restraining orders and injunctions. The Medical Service Manager may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. The Medical Service Manager will not be required to post a bond to obtain injunctive relief and that the NextHealth Franchisee's only remedy if an injunction is entered against it will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

F. COSTS AND ATTORNEYS' FEES.

The prevailing party in any judicial or arbitration proceeding will be entitled to recover from the other party all damages, costs, and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such proceeding.

G. LIMITATION OF LIABILITY.

OTHER THAN INDEMNIFICATION CLAIMS UNDER SECTION 9, CLAIMS ARISING FROM THE NEXTHEALTH FRANCHISEE'S BREACH OF CONFIDENTIALITY, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY UNDER THIS AGREEMENT UNDER ANY LEGAL OR EQUITABLE THEORY, INCLUDING BREACH OF CONTRACT, TORT (INCLUDING

NEGLIGENCE), STRICT LIABILITY FOR ANY: (I) CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY, SPECIAL, ENHANCED, OR PUNITIVE DAMAGES; LOSS OF BUSINESS, REVENUE, PROFITS, GOODWILL, OR REPUTATION; OR COST OF REPLACEMENT GOODS OR SERVICES, IN EACH CASE REGARDLESS OF WHETHER SUCH PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES OR SUCH LOSSES OR DAMAGES WERE OTHERWISE FORESEEABLE; (II) DAMAGES, LOSSES, OR COSTS IN EXCESS OF THE TOTAL FEES PAID TO THE MEDICAL SERVICE MANAGER UNDER THIS AGREEMENT IN THE 12 MONTH PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM; AND/OR (III) CLAIMS THAT ARE ASSERTED MORE THAN ONE YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.

No previous course of dealing will be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing will be used to alter the expressed terms of this Agreement.

H. WARRANTY.

OTHER THAN AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE NEXTHEALTH FRANCHISEE ACKNOWLEDGES AND AGREES THE MEDICAL SERVICE MANAGER DISCLAIMS ALL WARRANTIES, INCLUDING THOSE RELATED TO THE MEDICAL SERVICES PROVIDED BY THE MEDICAL DIRECTOR, WHETHER EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, AND NON-INFRINGEMENT, AND ALL WARRANTIES ARISING FROM COURSE OF DEALING, USAGE, OR TRADE PRACTICE. THE MEDICAL SERVICE MANAGER MAKES NO WARRANTY OF ANY KIND THAT ITS OR THE MEDICAL DIRECTOR'S SERVICES, INCLUDING THE MEDICAL SERVICES, WILL MEET THE NEXTHEALTH FRANCHISEE'S, ITS CUSTOMERS, OR OTHER PERSON'S REQUIREMENTS, OPERATE WITHOUT INTERRUPTION, ACHIEVE ANY INTENDED RESULT. THE MEDICAL SERVICE MANAGER IS NOT THE MANUFACTURER OF THE EQUIPMENT AND IT MAKES NO REPRESENTATION WITH RESPECT TO THE EQUIPMENT OR ITS USE, OF ANY KIND OR NATURE.

11. MISCELLANEOUS.

A. BINDING EFFECT.

This Agreement is binding on the parties and their respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. This Agreement may only be modified by a written agreement signed by both parties.

B. NON-ASSIGNMENT.

The NextHealth Franchisee may not transfer, assign, or subcontract any of its obligations under this Agreement without the Medical Service Manager's prior written approval. The Medical Service Manager may freely transfer, assign, or subcontract any of its obligations under this Agreement to any third-party.

C. RIGHTS OF PARTIES ARE CUMULATIVE.

Each party's rights under this Agreement are cumulative, and any party's exercise or enforcement of any right or remedy under this Agreement will not preclude such party's exercise or enforcement of any other right or remedy which such party is entitled by law to enforce.

D. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.

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.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but would be enforceable if modified, the NextHealth Franchisee and the Medical Service Manager 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.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination 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 is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of this Agreement. The NextHealth Franchisee agrees 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.

E. WAIVER OF OBLIGATIONS.

The parties 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. The parties will not be deemed to have waived or impaired any right, power, or option this Agreement reserves because of any custom or practice at variance with this Agreement's terms; either party's failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement.

F. THE EXERCISE OF JUDGMENT.

Whenever the Medical Service Manager have reserved in this Agreement a right to take or to withhold an action, to grant or decline to grant the NextHealth Franchisee a right to take or withhold an action, or to provide or withhold approval or consent, the Medical Service Manager may, except as otherwise specifically provided in this Agreement, make such decision or exercise its rights in its sole and unfettered discretion.

G. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement, which together constitute the parties' entire agreement, and there are no other oral or written understandings or agreements between the parties, or oral or written representations by either party, relating to the subject matter of this Agreement, or the

provision of Medical Services at the Center (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Except as provided in Section 9, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

References in this Agreement to the “Agreement” mean this Agreement and the attached exhibits, together. The term “affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling either party. “Control” means the power to direct or cause the direction of management and policies. “Including” means “including, without limitation.”

References to “owner” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in the NextHealth Franchisee (or a transferee of this Agreement and the Center or an ownership interest in the NextHealth Franchisee), including, without limitation, any person who has a direct or indirect interest in the NextHealth Franchisee (or a transferee), this Agreement, 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.

H. SAFETY.

The Medical Service Manager will not be required to send any of its representatives to the Center to provide any assistance or services if, in its sole determination, it is unsafe to do so. Such determination by the Medical Service Manager will not relieve the NextHealth Franchisee of its obligations under this Agreement and will not serve as a basis for the NextHealth Franchisee’s termination of this Agreement.

I. INDEPENDENT CONTRACTORS.

The Agreement does not create a fiduciary relationship between the Parties. The Medical Service Manager and the NextHealth Franchisee are and will be independent contractors. Except as expressly mentioned in this Agreement, nothing is intended to make the Medical Service Manager and the NextHealth Franchisee each other’s general or special agent, joint venturer, partner, or employee of the other for any purpose.

J. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand, (ii) at the time delivered via computer transmission, or (iii) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery. Any notice must be sent to parties at the address shown in this Agreement or at the most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to the NextHealth Franchisee at the Center.

K. COUNTERPARTS; COPIES.

This Agreement may be executed in multiple counterparts which, taken together, will constitute a single instrument. Faxed, scanned or electronic signatures will have the same effect and validity, and may be relied upon in the same manner as original signatures.

L. PROHIBITED PARTIES.

The NextHealth Franchisee hereby represents and warrants to the Medical Service Manager, that neither the NextHealth Franchisee nor any of its employees, agents, representatives, or any other person or entity associated with the NextHealth Franchisee, is now, or has been:

(1) Listed on: (a) the U.S. Treasury Department's List of Specially Designated Nationals, (b) the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders, (c) the U.S. State Department's Debarred List or Nonproliferation Sanctions, or (d) the Annex to U.S. Executive Order 13224; or

(2) A person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism. The NextHealth Franchisee further represents and warrants to the Medical Service Manager that the NextHealth Franchisee is now, and has been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations. The NextHealth Franchisee agrees not to, and to cause all its employees, agents, representatives, and any other person or entity not to, during the term of this Agreement, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

The NextHealth Franchisee further covenant that neither it nor any of its employees, agents, representatives, or any other person or entity associated with the NextHealth Franchisee, will, during the term of this Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[SIGNATURE PAGE FOLLOWS]

[Signature page to Management Agreement]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

MEDICAL SERVICE MANAGER:

NEXTHEALTH FRANCHISEE:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A

DATA SHEET TO MANAGEMENT AGREEMENT

1. **Effective Date:** _____

2. **NextHealth Franchisee Address:** _____

3. **NextHealth Center Address:** _____

3. **Medical Director:** _____

4. **Administrative Service Fee:** 100% of the revenue generated from Medical Services provided by or under the supervision of a Medical Director or provided by a Registered Nurse, or an Aesthetic RN at the applicable NextHealth Center, excluding (1) all federal, state, or municipal sales, use, or service taxes collected from clients, (2) the amount of any documented refunds and credits given in good faith to the clients and the center's employees, (3) discounts that are permitted under the Medical Standards, and (4) the Medical Director Fee. "Medical Services" means those products and services that can be provided only by or under the supervision or prescription of licensed healthcare professionals.

5. **Medical Director Fee:** \$2,500 per month

MEDICAL SERVICE MANAGER:

NEXTHEALTH FRANCHISEE:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Attachment D - Exhibit A - 1

EXHIBIT B TO MANAGEMENT AGREEMENT

BUSINESS ASSOCIATE AGREEMENT

_____, as a Covered Entity (“CE”) under the Privacy Rule, wishes to disclose certain information to _____ in its role as a Business Associate (“BA”), some of which may constitute Protected Health Information (“PHI”). The purpose of this Agreement is to satisfy certain standards and requirements of the HIPAA Rules, including, but not limited to, Title 45, Section 164.504(e) of the Code of Federal Regulations (“CFR”) and Title 45 CFR Sections 164.308(b) and 164.314(a), as the same may be amended from time to time.

I. DEFINITIONS

Terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in the HIPAA Rules. In the event of a conflict between the definitions in this Agreement and the definitions in the HIPAA Rules, the definitions in the HIPAA Rules shall be applied.

Covered Entity shall generally have the same meaning as the term “covered entity” at 45 C.F.R. §160.103.

Business Associate shall generally have the same meaning as the term “business associate” at 45 C.F.R. §160.103.

Protected Health Information (“PHI”) includes electronic Protected Health Information and means any information, whether oral or recorded in any form or medium that:

- a. Relates to the past, present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual;
- b. Identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual; and
- c. Is limited to the information created or received by BA from or on behalf of CE.

Electronic Protected Health Information (“e-PHI”) is a subset of Protected Health Information and means PHI that is transmitted by or maintained in any electronic media.

Disclose means the release, transfer, provision of access to, or divulging in any other manner of PHI to parties outside the BA’s organization.

Use means the sharing, employment, application, utilization, examination, or analysis of PHI within the BA’s organization.

Secretary means the Secretary of Health and Human Services or any other officer or employee of HHS to whom the authority involved has been delegated.

Data aggregation means, with respect to PHI created or received by a BA in its capacity as a BA of a CE, the combining of such PHI by the BA with the PHI received by the BA in its capacity as a BA of another CE, to permit data analyses that relate to the health care operations of the respective covered entities.

Individual means the person who is the subject of PHI and shall include a person who qualifies as a personal representative in accordance with 45 CFR §164.502(g).

HIPAA Rules mean the Privacy, Security, Breach Notification and Enforcement Rules at 45 C.F.R. Part 160 and Part 164.

Required By Law means a mandate contained in law that compels a CE to make a use or disclosure of PHI and that is enforceable in a court of law.

Availability means that data or information is accessible and usable upon demand by an authorized person.

Confidentiality means that data or information is not made available or disclosed to unauthorized persons or processes.

Integrity means that data or information have not been altered or destroyed in an unauthorized manner.

Security Incident means the successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.

HITECH means the Health Information Technology for Economic and Medical Director Health Act, found in Title XIII of the American Recovery and Reinvestment Act of 2009, Public Law 111-005.

Unsecured PHI shall have the same definition that the Secretary gives the term in guidance issued pursuant to § 13402 of HITECH.

II. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE

1. Nondisclosure. BA shall not use or disclose CE's PHI otherwise than as permitted or required by this Agreement or as Required By Law.
2. Minimum Necessary. BA shall use or further disclose PHI only in the minimum amount and to the minimum number of individuals necessary to achieve the purpose of the services being rendered to or on behalf of CE, or otherwise in furtherance of the underlying Services Agreement between BA and CE.
3. Safeguards. BA shall use appropriate safeguards to prevent use or disclosure of CE's PHI otherwise than as provided for by this Agreement.
4. Reporting of Unauthorized Disclosures. BA shall report to CE any use or disclosure of CE's PHI not provided for by this Agreement of which BA becomes aware, including breaches of unsecured PHI as required at 45 C.F.R. §164.410 and any security incident of which it becomes aware.
5. Mitigation. BA shall mitigate, to the extent practicable, any harmful effect that is known to BA of a use or disclosure of PHI by BA in violation of the requirements of this Agreement.
6. BA's Agents. In accordance with 45 C.F.R. §§ 164.502(e)(1)(ii) and 164.308(b)(2), if applicable, BA shall ensure that any agents, including subcontractors, that create, receive, maintain or transmit PHI on behalf of BA agree to the same restrictions, conditions and requirements that apply to the BA with respect to such information.
7. Access to PHI. BA shall provide access, at the request of CE, and in the time and manner designated by CE, to PHI to CE or, as directed by CE, to an Individual in order to meet the requirements under 45 CFR §164.524. This provision applies only to PHI received or created by BA pursuant to this Agreement if BA possesses such PHI.
8. Documentation of Disclosures. BA shall document such disclosures of PHI and information related to such disclosures as would be required for CE to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR §164.528.
9. Accounting of Disclosures. BA shall provide to CE, in time and manner designated by CE, information collected in accordance with Section 8 of this Agreement, to permit CE to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 CFR § 164.528. Except in the case of a direct request from an Individual for an accounting related to treatment, payment, or operations disclosures through electronic health records, if the request for an accounting is delivered directly to BA or its agents or subcontractors, if any, BA shall within ten (10) business days of a request notify CE about such request. CE shall either request BA to

provide such information directly to the Individual, or it shall request that the information be immediately forwarded to CE for compilation and distribution to such Individual. In the case of a direct request for an accounting from an Individual related to treatment, payment, or operations disclosures through electronic health records, BA shall provide such accounting to the Individual in accordance with HITECH § 13405(c). BA shall not disclose any PHI unless such disclosure is required by law or is in accordance with this Agreement. BA shall document such disclosures. Notwithstanding anything in the Agreement to the contrary, BA and any agents or subcontractors shall continue to maintain the information required for purposes of complying with this Section for a period of six (6) years after termination of the Agreement.

10. Amendment of PHI. BA shall make any amendment(s) to PHI that the CE directs or agrees to pursuant to 45 CFR § 164.526 at the request of CE or an Individual, and in the time and manner designated by CE. This provision applies only to PHI received or created by BA pursuant to this Agreement if BA possesses such PHI.
11. Internal Practices. BA shall make its internal practices, books and records relating to the use and disclosure of PHI received from CE, or created or received by BA on behalf of CE, available to the CE, or to the Secretary, for purposes of the Secretary determining CE's compliance with the HIPAA Rules.
12. Security of e-PHI. If BA creates, receives, maintains or transmits e-PHI at any time during the term of this agreement, BA agrees to appropriately safeguard the e-PHI as follows:
 - a. **Safeguards.** Develop, implement, maintain, and use appropriate safeguards to prevent any use or disclosure of the PHI or e-PHI other than as provided by this Agreement, and to implement administrative, physical, and technical safeguards as required by §164.308, 164.310, 164.312 and 164.316 and HITECH to protect the confidentiality, integrity, and availability of e-PHI or PHI that BA creates, receives, maintains, or transmits, in the same manner that such sections apply to the CE. *See HITECH § 13401;*
 - b. **Agents.** BA will ensure that any agent, including a subcontractor, to whom it provides e-PHI agrees to implement reasonable and appropriate safeguards to protect it; and
 - c. **Reporting.** BA will report to CE any Security Incident, of which BA becomes aware.
13. BA shall comply with any additional requirements of Title XIII of HITECH that relate to privacy and security and that are made applicable with respect to covered entities. *See HITECH § 13401.*
14. BA shall adopt the technology and methodology standards required in any guidance issued by the Secretary pursuant to HITECH §§ 13401-13402.
15. BA shall mitigate any harmful effect that is known to BA of a use or disclosure of PHI by BA in violation of the requirements of this Agreement and notify CE of any breach of Unsecured PHI, as required under HITECH § 13402.
16. In the case of a breach of Unsecured PHI, the BA shall, promptly following the discovery of a breach of such information, notify CE of such breach. The notice shall include the identification of each individual whose Unsecured PHI has been, or is reasonably believed by the BA to have been, accessed, acquired, or disclosed during the breach.
17. BA shall be solely responsible for the cost of the required reporting, notification or mitigation associated with BA's breach of Unsecured PHI. Further, BA shall reimburse CE for any costs CE incurs as a result of assisting BA with BA's requirements as a result of a breach of Unsecured PHI.

18. BA shall enter into an agreement with each of its subcontractors pursuant to 45 CFR § 164.308(b)(1) and HITECH § 13401 that is appropriate and sufficient to require each such subcontractor to protect PHI to the same extent required by BA hereunder.
19. BA shall along with its agents or subcontractors, if any, only request, use and disclose the minimum amount of PHI necessary to accomplish the purpose of the request, use or disclosure. BA agrees to comply with the Secretary's guidance on what constitutes "minimum necessary". See HITECH § 13405.
20. BA shall take reasonable steps to cure the breach or end the violation if BA knows of a pattern of activity or practice by CE that constitutes a material breach or violation of CE's obligations under this Agreement. If such steps are unsuccessful within a period of 30 days, BA will either: 1) terminate the Agreement, if feasible; or 2) report the problem to the Secretary. See HITECH § 13404(b).

III. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE

1. Permitted Uses and Disclosures. Except as otherwise limited in this Agreement, BA may use or disclose PHI to perform necessary functions, activities, or services for, or on behalf of CE, provided such use or disclosure would not violate the HIPAA Rules if done by the CE.
2. Use for Management and Administration. Except as otherwise limited in this Agreement, BA may use PHI for the proper management and administration of the BA or to carry out the legal responsibilities of the BA.
3. Disclosure for Management and Administration. Except as otherwise limited in this Agreement, BA may disclose PHI for the proper management and administration of the BA or to carry out the legal responsibilities of the BA, provided that:
 - a. Disclosures are required by law; or
 - b. BA obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and will be used or further disclosed only as required by law or for the purpose for which it was disclosed to the person, and
 - c. The person notifies the BA of any instances of which it is aware in which the confidentiality of the information has been breached.
4. Data Aggregation. Except as otherwise limited in this Agreement, BA may use PHI to provide Data Aggregation services to CE relating to the health care operations of the CE.
5. Report Violations of Law. Except as otherwise limited in this Agreement, BA may use PHI to report violations of law appropriate to federal and state authorities consistent with 45 CFR §164.502(j)(1).

IV. OBLIGATIONS OF COVERED ENTITY

1. Changes in permission. CE shall notify BA of any changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent that such changes may affect BA's use or disclosure of PHI.
2. Notification of Restrictions. CE shall notify BA of any restriction to the use or disclosure of PHI that CE has agreed to or must comply with in accordance with 45 CFR § 164.522 and/or HITECH §13405(a), to the extent that such restriction may affect BA's use or disclosure of PHI.

V. PERMISSIBLE REQUESTS BY COVERED ENTITY

1. Requests by Covered Entity. CE shall not request BA to use or disclose PHI in any manner that would not be permissible under the HIPAA Rules if done by CE.

2. Audits, Inspection and Enforcement. From time to time upon reasonable notice, CE may inspect the facilities, systems, books and records of BA to monitor compliance with this Agreement. BA shall promptly remedy any violation of any term of this Agreement and shall certify the same to CE in writing. The fact that CE inspects, fails to inspect, or has the right to inspect BA's facilities, systems and procedures does not relieve BA of its responsibility to comply with this Agreement, nor does CE's (i) failure to detect or (ii) detection of a violation of any term of this Agreement.

VI. TERM AND TERMINATION

1. Term. The Term of this Agreement shall be effective as of _____, and shall terminate when all of the PHI provided by CE to BA, or created or received by BA on behalf of CE, is destroyed or returned to the CE, or if it is infeasible to return or destroy PHI, protections are extended to such information, in accordance the termination provisions in this Section.
2. Termination for Cause. Upon CE's knowledge of a material breach by BA, CE shall either:
 - a. provide an opportunity for BA to cure the breach or end the violation and if BA does not cure the breach or end the violation within the time specified by CE, terminate this Agreement;
 - b. immediately terminate this Agreement if BA has breached a material term of this Agreement and cure is not possible; or
 - c. report the violation to the Secretary if neither cure of the breach nor termination of this Agreement is feasible.
3. Effect of Termination. Except as provided in paragraph (4) of this section, upon termination of this Agreement, for any reason, BA shall return or destroy all PHI received from CE, or created or received by BA on behalf of CE. This provision shall apply to PHI that is in the possession of subcontractors or agents of BA. BA shall retain no copies of the PHI.
4. Return or Destruction of PHI Not Feasible. In the event that BA determines that returning or destroying PHI is not feasible, BA shall notify CE in writing of the conditions that make return or destruction infeasible. If return or destruction of the PHI is infeasible, BA shall extend the protections of this Agreement to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as BA maintains such PHI.

VII. MISCELLANEOUS

1. Regulatory References. A reference in this Agreement to a section in the HIPAA Rules and HITECH means the section as in effect or as amended, and for which compliance is required.
2. Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time for CE to comply with the requirements of the HIPAA Rules.
3. Survival. The respective rights and obligations of BA under Section VI.3. and VI.4. of this Agreement shall survive the termination of this Agreement.
4. Interpretation. This Agreement shall be interpreted as broadly as necessary to implement and comply with the HIPAA Rules and applicable state laws. The parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that permits CE to comply with the HIPAA Rules and applicable state laws.
5. Assistance in Litigation or Administrative Proceedings. BA shall make itself, and any subcontractors, employees or agents assisting BA in the performance of its obligations under this Agreement, available to CE, at no cost to CE, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against CE, its directors, officers or employees based upon claimed violation of the Privacy Rule, except where BA or its subcontractor, employee or agent is a named adverse party.

IN WITNESS WHEREOF, the parties have executed this Business Associate Agreement on the
dates set forth with their respective signatures, below.

Dated: _____, 20__

By: _____

[Printed Name]

Its: Title

[Name of Business Associate]

Dated: _____, 20__

By: _____

[Printed Name]

Its: [Title]

EXHIBIT C

FORM AREA DEVELOPMENT AGREEMENT

NEXT HEALTH FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT

Developer: _____

Development Area: _____



**AREA DEVELOPMENT AGREEMENT
DATA SHEET**

1. **Effective Date of Agreement:** _____

2. **Developer.**

Name:	
Address:	
Attention:	
Email Address:	
Phone:	
Type of Entity:	
Date of Formation:	
State of Formation:	

3. **Developer Owners.**

Name	Address	Type of Interest	Percentage Held

4. **Development Fee.** [50% of the initial franchise fee payable under each Franchise Agreement that is to be executed pursuant to the Agreement.]

5. **Development Area.**

The geographic area within _____, as depicted on the following map:

[insert map]

If the Development Area is identified by counties or other political subdivisions, political boundaries will be considered fixed as of the date of the Agreement and will not change, notwithstanding a political reorganization or change to the boundaries or regions.

6. **Development Schedule.**

<u>Development Period</u>	Leases Executed During Development Period*	Leases Executed by End of Development Period*	NextHealth Centers Opened During Development Period	NextHealth Centers Operating by End of Development Period
_____ to _____	_____	_____	_____	_____
_____ to _____	_____	_____	_____	_____
_____ to _____	_____	_____	_____	_____
_____ to _____	_____	_____	_____	_____
_____ to _____	_____	_____	_____	_____

* To satisfy this requirement, we must have received, by the end of the Development Period, a fully executed (by all parties) copy of the Lease (together with all exhibits) that we have approved in accordance with the applicable Franchise Agreement.

7. **Additional Terms or Modifications to The Agreement.** The following terms, if any, supplement or amend the provisions of the Area Development Agreement Terms attached hereto and will control in the event of any conflicts:

[insert as applicable]

8. **Acknowledgement and Acceptance of Agreement.** By signing below, you represent and warrant to us that the information contained in this Data Sheet is true and correct. The parties, intending to be legally bound, accept and agree that this Data Sheet and the accompanying Area Development Terms (together, the “**Agreement**”) describe their respective rights and obligations, and each agrees to be bound thereto and to perform as set forth therein.

NEXT HEALTH FRANCHISING LLC, a
Delaware limited liability company

DEVELOPER:

[Name]

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

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



AREA DEVELOPMENT AGREEMENT TERMS

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ATTACHMENTS

ATTACHMENT A Guaranty and Assumption of Obligations



AREA DEVELOPMENT AGREEMENT TERMS

The following Area Development Agreement Terms (these “**Terms**”) form an integral part of the Agreement between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company having its address at 955 Carrillo Dr. Suite 100 Los Angeles, California 90048 (“**us**”) and the party signing the attached Data Sheet as the “Developer” (“**you**”).

1. PREAMBLES.

A. BACKGROUND.

We grant franchises for the development, ownership and operation of businesses that are currently identified by the trademark “NextHealth®” and other related trademarks and service marks (together, with such other trademarks, service marks, trade names, and commercial symbols we periodically designate, the “**Marks**”) and that provide certain nonmedical services and provide or facilitate the provision of health, wellness, medical, aesthetic and related services, products and treatments with the goal of promoting health optimization and longevity (each a “**NextHealth Center**”). NextHealth Centers are developed and operated using certain specified business formats, methods, procedures, designs, layouts, standards, and specifications, each of which we may replace, further develop, or otherwise modify or discontinue from time to time (collectively, the “**System**”).

Based on your own investigation and diligence, you have requested that we grant you the right to acquire multiple franchises (each a “**Franchise**”) for the development and operation of NextHealth Centers (the “**Development Rights**”) and, to support your request, you and, as applicable, your owners have provided us with certain information about your and their background, experience, skills, financial condition and resources (collectively, the “**Application Materials**”). In reliance on, among other things, the Application Materials, we are willing to grant you the Development Rights on the terms and conditions contained in the Agreement. NextHealth Centers that you or your Affiliates own pursuant to Franchise Agreements and signed pursuant to the Agreement are referred to as the “**Centers**.”

B. BUSINESS ENTITY.

If you are a business organization such as a corporation, limited liability company or partnership (a “**Business Entity**”), you agree, represent and warrant to us that: (1) you were validly formed and are and in each jurisdiction included in the Development Area you will maintain, throughout the Term (defined below), your existence and good standing under the laws of the state of your formation and remain qualified to conduct business in the state in which you operate your Center; (2) the attached Data Sheet accurately reflects information regarding all of your owners and their interests in you as of the Effective Date; (3) each of your owners that has direct or indirect ownership interests in you (each a “**Owner**”) will sign and deliver to us our then-standard form of Guaranty and Assumption of Obligations (the “**Guaranty**”); (4) you will designate, subject to our approval, one of your Owners who is a natural person and who will have the authority of a chief executive officer who is and will be authorized, on your behalf, to deal with us in all matters that arise in respect of your (or your approved Affiliates’) Centers; (5) the only business that you will own or operate during the Term will be the activities described in the Agreement and the ownership

and operation of any Centers pursuant to franchise agreements with us; and (6) at our request, you will furnish us with true and correct copies of all documents regarding your formation, existence, standing, and governance. Our current form of Guaranty is attached hereto as Attachment A. The non-owner spouse of each guarantor must also sign the Guaranty in the capacity and for the purposes reflected in the Guaranty.

C. **YOUR LIQUIDITY.**

We have granted the Development Rights to you based, in part, on your representations to us regarding, and our assessment of, your liquidity as of the Effective Date. You will ensure that, throughout the Term, you will maintain sufficient liquidity to meet your obligations under the Agreement. We reserve the right to establish and modify specific liquidity thresholds from time to time, and you agree to comply with such minimum liquidity requirements that we reasonably impose.

2. **THE DEVELOPMENT RIGHTS.**

A. **GRANT.**

We hereby grant you the Development Rights, which must be exercised in strict compliance with these Terms. The Development Rights may be exercised from the Effective Date and, unless sooner terminated as provided herein, continuing through the earlier of (1) the date on which the last Center which is required to be opened in order to satisfy the Development Schedule shown on the attached Data Sheet (the “**Development Schedule**”) opens for regular business or (2) the last day of the last Development Period (defined below) (the “**Term**”). You accept the grant of the Development Rights and agree to, at all times, faithfully, honestly, and diligently perform your obligations under the Agreement and fully exploit the Development Rights during the Term and throughout the entire Development Area identified on the attached Data Sheet (the “**Development Area**”). You must perform all of your obligations under the Agreement, and you may not subcontract or delegate any of those obligations to any third parties.

B. **DEVELOPMENT AREA AND RESERVATION OF RIGHTS.**

The Development Rights may only be exercised with respect to NextHealth Centers to be located in the Development Area. As long as you are in compliance with these Terms and except as described below, we will not operate, or grant a license to a third-party to operate, during the Term, to operate a NextHealth Center located within the Development Area, or grant Development Rights to anyone else to develop NextHealth Centers within your Development Area.

Notwithstanding the foregoing, we and our Affiliates have and retain all rights within and outside the Development Area that are not expressly and exclusively granted to you under the Agreement and the right to do anything that we have not, in the Agreement, expressly agreed not to do, including the right to do and to authorize others to do the following:

- (1) own and operate, and license others to own and operate, any business (including NextHealth Centers) using the System Standards (as defined in Section 2.D) and the Marks, at any location outside the Development Area on such terms and conditions we deem appropriate;
- (2) develop or become associated with other businesses, including other health and wellness concepts and systems, and/or award franchises under such other concepts for locations anywhere, including inside and outside of the Development Area;

- (3) acquire, be acquired by, merge or affiliate with, or engage in any transaction with other businesses (whether or not competitive) located anywhere and (i) convert the other businesses to NextHealth Centers, and/or (ii) permit the other businesses to continue to operate under another name;
- (4) market, offer and sell products and services similar to those offered by NextHealth Centers under a trademark or trademarks other than the Marks at any location, both within and outside the Development Area;
- (5) market and sell, and grant to others the right to market and sell, products and services that are authorized for sale at NextHealth Centers through alternative channels of distribution (like mail order, e-commerce and catalog sales, and product lines in other businesses) using the Marks or other trademarks and commercial symbols; and
- (6) open and operate, or license third parties the right to open or operate, Special Venue Locations at both within and outside the Development Area. **“Special Venue Locations”** are NextHealth Centers located in transportation facilities (such as airports, train stations, etc.), sports arenas, entertainment facilities, and any captive location whose retail operations is controlled by a third party or in our judgment should be operated by a third party.

C. **DEVELOPMENT SCHEDULE.**

Each period described in the Development Schedule is a **“Development Period.”** You or your approved Affiliates must deliver to us a fully executed lease (or otherwise secure possession of the premises), and open and operate Centers in the Development Area, each pursuant to a written franchise agreement and related agreements signed by us and a franchisee (each a **“Franchise Agreement”**), as necessary to satisfy the requirements of each Development Period, but you shall not be required to open, in total, more than the cumulative number of Centers shown for the last Development Period. The Development Schedule is not our representation, express or implied, that the Development Area can support, or that there are or will be sufficient sites for, the number of Centers specified in the Development Schedule or during any particular Development Period. We are relying on your knowledge and expertise of the Development Area and your representation that you have conducted your own independent investigation and have determined that you can satisfy the development obligations under each Development Period of the Development Schedule.

D. **LOCATING PREMISES FOR CENTERS.**

Despite any assistance we may provide, you are entirely responsible for locating and presenting to us proposed premises for Centers in the Development Area as necessary to comply with the Development Schedule (**“Premises”**). You agree to give us all information and materials we request to assess each proposed Premises as well as your and your proposed Affiliate’s financial and operational ability to develop and operate a Center at the proposed Premises. We have the absolute right to reject any proposed premises or any Affiliate (a) that does not meet our criteria or (b) if you or your Affiliates are not then in compliance with any existing Franchise Agreements executed pursuant to the Agreement or operating your or their Centers in compliance with the mandatory specifications, standards, operating procedures and rules that we periodically prescribe for operating Centers (the **“System Standards”**). If we accept a proposed Premises, you or your approved Affiliate must sign a separate Franchise Agreement for the Premises within 15 days after we provide you with an execution copy of the Franchise Agreement, failing which, we may withdraw our acceptance.

E. **EXECUTION OF FRANCHISE AGREEMENTS.**

Simultaneously with signing the Agreement, you or an Affiliate we approve must sign and deliver to us a Franchise Agreement and related documents representing the first Franchise you are obligated to acquire under the Agreement. You or your approved Affiliate must thereafter open and operate a Center according to the terms of that Franchise Agreement. Thereafter, once we have accepted a Premises, and prior to signing a lease or to otherwise securing possession of the Premises, you or an Affiliate we approve must sign our then-current form of Franchise Agreement and related documents, the terms of which may differ substantially from the terms contained in the form of Franchise Agreement we are using to grant Franchises on the Effective Date. Each Franchise Agreement will govern the development and operation of the Center at the accepted Premises identified therein.

F. **NO LICENSE TO THE MARKS.**

Notwithstanding any provision to the contrary under the Agreement, the Agreement does not grant you (or any of your Affiliates) any right to use the Marks. The right to use the Marks is granted only under Franchise Agreements. You (and your Affiliates) may not use any Mark as part of any corporate or trade name or as your (or their) primary business name or with any prefix, suffix or other modifying words, terms, designs, symbols or in any modified forms.

3. **DEVELOPMENT FEE.**

In addition to paying the Initial Franchise Fee due under the first Franchise Agreement referenced in Section 2.C, you must pay us, on your execution of the Agreement and in consideration of the grant of the Development Rights, a nonrecurring and nonrefundable Development Fee as shown on the attached Data Sheet (the “**Development Fee**”). We will apply the Development Fee as a credit against the initial franchise fee due under each Franchise Agreement which you or your Affiliates execute pursuant to the Agreement, subject to a maximum credit under any Franchise Agreement equal to 50% of the initial franchise fee payable under such Franchise Agreement and a maximum credit for all such Franchise Agreements, in the aggregate, equal to the total Development Fee.

4. **RECORDS AND REPORTING REQUIREMENTS.**

You agree, during the Term, to maintain records regarding your activities in connection with the exercise of the Development Rights and to provide us with the following records and reports:

- (1) within 10 days after the end of each month during the Term, you must send us a report of your business activities during that month, including information about your efforts to find sites for Centers in the Development Area and the status of development and projected opening for each Center under development in the Development Area;
- (2) within 30 days after the end of each calendar quarter, you must provide us with a balance sheet and profit and loss statement (using our standard chart of accounts) for you and your Affiliates covering that quarter and the year-to-date, and an updated balance sheet for each person or entity signing the Guaranty; and
- (3) such other data, reports, information, financial statements, and supporting records as we reasonably request from time to time.

5. **TRANSFER.**

A. **BY US.**

We have the right to delegate the performance of any portion or all of our rights and obligations under the Agreement to third-party designees. You represent that you have not signed the Agreement in reliance on any particular person or entity remaining with us in any capacity. We may change our ownership or form or assign the Agreement and any other agreement to a third party without restriction.

B. **BY YOU OR YOUR OWNERS.**

Your rights and duties under the Agreement are personal to you (or your owners if you are a Business Entity), and we have granted you the Development Rights in reliance upon our assessment of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither you nor any of your owners, nor any of your or their permitted successors or assigns, may sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise dispose of or encumber the Agreement (or any direct or indirect interest in the Agreement), the Development Rights, or any direct or indirect ownership interest in you (regardless of its size) (each, a "**Transfer**"), without our prior written consent. Any Transfer without our prior written approval is a material breach of the Agreement and has no effect.

If you intend to list your Development Rights for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement and any advertising materials. You may not use any Mark in advertising the transfer or sale of your Development Rights or of any ownership in you without our prior written consent.

C. **CONDITIONS FOR APPROVAL OF TRANSFER.**

We may consider, and you will provide or assist us in compiling, any information we deem necessary or appropriate in connection with our assessment of a proposed Transfer. If we elect to approve a proposed Transfer, we may, at our discretion, condition our approval in any manner we deem necessary and appropriate to protect the NextHealth brand and our interests in the System and the Agreement, including any of the following (each of which you agree is reasonable):

- (1) you and any person or entity obligated under the Agreement or Guaranty must be in compliance with your or its obligations;
- (2) you and the proposed transferee and its owners (if the transferee is a Business Entity) must provide all information and documents we request regarding the Transfer and the proposed transferee and its owners or Affiliates;
- (3) you must provide us with executed versions of any relevant documents to effect the Transfer, and all other information we request about the proposed Transfer;
- (4) if you or the transferor offer the transferee financing for any part of the purchase price, all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Development Rights must be subordinate to the transferee's obligation to pay all amounts due to us, our Affiliates, and third party vendors and otherwise agree to comply with the Agreement (or any applicable Franchise Agreement with us);

- (5) you (and your owner(s)) must sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees and agents;
- (6) you (and your transferring owner(s)) (and your or their immediate family members) must sign a non-competition covenant in favor of us, commencing on the effective date of the Transfer and consistent with the post-term non-competition obligations contained in the most recent Franchise Agreement that you or your Affiliates have signed with us;
- (7) you must pay all amounts owed to us, our Affiliates, and third-party vendors and must have submitted all required reports and statements under the Agreement and any Franchise Agreement with us;
- (8) you and your owners must not have violated any provision of the Agreement or any other agreement with us or our Affiliates during both the 60-day period before you requested our consent to the Transfer and the period between your request and the effective date of the Transfer;
- (9) the transferee, at our request, must sign our then-current form of area development agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in the Agreement;
- (10) you must pay or cause to be paid to us a Transfer fee in an amount equal to twenty thousand dollars (\$20,000); and
- (11) the Transfer of the Agreement must not be made separate and apart from the Transfer to the same transferee of all Franchise Agreements that were signed pursuant to the Agreement.

D. EFFECT OF CONSENT TO TRANSFER.

Our consent to a Transfer is not a representation of the fairness of the terms of any contract between you and the transferee 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 full compliance by you and the transferee with the Agreement.

E. PUBLIC OR PRIVATE OFFERINGS.

Written information used to raise or secure funds can reflect upon us and the System. You agree to submit any written information intended to be used for that purpose to us before inclusion in any registration statement, prospectus or similar offering memorandum. Should we object to any reference to us or our Affiliates or any of our business in the offering literature or prospectus, the literature or prospectus shall not be used until our objections are addressed to our satisfaction or withdrawn. You may not engage in a public offering of securities without our prior written consent.

F. OUR RIGHT OF FIRST REFUSAL.

If you (or any of your owners) desire to engage in a Transfer, 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, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in the Agreement and your Development Rights. 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. To be a valid, bona fide offer, the entire proposed purchase price must be in a dollar amount, and the proposed buyer must

submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering 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.

Within 30 days after we receive an exact copy of the bona fide offer and all relevant information we request, we may, by written notice delivered to you or your selling owner(s), elect to purchase the interest offered for the price and on the terms and conditions contained in the offer. We may substitute any form of payment proposed in the offer as acceptable consideration. If we exercise our right of first refusal, we will have 30 days from the date we notified you of our intended purchase. You and your owners must 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, and you and your selling owner(s) (and your and their immediate family members) must comply with the obligations regarding Competitive Businesses, as described in the Franchise Agreements executed pursuant to the Agreement, as though such Franchise Agreements had expired on the date of the purchase. 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 5.F.

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 5.B and 5.C above. If you do not complete the sale to the proposed buyer within 60 days after either we notify you that we do not intend to exercise our right of first refusal or the time our exercise expires, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the 30-day period following either the expiration of the 60-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.

6. TERMINATION OF AGREEMENT.

A. BY YOU.

If you and your owners are fully complying with the Agreement and we materially fail to comply with the Agreement and do not correct the failure within 30 days after you deliver written notice of the material failure to us or if we cannot correct the failure within 30 days and we fail to give you within 30 days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate the Agreement effective an additional 30 days after you deliver to us written notice of termination. Your termination of the Agreement other than according to this Section 6.A. will be deemed a termination without cause and a breach of the Agreement.

B. BY US.

We may terminate the Agreement, effective upon delivery of written notice to you, if:

- (1) you (or any of your owners) have made or make any material misrepresentation or omission in the Application Materials;
- (2) you fail to comply with the Development Schedule or fail to make progress in the development of Centers to indicate, in our determination, that you will not be able to satisfy your development obligations under the Agreement for the then-current Development Period;

- (3) you (or any of your owners) make or attempt to make a Transfer without complying with the requirements of Section 5;
- (4) you (or any of your owners) (a) fail on three (3) or more separate occasions within any 12 consecutive month period to comply with any provision of the Agreement or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under the Agreement, in either case, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;
- (5) you (or any of your owners) file a petition in bankruptcy or a petition in bankruptcy is filed against you; you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; any of your or your Affiliates' Centers are attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of your or your Affiliates' Centers are not vacated within 30 days following the order's entry;
- (6) you (or any of your owners) fail to comply with anti-terrorism laws, ordinances, regulations and Executive Orders;
- (7) you (or any of your owners) fail to comply with any other provision of the Agreement and do not correct the failure within 30 days after we deliver written notice of the failure to you;
- (8) you or a Guarantor or an Affiliate fails to comply with any other agreement with us or our Affiliate, including any Franchise Agreement, unless the failure is timely and completely cured within any cure period provided under the applicable agreement); or
- (9) you (or any of your owners) engage in any conduct which, in our opinion, adversely affects the reputation of any NextHealth Centers or the goodwill associated with the Marks.

7. RIGHTS AND OBLIGATIONS ON TERMINATION OR EXPIRATION OF THE AGREEMENT.

A. YOUR OBLIGATIONS.

You and, as applicable, your owners and all such other persons or Business Entities who are bound under the terms of the Agreement must immediately upon the expiration or termination of the Agreement, cease to directly or indirectly exercise or attempt to exercise any of the rights granted to you under the Agreement, comply with all obligations that either expressly survive or by their nature are intended to survive the expiration or termination of the Agreement, and refrain from interfering or attempting to interfere with our or our Affiliates' relationships with any vendors, franchisees or consultants or engage in any other activity which might injure the goodwill of the Marks or the System.

B. CONTINUING OBLIGATIONS.

All of our and your (and your owners') obligations which expressly or by their nature survive the 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, including, without limitation, all obligations relating to indemnification.

8. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

A. INDEPENDENT CONTRACTORS.

The Agreement does not create a fiduciary relationship between you and us. You and we are and will be independent contractors, and nothing in the 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, vendors, public officials, your personnel, and others as the owner of your business under a franchise we have granted and to place notices of independent ownership on the business cards, advertising, and other materials we periodically require.

You also acknowledge that you will have a contractual relationship only with us and may look only to us to perform under the Agreement. None of our Affiliates is a party to the Agreement and has no obligations under it. However, our Affiliate who is the owner of the Marks, you and we agree that such Affiliate will be a third-party beneficiary of those provisions in the Agreement relating to use of the Marks, with the independent right to enforce such provisions against you and to seek damages from you for your failure to comply with those provisions.

B. INDEMNIFICATION.

You agree to indemnify, defend, and hold harmless us, our Affiliates, and our and their respective owners, managers, directors, officers, employees, agents, successors, and assignees (the “**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 operation of the business you conduct under the Agreement, or your breach of the Agreement, including, without limitation, those alleged to be caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party’s intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. 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’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense (including choosing and retaining its own legal counsel) and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding the Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8.B.

9. ENFORCEMENT.

A. ARBITRATION.

We and you agree that all controversies, disputes, or claims between us or any of our Affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related

to: (1) the Agreement or any other agreement between you (or any of your owners) and us (or any of our Affiliates); (2) our relationship with you; (3) the scope or validity of the Agreement or any other agreement between you (or any of your owners) and us (or any of our Affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standards, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our or, as applicable, our successor’s or assign’s then current principal place of business (currently, Los Angeles, California). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator’s awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including, without limitation, money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our Affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys’ fees and costs.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party 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. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING, (III) JOINED WITH ANY SEPARATE CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of the Agreement.

We and you agree that, in any arbitration arising as described herein, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case’s outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as “all documents directly or indirectly

related to.” You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

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

Any provisions of the Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

B. GOVERNING LAW.

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 United States federal law, the Agreement, the franchise and all claims arising from the relationship between us and you will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules, except that (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) the enforceability of those provisions of the Agreement which relate to restrictions on you and your owners’ competitive activities will be governed by the laws of the state in which your Development Area is located.

C. CONSENT TO JURISDICTION.

Subject to the obligation to arbitrate under Section 9.A above and the provisions below, you and your owners agree that all actions arising under the Agreement or otherwise as a result of the relationship between you and us must be commenced in the court nearest to our or, as applicable, our successor’s or assign’s then current principal place of business (currently, Los Angeles, California), and you (and each owner) irrevocably submit to the jurisdiction of that court and waive any objection you (or the owner) might have to either the jurisdiction of or venue in that court.

D. WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR, AND JURY TRIAL.

Except for your obligation to indemnify us for third party claims under Section 8.B, we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other 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 AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT BY EITHER OF US.

E. **INJUNCTIVE RELIEF.**

Nothing in the Agreement, including the provisions of Section 9.A, bars our right to obtain specific performance of the provisions of the Agreement and injunctive relief against any threatened or actual conduct that will cause us, the Marks, or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us 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).

F. **COSTS AND ATTORNEYS' FEES.**

The prevailing party in any judicial or arbitration proceeding shall be entitled to recover from the other party all damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such proceeding.

G. **LIMITATIONS OF CLAIMS.**

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THE AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THE AGREEMENT WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. 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 and our Affiliates' members, managers, shareholders, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between us or our Affiliates and you or your owners.

No previous course of dealing shall be admissible to explain, modify, or contradict the terms of the Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of the Agreement.

10. **MISCELLANEOUS.**

A. **BINDING EFFECT.**

The 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 System Standards, the Agreement may not be modified except by a written agreement signed by our and your duly-authorized officers.

B. **RIGHTS OF PARTIES ARE CUMULATIVE.**

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

C. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.

Except as expressly provided to the contrary in the Agreement, each section, paragraph, term, and provision of the 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 the Agreement, which will continue to have full force and effect and bind the parties.

If any applicable and binding law or rule of any jurisdiction requires more notice than the Agreement requires of the Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that the Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of the Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of the 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 the Agreement, as though it were separately articulated in and made a part of the Agreement.

D. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under the 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 10 days' prior written notice.

We and you will not waive or impair any right, power, or option the Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate the Agreement before its term expires) because of any custom or practice at variance with the Agreement's terms; our or your failure, refusal, or neglect to exercise any right under the Agreement or to insist upon the other's compliance with the 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.

E. THE EXERCISE OF OUR JUDGMENT.

We have the right to operate, develop, and change the System in any manner that is not specifically prohibited by the Agreement. Whenever we have reserved in the Agreement a right to take or to withhold an action, to grant or decline to grant you a right to take or withhold an action, or to provide or withhold approval or consent, we may, except as otherwise specifically provided in the Agreement, make our decision or exercise our rights in our sole and unfettered discretion.

F. CONSTRUCTION.

The preambles and exhibits are a part of the Agreement, which together with the Agreement constitute our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of the Agreement, the franchise relationship, or your Development Rights (any understandings or agreements reached, or any representations made, before the Agreement are superseded by the Agreement). Any

policies that we periodically adopt and implement to guide us in our decision-making are subject to change, are not a part of the Agreement, and are not binding on us. Except as provided in Section 8.B, nothing in the Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to the Agreement. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

Except where the 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 construe the contents of these sections or paragraphs.

References in the Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under the Agreement, include any of our Affiliates 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. “Including” means “including, without limitation.”

If two or more persons are at any time the owners of the Development Rights, 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 the Agreement and your Development Rights or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), the Agreement, the Franchise, or your Development Rights 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. References to an “ownership interest” in you or one of your owners (if a Business Entity) mean the percent of the voting shares or other voting rights that results from dividing 100% of the ownership interests by the number of owners. “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.

The following provision applies if you or the Development Rights granted hereby are subject to the franchise registration or disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

G. NO WARRANTY OR REPRESENTATION.

We and our agents, Affiliates, officers, directors, managers, owners, employees and other representatives have not made or given to you any warranties, representations, undertakings, commitments, covenants or guarantees respecting the subject matter of the Agreement except as expressly stated in the Agreement, and specifically without limiting the generality of the foregoing, you hereby acknowledge and agree that we and our agents, Affiliates, officers, directors, managers, owners, employees and other representatives have not made or given any warranty, representation, undertaking, commitment, covenant

or guarantee in respect of sales or profit to be derived or costs or expenses to be incurred by you and that you are not relying upon any warranties, representations, undertakings, commitments, covenants or guarantees of us and our officers, directors, shareholders, employees and other representatives except as provided in the Agreement.

H. **NOTICES.**

All notices, consents, approvals, statements, documents or other communications required or permitted to be given hereunder must be in writing, and will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand, (ii) at the time delivered via computer transmission and, in the case of amounts due, at the time we actually receive electronic payment, or (iii) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery. Your and our current notice addresses are shown on the attached Data Sheet and these Terms. Any notice must be sent to you at the address shown on the attached Data Sheet and to us at the address shown in the opening paragraph of these Terms, attention: President, or to the most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of any of your Centers. Any required payment or report which we do not actually receive during regular business hours on the date due will be deemed delinquent.

I. **COUNTERPARTS.**

The Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed and delivered the Agreement on the dates noted below, to be effective as of the Effective Date.

**NEXT HEALTH FRANCHISING LLC, a
Delaware limited liability company**

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

DEVELOPER:

[Name]

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

**ATTACHMENT A
TO AREA DEVELOPMENT AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given by each of the undersigned persons indicated below who have executed this Guaranty (each a “**Guarantor**”) to be effective as of the Effective Date of the Agreement (defined below).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (as amended, modified, restated or supplemented from time to time, the “**Agreement**”) on this date by **NEXT HEALTH FRANCHISING LLC** (“**we**” or “**our**”), each Guarantor personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ (“**Developer**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for each and every provision in the Agreement that sets out an obligation of the Developer, including both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each Guarantor consents and agrees that: (1) Guarantor’s direct and immediate liability under this Guaranty will be joint and several, both with Developer and among other guarantors; (2) Guarantor will render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Developer 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 Developer or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) at our request, each Guarantor shall present updated financial information to us as reasonably necessary to demonstrate such Guarantor’s ability to satisfy the financial obligations of Developer under the Agreement.

Each Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Developer arising as a result of the Guarantor’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of Guarantor’s 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.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

The provisions contained in Section 9 (Enforcement) of the Agreement, including Section 9.A (Arbitration), Section 9.C (Consent to Jurisdiction) and Section 9.F (Costs and Attorneys’ Fees) of the Agreement are incorporated into this Guaranty by reference and shall govern this Guaranty and any disputes between the Guarantors and us. The Guarantors shall reimburse us for all costs and expenses we incur in connection with enforcing the terms of this Guaranty.

By signing below, the undersigned spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, without limitation, to bind the spouse's own separate property).

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Developer (or any of its Affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as this Guaranty and Assumption of Obligations was executed.

GUARANTOR(S)	SPOUSE(S)
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____

EXHIBIT D
LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF FRANCHISEES AS OF DECEMBER 31, 2022

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

None.

LIST OF FORMER FRANCHISEES AS OF DECEMBER 31, 2022

Former franchisees who have had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement and franchisees that have not communicated with us within 10 weeks of the issuance date of this disclosure document.

None.

EXHIBIT E
FINANCIAL STATEMENTS



cohn
handler
sturm
an accountancy corporation

NextHealth Franchising LLC

INDEPENDENT AUDITOR REPORT

Ravi Sadasivaiah
11620 Wilshire Boulevard, Suite 875
Los Angeles, CA 90025

INDEPENDENT AUDITOR REPORT

Cohn Handler Sturm
11620 Wilshire Boulevard, Suite 875
Los Angeles, CA 90025

NextHealth Franchising, LLC

August 14, 2023

Opinion

We have audited the financial statement of NextHealth Franchising, LLC (the "Company"), which comprise the balance sheet as of August 14, 2023 and the related notes to the balance sheet.

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of the Company as of August 14, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We conducted our audit in accordance with the standards of auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Balance Sheet Statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Balance Sheet Statement.

We believe that our audit provides a reasonable basis for our opinion.

Responsibilities of Management for the Balance Sheet

Management is responsible for the preparation and fair presentation of the balance sheet 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 the balance sheet that is free from material misstatement, whether due to fraud or error.

In preparing the balance sheet, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the balance sheet is issued or available to be issued.

Auditor's Responsibilities for the Audit of the Balance Sheet

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

INDEPENDENT AUDITOR REPORT

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

To the Member

NextHealth Franchising, LLC

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 balance sheet, 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 statement.
- 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 the Company'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 balance sheet.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period.

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.

Cohn Handler Sturm

By:

Date: August 14, 2023

INDEPENDENT AUDITOR REPORT

NEXTHEALTH FRANCHISING, LLC

BALANCE SHEET

AUGUST 14, 2023

ASSETS – BANK	\$100,000
LIABILITIES AND MEMBER'S EQUITY	
LIABILITIES	\$ -
MEMBER'S EQUITY	100,000
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$100,000

NextHealth Franchising, LLC

Notes to Balance Sheet
August 14, 2023

Note 1 - Nature of Business

NextHealth Franchising, LLC (the "Company") is a limited liability company organized in the state of Delaware. The Company is engaged in franchising Health and Wellness locations. The Company operates under the name Next Health Franchising, LLC. Under a licensing agreement with NextHealth Management Group Inc., The Company has the nonexclusive, royalty-free right to use the Licensed IP Assets, as defined under the licensing agreement, in connection with its operations. As of August 14, 2023, the Company had not signed any franchise agreements.

Note 2 - Significant Accounting Policies

Basis of Presentation

The balance sheet of the Company has been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the balance sheet. Actual results could differ from those estimates.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. Members are taxed individually on their pro rata ownership share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement.

Subsequent Events

The balance sheet and related disclosures include evaluation of events up through and including August 14, 2023, which is the date the balance sheet was available to be issued.

Note 3 - Member's Equity

The Company was formed through a contribution of equity from its sole member in the amount of \$100,000.

EXHIBIT F
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TABLE OF CONTENTS TO OPERATIONS MANUAL

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EXHIBIT G

SAMPLE GENERAL RELEASE

NEXT HEALTH FRANCHISING LLC

GRANT OF FRANCHISOR CONSENT AND RELEASE

NEXT HEALTH FRANCHISING LLC (“we,” “us,” or “our”) and the undersigned franchisee (“you” or “your”), currently are parties to a certain franchise agreement (the “**Franchise Agreement**”) dated _____, 20____ (the “**Agreement**”). You have asked us to take the following action or to agree to the following request: _____

_____. We have the right under the Agreement to obtain a general release from you and your owners as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, managers, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our current and former officers, directors, owners, managers, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “Released Parties”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Released Parties, including without limitation, (1) arising out of or related to the Released Parties’ obligations under the Agreement, (2) your development, ownership, or operation of any NextHealth Center, and (3) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Released Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Released Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

IF THE FRANCHISE YOU OPERATE UNDER THE AGREEMENT IS LOCATED IN CALIFORNIA OR ANY OF THE RELEASING PARTIES IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING 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 YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH

CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE 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 THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT 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 franchise you operate under the Agreement is located in Maryland or if any of the Releasing Parties is a resident of Maryland, the following shall apply:

Any general release provided hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

If the franchise you operate under the Agreement is located in Washington or if any of the Releasing Parties is a resident of Washington, the following shall apply:

Any general release provided hereunder shall not apply to any liability under the Washington Franchise Investment Protection Act.

We also are entitled to release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant us the release and covenant not to sue provided above.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date stated below.

NEXT HEALTH FRANCHISING LLC

By: _____

Name: _____

Title: _____

Dated: _____

FRANCHISEE:

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

By: _____

Name: _____

Title: _____

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY; AND/OR ALL
FRANCHISEE OWNERS):**

Signature

Print Name

Signature

Print Name

EXHIBIT H
STATE RIDERS AND ADDENDA

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
NEXT HEALTH FRANCHISING LLC**

The following are additional disclosures for the Franchise Disclosure Document of Next Health Franchising LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

FOR THE FOLLOWING STATES: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

CALIFORNIA

1. 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.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR AREA DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT.

3. OUR WEBSITE, www.next-health.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

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

Neither we, our parent, predecessor or affiliates nor any person 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. Sections 78a *et seq.*, suspending or expelling such persons from membership in that association or exchange.

5. The following sentence is added to the end of Item 6:

The highest rate of interest allowed by California law is 10% annually.

6. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee and area developers concerning termination, transfer or nonrenewal of a franchise. If the Area Development Agreement or Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Area Development Agreement and Franchise Agreement contain a covenant not to compete that extends beyond termination of the franchise. These provisions might not be enforceable under California law.

The Area Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement requires application of the laws of the State of Delaware. This provision might not be enforceable under California law.

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

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

Under the Franchise Agreement, we reserve the right to require that franchisees comply with maximum and minimum prices we set for goods and services. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the California's Cartwright Act (Cal. Bus. and Prof. Code §§ 16700 to 16770).

ILLINOIS

1. The following is added to the end of Item 5 and Item 7:

Pursuant to an order of the Illinois Attorney General's Office, imposed based on our financial condition, we will defer collection of the Initial Franchise Fee and/or Development Fee and all other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Area Development Agreement or Franchise Agreement and you begin operating your Center.

2. The following paragraphs are added to the end of Item 17:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

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

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

Your rights upon termination and non-renewal of a franchise agreement are subject to Sections 19 and 20 of the Illinois Franchise Disclosure Act.

MARYLAND

1. The following is added to the end of Item 5 and Item 7:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the Area Development Agreement opens.

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. The following is added to the end of the "Summary" section of Item 17(h), entitled "'Cause' defined – non-curable defaults:"

The Area Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

4. The following sentence is added to the end of the "Summary" section of Item 17(v), entitled "Choice of forum", and 17(w), entitled "Choice of Law:"

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

MINNESOTA

1. The following is added to the “Remarks” column of the Item 6 line item entitled “Insufficient Funds Service Fee:”

NSF checks and related interest and attorneys’ fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on initial service charges and requires notice and opportunity to cure prior to assessment.

2. The Item 6 line item entitled “Lost Revenue Damages” will not be enforced to the extent prohibited by applicable law.

3. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Area Development Agreement and Franchise Agreement and 180 days’ notice for non-renewal of the Area Development Agreement or Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document, Area Development Agreement or Franchise Agreement can abrogate or reduce any of the Area Development Agent’s or Franchisee’s rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Area Development Agreement or Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS

FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE AREA DEVELOPER OR FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.

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

With regard to us, our parent, predecessor or affiliate, the persons identified in Item 2, or any affiliate offering franchises under our principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

None of the franchisor, its affiliates, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

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

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

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

6. The following language replaces the “Summary” section of Item 17(d), entitled “Termination by franchisee:”

You may terminate the Area Development Agreement or Franchise Agreement on any grounds available by law.

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

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

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

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

NORTH DAKOTA

1. The following is added to the end of Item 5 and Item 7:

Pursuant to an order of the North Dakota Securities Commissioner, we will defer collection of the Initial Franchise Fee and/or Development Fee and all other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Area Development Agreement or Franchise Agreement and you begin operating your Center.

2. The Item 6 line item entitled “Lost Revenue Damages” will not be enforced to the extent prohibited by applicable law.

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

4. The following is added to the end of the “Summary” section of Item 17(r), entitled “Non-competition covenants after the franchise is terminated or expires:”

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

5. The “Summary” section of Item 17(u), entitled “Dispute resolution by arbitration or mediation” is deleted and replaced with the following:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

6. The “Summary” section of Item 17(v), entitled “Choice of forum” is deleted and replaced with the following:

However, subject to your arbitration obligation, and to the extent required by North Dakota Franchise Investment Law, you may bring an action in North Dakota.

7. The “Summary” section of Item 17(w), entitled “Choice of law” is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the state where we or, as applicable, our successor or assign, maintains its principal place of business (currently, Los Angeles, California) will apply.

RHODE ISLAND

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

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in an area development agreement or franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.”

SOUTH DAKOTA

1. The following is added to the end of Item 5 and Item 7:

The South Dakota Department of Labor & Relations’ Division of Securities requires us to defer the payment of all initial fees and payments you owe to us until your Center is operational.

VIRGINIA

1. The following language is added to the end of the “Summary” section of Item 17(e), entitled “Termination by franchisor without cause:”

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Area Development Agreement or Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The following paragraphs are added to the end of Item 17:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement or Area Development Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement or Area Development Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator at the time of arbitration. In addition, if litigation is not precluded by the Franchise Agreement or Area Development Agreement, you may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Washington Franchise Investment Protection Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or Area Development Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits us from restricting, restraining, or prohibiting you from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement, Area Development Agreement or elsewhere are void and unenforceable in Washington.

The Franchise Disclosure Document does not waive any liability we may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____, a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) the offer for the franchise was made or accepted in the State of Illinois and the NextHealth Center that you will operate under the Franchise Agreement will be located in Illinois, or (b) you are domiciled in the State of Illinois.

2. **FINANCIAL ASSURANCE.** The following language is added to the end of Section 4.A of the Franchise Agreement:

Pursuant to an order of the Illinois Attorney General’s Office, imposed based on our financial condition, we will defer collection of the Initial Franchise Fee and all other initial payments you owe us until we have completed all of our pre-opening obligations to you under this Agreement and you begin operating your Center.

3. **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR AND JURY TRIAL; LIMITATION OF CLAIMS.** The following language is added to the end of Sections 18.D and 18.G of the Franchise Agreement:

However, nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as Article 20 of the Franchise Agreement and supersede any conflicting provisions in the Franchise Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

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

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

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____, a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) you are domiciled in the State of Maryland, (b) the NextHealth Center that you will operate under the Franchise Agreement will be located in the State of Maryland, or (c) the offer for the franchise was made or accepted in the State of Maryland.

2. **FINANCIAL ASSURANCE.** The following is added to the end of Section 4.A (“Initial Franchise Fee”) of the Franchise Agreement:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under this Agreement.

3. **RELEASES.** The following is added to the end of Section 13.C(8) (“Conditions for Approval of Transfer”), Section 14.A(7) (“Your Right to Acquire a Successor Franchise”), Section 14.B (“Grant of a Successor Franchise”), and Section 16.B(2) (“Our Right to Purchase Your Center”) of the Franchise Agreement:

However, pursuant to COMAR 02.02.08.16L(1), any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY.** The following sentence is added to the end of Section 15.B(1)(l) (“Termination of Agreement – By Us”) of the Franchise Agreement:

This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **ARBITRATION.** The following paragraph is added at the end of Section 18.A (“Enforcement - Arbitration”) of the Franchise Agreement:

A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **GOVERNING LAW.** The following paragraph is added at the end of Section 18.C (“Governing Law”) of the Franchise Agreement:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure law. Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **CONSENT TO JURISDICTION; LIMITATIONS OF CLAIMS.** The following language is added to the end of Section 18.B (“Consent to Jurisdiction”) and Section 18.G (“Limitations of Claims”) of the Franchise Agreement:

You must bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you the franchise.

8. **MARYLAND LAW.** All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____, a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Minnesota, (b) the NextHealth Center that you will operate under the Franchise Agreement will be located in State Minnesota, and/or (c) the offer to sell the franchise for your NextHealth Center was made or accepted in the State of Minnesota.

2. **NON-DISPARAGEMENT.** The following sentence is added to the end of Section 6.E (“Non-Disparagement”) of the Franchise Agreement:

Provided you have complied with all provisions of this Agreement applicable to the Marks, we will protect your right to use the Marks and will indemnify you from any loss, costs or expenses arising out of any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

3. **NON-COMPETITION.** Section 8 (“Competition and Interference During Term”) and Section 16.A(7) (“Rights and Obligations on Termination or Expiration – Your Obligations”) of the Franchise Agreement will not be enforced to the extent prohibited by applicable law.

4. **RELEASES.** The following is added to the end of Section 13.C(8) (“Conditions for Approval of Transfer”), Section 14.A(7) (“Your Right to Acquire a Successor Franchise”), Section 14.B (“Grant of a Successor Franchise”), and Section 16.B(2) (“Our Right to Purchase Your Center”) of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

5. **YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE AND TERMINATION OF AGREEMENT.** The following is added to the end of Section 14.A (“Your Right to Acquire a Successor Franchise”) and Section 15.B (“Termination of Agreement – By Us”) of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

6. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 16.C (“Lost Revenue Damages”) of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

7. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 18.B (“Consent to Jurisdiction”) of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400j prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

8. **GOVERNING LAW.** The following statement is added at the end of Section 18.C (“Governing Law”) of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

9. **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR, AND JURY TRIAL.** If and then only to the extent required by the Minnesota Franchises Law, Section 18.D (“Waiver of Punitive Damages, Class Action Bar, and Jury Trial”) and Section 18.G (“Limitations of Claims”) of the Franchise Agreement are deleted.

10. **INJUNCTIVE RELIEF.** The following is added to the end of Section 18.E (“Injunctive Relief”) of the Franchise Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

11. **LIMITATIONS OF CLAIMS.** Subject to Paragraph 10 of this Rider, the following is added to the end of Section 18.G (“Limitations of Claims”) of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

12. **SERVICE CHARGES.** Notwithstanding anything to the contrary, NSF checks and related interest and attorneys’ fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on initial service charges and requires notice and opportunity to cure prior to assessing interest and attorneys’ fees.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT FOR USE IN THE
STATE OF NEW YORK**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____, a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, (the “Franchise Agreement”). This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) you are domiciled in the State of New York and the NextHealth Center that you will operate under the Franchise Agreement will be located in State of New York, and/or (b) the offer to sell the franchise for your NextHealth Center was made or accepted in the State of New York.

2. **TRANSFER BY US.** The following language is added to the end of Section 13.A (“Transfer – By Us”) of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **RELEASES.** The following is added to the end of Section 13.C(8) (“Conditions for Approval of Transfer”), Section 14.A(7) (“Your Right to Acquire a Successor Franchise”), Section 14.B (“Grant of a Successor Franchise”), and Section 16.B(2) (“Our Right to Purchase Your Center”) of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **TERMINATION BY YOU.** The following language is added to the end of Section 15.A (“Termination of Agreement – By You”) of the Franchise Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **CONSENT TO JURISDICTION; GOVERNING LAW.** The following statement is added at the end of Section 18.B (“Consent to Jurisdiction”) and Section 18.C (“Governing Law”) of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____, a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of North Dakota and the NextHealth Center that you will operate under the Franchise Agreement will be located or operated in the State of North Dakota; and/or (b) the offer to sell the franchise for your NextHealth Center was made or accepted in the State of North Dakota.

2. **FINANCIAL ASSURANCE.** The following is added to the end of Section 4.A (“Initial Franchise Fee”) of the Franchise Agreement:

Pursuant to an order of the North Dakota Securities Commissioner, we will defer collection of the Initial Franchise Fee and all other initial payments you owe us until we have completed all of our pre-opening obligations to you under this Agreement and you begin operating your Center.

3. **NON-COMPETITION.** The following is added to the end of Section 8 (“Competition and Interference During Term”) and Section 16.A(7) (“Rights and Obligations on Termination or Expiration – Your Obligations”) of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **RELEASES.** The following is added to the end of Section 13.C(8) (“Conditions for Approval of Transfer”), Section 14.A(7) (“Your Right to Acquire a Successor Franchise”), Section 14.B (“Grant of a Successor Franchise”), and Section 16.B(2) (“Our Right to Purchase Your Center”) of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

5. **COVENANT NOT TO COMPETE.** The following is added to the end of Section 8 (“Competition and Interference During Term”), Section 16.A(7) (“Rights and Obligations on Termination or Expiration – Your Obligations”) and Section 16.D (“Continuing Obligations on Termination or Expiration”) of the Franchise Agreement:

Covenants not to compete, such as those mentioned above, are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

6. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 16.C (“Lost Revenue Damages”) of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

7. **DISPUTE RESOLUTION; ARBITRATION.** The following is added to the end of Section 18.A (“Enforcement – Arbitration”) of the Franchise Agreement:

; provided, however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which we and you mutually agree.

8. **CONSENT TO JURISDICTION.** The following is added to the end of Section 18.B (“Consent to Jurisdiction”) of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

9. **GOVERNING LAW.** The following is added to Section 18.C (“Governing Law”) of the Franchise Agreement:

Except to the extent required by North Dakota law, the laws of the State of Delaware will apply.

10. **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR AND JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Section 18.D (“Waiver of Punitive Damages, Class Action Bar, and Jury Trial”) and Section 18.G (“Limitations of Claims”) of the Franchise Agreement are deleted. Otherwise, the following is added to the end of Section 18.D and Section 18.G:

The statutes of limitations under North Dakota Law applies with respect to claims arising under the North Dakota Franchise Investment Law.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____, a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) you are domiciled in the State of Rhode Island and the NextHealth Center that you will operate under the Franchise Agreement will be located in the State of Rhode Island; and/or (b) the offer to sell the franchise for your NextHealth Center was made or accepted in the State of Rhode Island.

2. **GOVERNING LAW.** The following language is added to the end of Section 18.C (“Governing Law”) of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN SOUTH DAKOTA**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____, a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) you are domiciled in the State of South Dakota; and/or (b) the NextHealth Center that you will operate under the Franchise Agreement will be located or operated in the State of South Dakota; and/or (c) the offer to sell the franchise for your NextHealth Center was made or accepted in the State of South Dakota.

2. **FINANCIAL ASSURANCE.** The following language is added to the end of Section 4.A (“Initial Franchise Fee”) of the Franchise Agreement:

The South Dakota Department of Labor & Relations’ Division of Securities requires us to defer the payment of all initial fees and payments you owe to us until your Center is operational.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

NEXT HEALTH FRANCHISING LLC

FRANCHISE OWNER:

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

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____

_____ a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) you are domiciled in the State of Washington; and/or (b) the NextHealth Center that you will operate under the Franchise Agreement will be located or operated in the State of Washington; and/or (c) the offer to sell the franchise for your NextHealth Center was made or accepted in the State of Washington.

2. **WASHINGTON LAW.** The following paragraphs are added to the end of the Franchise Agreement:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator at the time of arbitration. In addition, if litigation is not precluded by the Franchise Agreement, you may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by you may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Washington Franchise Investment Protection Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits us from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

The Franchise Agreement does not waive any liability we may have under the Washington Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

NEXT HEALTH FRANCHISING LLC

FRANCHISE OWNER:

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

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
AREA DEVELOPMENT AGREEMENT**

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____ a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) the offer for sale of the Development Rights was made or accepted in the State of Illinois and the Development Area located in the State of Illinois, and/or (b) you are domiciled in the State of Illinois.

2. **FINANCIAL ASSURANCE.** The following language is added to the end of Section 3 (“Development Fee”) of the Development Agreement:

Pursuant to an order of the Illinois Attorney General’s Office, imposed based on our financial condition, we will defer collection of the Development Fee and all other initial payments you owe us until we have completed all of our pre-opening obligations to you under this Agreement.

3. **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR AND JURY TRIAL; LIMITATIONS OF CLAIMS.** The following language is added to the end of Section 9.D (“Waiver of Punitive Damages, Class Action Bar, and Jury Trial”) and Section 9.G (“Limitations of Claims”) of the Development Agreement:

However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or Illinois Regulations at Section 200.609.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as Section 11 of the Development Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Development Agreement.

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

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

Your rights upon termination and non-renewal of a development agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____ a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20__ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) you are domiciled in the State of Maryland, or (b) the Development Area is located in the State of Maryland, or (c) the offer for sale of the Development Rights was made or accepted in the State of Maryland.

2. **FINANCIAL ASSURANCE.** The following sentence is added to the end of Section 3 (“Development Fee”) of the Development Agreement:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the Development Agreement opens.

3. **RELEASES.** The following sentence is added to the end of Sections 5.C(5) (“Conditions for Approval of Transfer”) of the Development Agreement:

However, pursuant to COMAR 02.02.08.16L(1), any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY.** The following sentence is added to the end of Section 6.B(5) (“Termination of Agreement – By Us”) of the Development Agreement:

This Section may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **ARBITRATION.** The following paragraph is added at the end of Section 9.A (“Enforcement – Arbitration”) of the Development Agreement:

A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee or area developer to waive its right to file a lawsuit in Maryland claiming a violation of Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **GOVERNING LAW.** The following is added to the end of Section 9.B (“Governing Law”) of the Development Agreement:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure law. Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **LIMITATIONS OF CLAIMS.** The following sentence is added to the end of Section 9.G (“Limitations of Claims”) of the Development Agreement:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you the franchise.

8. **MARYLAND LAW.** All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to or shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____ a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20__ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) you are a resident of the State of Minnesota, (b) the Development Area is located in the State of Minnesota, or (b) the offer for sale of the Development Rights was made or accepted in the State of Minnesota.

2. **RELEASES.** The following is added to the end of Section 5.C(5) (“Conditions for Approval of Transfer”) of the Development Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law

3. **EVENTS OF TERMINATION.** The following is added to the end of Section 6.B (“Termination of Agreement – By Us”) of the Development Agreement.

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. **GOVERNING LAW.** The following statement is added at the end of Section 9.B (“Governing Law”) of the Development Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 9.C (“Consent to Jurisdiction”) of the Development Agreement.

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400j prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80.C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR AND JURY TRIAL.** If and then only to the extent required by the Minnesota franchises law, Section 9.D (“Waiver of Punitive Damages, Class Action Bar, and Jury Trial”) of the Development Agreement is deleted.

7. **INJUNCTIVE RELIEF.** The following language is added to the end of Section 9.E (“Injunctive Relief”) of the Development Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

8. **LIMITATIONS OF CLAIMS.** The following is added to 9.G (“Limitations of Claims”) of the Development Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN NEW YORK**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____ a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, (the “Development Agreement”) that has been signed concurrently with this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) you are domiciled in the State of New York and the Development Area is located in the State of New York, and/or (b) the offer for sale of the Development Rights was made or accepted in the State of New York.

2. **TRANSFER BY US.** The following language is added to the end of Section 5.A (“Transfer – By Us”) of the Development Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **RELEASES.** The following is added to the end of Section 5.C(5) (“Conditions for Approval of Transfer”) of the Development Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of General Business Law Sections 687.4 and 687.5, as amended.

4. **TERMINATION BY YOU.** The following language is added to the end of Section 6.A (“Termination – By You”) of the Development Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **CONSENT TO JURISDICTION; GOVERNING LAW.** The following is added to the end of Section 9.B (“Governing Law”) and Section 9.C (“Consent to Jurisdiction”) of the Development Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

NEXT HEALTH FRANCHISING LLC

FRANCHISE OWNER:

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

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____
a(n) _____ whose principal business address is _____
_____. (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20__ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) you are a resident of the State of North Dakota and the Development Area is located or operated in the State of North Dakota; and/or (b) the offer for sale of the Development Rights was made or accepted in the State of North Dakota.

1. **FINANCIAL ASSURANCE.** The following is added to the end of Section 3 (“Development Fee”) of the Development Agreement:

Pursuant to an order of the North Dakota Securities Commissioner, we will defer collection of the Development Fee and all other initial payments you owe us until we have completed all of our pre-opening obligations to you under this Agreement and you begin operating your Center.

2. **RELEASES.** The following is added to the end of Sections 5.C(5) (“Conditions for Approval of Transfer”) of the Development Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the North Dakota Franchise Investment Law.

2. **DISPUTE RESOLUTION; ARBITRATION.** The following is added to the end of Section 9.A (“Enforcement – Arbitration”) of the Development Agreement:

; provided, however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which we and you mutually agree.

3. **GOVERNING LAW.** The following is added to Section 9.B (“Governing Law”) of the Development Agreement:

Except to the extent required by North Dakota law, the laws of the State of Delaware will apply.

4. **CONSENT TO JURISDICTION.** The following is added to the end of Section 9.C (“Consent to Jurisdiction”) of the Development Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

5. **WAIVER OF PUNITIVE DAMAGES, CLASS ACTION BAR AND JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Section 9.D (“Waiver of Punitive Damages, Class Action Bar, and Jury Trial”) of the Development Agreement is deleted.

6. **LIMITATIONS OF CLAIMS.** The following is added 9.G (“Limitations of Claims”) of the Development Agreement:

The statutes of limitations under North Dakota law applies with respect to claims arising under the North Dakota Franchise Investment Law.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____
a(n) _____ whose principal business address is _____
_____(“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Development Area is located in Rhode Island; and/or (b) the offer for sale of the Development Rights was made or accepted in the State of Rhode Island.

2. **CONSENT TO JURISDICTION.** The following is added at the end of Section 9.C (“Consent to Jurisdiction”) of the Development Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in a [development] agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN SOUTH DAKOTA**

THIS RIDER (this “**Rider**”) is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____, a(n) _____ whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) you are domiciled in the State of South Dakota; and/or (b) the Development Area will be located or operated in the State of South Dakota; and/or (c) the offer for sale of the Development Rights was made or accepted in the State of South Dakota.

2. **FINANCIAL ASSURANCE.** The following language is added to the end of Section 3 (“Development Fee”) of the Franchise Agreement:

The South Dakota Department of Labor & Relations’ Division of Securities requires us to defer the payment of all initial fees and payments you owe to us until your Center is operational.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN WASHINGTON**

THIS RIDER is made and entered into by and between **NEXT HEALTH FRANCHISING LLC**, a Delaware limited liability company whose address is 955 Carrillo Dr., Suite 100, Los Angeles, CA 90048 (“**we**”), and _____
a(n) _____ whose principal business address is _____
_____. (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____, 20____ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) you are domiciled in the State of Washington; and/or (b) the Development Area will be located or operated in the State of Washington; and/or (c) the offer for sale of the Development Rights was made or accepted in the State of Washington.

2. **WASHINGTON LAW.** The following paragraphs are added to the end of the Development Agreement:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Area Development Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Area Development Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator at the time of arbitration. In addition, if litigation is not precluded by the Area Development Agreement, you may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by you may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Washington Franchise Investment Protection Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Area Development Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits us from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Area Development Agreement or elsewhere are void and unenforceable in Washington.

The Franchise Agreement does not waive any liability we may have under the Washington Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

NEXT HEALTH FRANCHISING LLC

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

FRANCHISE OWNER:

[Name]

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

NEW YORK REPRESENTATIONS PAGE

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

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	September 21, 2023
Hawaii	September 14, 2023
Illinois	Pending
Indiana	September 7, 2023
Maryland	Pending
Michigan	September 11, 2023
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	September 12, 2023
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	September 7, 2023

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 I
RECEIPTS

**RECEIPT
(OUR COPY)**

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 Next Health 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, Next Health Franchising LLC or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, Next Health Franchising LLC must give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, Next Health Franchising LLC or an affiliate in connection with the proposed franchise sale. Under Michigan law, Next Health Franchising LLC must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, Next Health Franchising LLC must provide this disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, Next Health Franchising LLC or an affiliate in connection with the proposed franchise sale.

If Next Health 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 the appropriate state agency identified on Exhibit A.

Issuance Date: September 5, 2023

The franchisor is Next Health Franchising LLC, 955 Carrillo Dr. Suite 100 Los Angeles, California 90048. Tel: (310) 295-2075. The franchise seller for this offering is:

☐ Scott Svilich Next Health Franchising LLC 955 Carrillo Dr. Suite 100 Los Angeles, California 90048 Tel: (310) 295-2075	☐ _____ Next Health Franchising LLC 955 Carrillo Dr. Suite 100 Los Angeles, California 90048 Tel: (310) 295-2075	☐ _____ Next Health Franchising LLC 955 Carrillo Dr. Suite 100 Los Angeles, California 90048 Tel: (310) 295-2075
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Next Health Franchising LLC's registered agents authorized to receive service of process are described in Exhibit A.

I have received a disclosure document dated September 5, 2023 that included the following Exhibits:

Exhibit A	State Agencies	Exhibit C	Area Development Agreement
Exhibit B	Franchise Agreement	Exhibit D	List of Franchisees
	Attachment A – Guaranty & Assumption of Obligations	Exhibit E	Financial Statements
	Attachment B – Rep. & Ack. Statement	Exhibit F	Table of Contents to Operations Manual
	Attachment C – Business Ass. Agreement	Exhibit G	Sample General Release
	Attachment D – Management Agreement	Exhibit H	State Riders and Addenda
		Exhibit I	Receipts

Date

Signature

Printed Name

Date

Signature

Printed Name

Please sign this copy of the receipt, print the date on which you received this disclosure document, and return it, by mail or facsimile, to Scott Svilich, Next Health Franchising LLC, 955 Carrillo Dr. Suite 100, Los Angeles, California 90048; Phone: (310) 295-2075. Email: ssvilich@next-health.com.

**RECEIPT
(YOUR COPY)**

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	Attachment C – Business Ass. Agreement	Exhibit G	Sample General Release
	Attachment D – Management Agreement	Exhibit H	State Riders and Addenda
		Exhibit I	Receipts

_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.