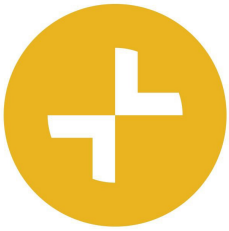
# FRANCHISE DISCLOSURE DOCUMENT



THE EGOSCUE METHOD®

Egoscue, Inc.
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Park City, Utah 84098
(858) 755-1075
https://www.egoscue.com/
admin@egoscue.com

As ~~a~~an Egoscue® franchisee, you will operate an Egoscue® facility utilizing the Egoscue Method® for the treatment of pain and musculoskeletal health through function and motion.

The total investment necessary to begin operation of ~~a~~an Egoscue® franchised business is $163,500 to $255,500. This includes $100,000 that must be paid to the franchisor or its affiliates.

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 to you. To discuss the availability of disclosures in different formats, contact us at admin@egoscue.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 home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: January 18, ~~2023~~2024

## How to Use This Franchise Disclosure Document

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

| 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~~C." |
| **How much will I need to invest?** | Items 5 and 6 list fees that 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 "~~C~~B" includes financial statements. Review these statements carefully. |
| **Is the franchise system stable, growing, or shrinking?** | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| **Will my business be the only Egoscue® business in my area?** | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a troubled legal history?** | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| **What's it like to be ~~a~~an Egoscue® franchisee?** | Item 20 or Exhibit "~~D~~C" 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 Egoscue® facility or may harm your Egoscue® facility.

**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 facility, 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 Egoscue® facility.

**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 "~~F~~E."

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Salt Lake City, Utah. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Salt Lake City, Utah than in your own state.

2. **Non-Exclusive 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 of competitive brands that we control.This means that we may establish another franchisee-owned or company- owned business within your geographic vicinity.

3. **Personal and Spousal Liability**. If your franchise is owned by a corporation, limited liability company or other business entity, you and your spouse must sign a document that makes you and your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

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.

**ADDENDUM TO THE EGOSCUE® FDD**
**FOR THE STATE OF MICHIGAN**

**(THE FOLLOWING APPLIES 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

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|---|---|
| Addenda of State Regulations | |
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| Michigan | Beginning of FDD |


EXHIBITS


A. Franchise Agreement and its Exhibits
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~~C.~~ Financial Statements
~~D~~C. Schedule of Franchisees
~~E~~D. List of Agents for Service of Process
~~F~~E. List of State Agencies Responsible for Franchise Disclosure and Registration Laws
~~G~~F. Table of Contents for the Clinic manual
~~H~~G. Form Release Agreement
~~I~~H. Signing Checklist


RECEIPTS

# FRANCHISE DISCLOSURE DOCUMENT

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

The Franchisor

The name of the franchisor is Egoscue, Inc. In this disclosure document Egoscue, Inc. is referred to as "we" or "us" or "our" or "Egoscue"; "franchisee," "you" or "yours" means the person or persons, individually and collectively, who buys the franchise from us and includes the current and future owners of a franchisee that is a corporation, partnership or other entity.

Our corporation was incorporated on April 30, 1986, in the state of California, and we redomesticated to Utah as a Utah corporation on January 31, 2023. Our principal place of business is 6300 N Sagewood Drive, Suite H 592, Park City, Utah 84098. Our agents for service of process in various states are disclosed in Exhibit "~~E~~D."

Parents, Predecessors, and Affiliates

We do not have any parents, predecessors, or affiliates to be disclosed in this Item 1.

Franchisor Business Activities

In addition to franchising the Egoscue® brand, we operate 2 Egoscue® facilities similar to the one you will operate. We also offer non-Egoscue® franchisees the ability to become PAS certified and license a limited version of our software. However, that program is not covered in this disclosure document. Additionally, we currently attend various events during the year where we solicit and sell Egoscue® therapy.

As of the date of this disclosure document, we have not offered for sale or sold franchises in any other line of business. We began offering and selling Egoscue® franchises in 2003. We do not do business under any name other than Egoscue, Inc., Egoscue®, and Egoscue® Institute.

Franchise Offered

We license and train others to operate Egoscue® facilities that ~~utilizes~~utilize the Egoscue Method® for the treatment of pain and musculoskeletal health through function and motion. The grant of a franchise authorizes you to engage in our complete system under the name Egoscue® and other proprietary marks. ~~The Egoscue Method® is a non-medical application of postural alignment menus, exercises, and techniques. We do not expect or require you to have any medical personnel on your staff. The Egoscue Method® does not involve hands-on manipulation or hands-on movement of the client's body. Most states do not require a licensed physical therapist to be involved in the business. However, you are required to review the laws of your state to verify what licenses are required to operate an Egoscue® facility.~~

You are required to purchase specific materials, supplies and equipment and to strictly follow our standards, methods, policies and procedures in the operation of your Egoscue® facility that are described in more detail in our franchise agreement attached as Exhibit "A" to this disclosure document.

General Description of Market and Competition

The general market for the treatment of pain and musculoskeletal health through function and motion is well-developed and competitive. You will typically compete with other established posture alignment and pain-free clinics and other businesses. There are many of these competitors from large national chains to small independent operators. You may also encounter competition from other Egoscue® franchises operated by us or other franchisees. We and/or our affiliates may provide services to clients that reside in your area through an online platform, apps, or through another video platform. ~~In~~At our discretion, we or an affiliate of ours may refer clients to you or other franchisees if we feel the client would be better served from your or another franchisee's in-person services. You are not allowed to provide online services or through video platforms without our prior written permission. This business may be operated year-round.

Laws and Regulations

You are required to follow all laws and regulations that apply to business generally, and you must keep in full force all permits and licenses required to operate your Egoscue® facility.

You must investigate local zoning rules because they may limit where you can locate your Egoscue® facility and may affect the design features including the building façade and signs. In many jurisdictions, you will also be required to obtain a sign permit.

At your cost and expense, you must investigate and ensure that you comply with all payment card industry ("PCI") and data security standard ("DSS") standards, regulations, and requirements. You are not permitted to collect, store, transfer, etc., any unnecessary customer information. Additional information can be found at https://www.pcisecuritystandards.org/."

The Egoscue Method® is a non-medical application of postural alignment menus, exercises, and techniques targeting posture deviations and muscle imbalance. The Egoscue Method® does not involve hands-on manipulation or hands-on movement of the client's body. You and your staff will not diagnose or treat medical injuries or illnesses. We do not require you to have any medical personnel on your staff, and ~~our~~most states do not require a licensed physical therapist to be involved in the business. Our franchisees operate through a general business license. However, you are required to review the laws of your state to verify what licenses are required to operate an Egoscue® facility

The details of state, county and local laws and regulations vary from place to place. It is your responsibility to research these matters. Please be aware that the changes in these laws may increase the cost ~~to operate~~of operating your business. You are solely responsible to determine what local or state regulations, permits, and licenses you will need to comply with and/or obtain to conduct an Egoscue® facility in a particular state, city, or town.

## ITEM 2
## BUSINESS EXPERIENCE

Phillip "Pete" Egoscue

From 1986 to the present, Pete has been the Chairman of the Board of Directors~~,~~ and the President~~,~~ and Financial Officer of Egoscue, Inc.

Meta Haley

From March 2021 to the present, Meta has been a Director and the Chief Operating Officer of Egoscue, Inc. From December 2018 to the present, Meta has also been the Director of Operations of the Egoscue Foundation. From August 2017 until October 2018, Meta was an emergency medicine physician for Heritage Valley Health Systems in Sewickly, PA and Gunnison Valley Health in Gunnison, CO.

Brian Bradley

From 2008 to the present, Brian has been an Egoscue Therapy Instructor (ETI) with the Egoscue, Inc. From 2010 to the present, Brian has also been a Director and Vice President of Egoscue, Inc.

John Elder

John Elder has been our Director of Clinic Operations since August 2022. Prior to joining Egoscue, John was a sales executive with Oneview Healthcare in Dublin, Ireland from March 2022 until July 2022. From August 2020 until January 2022, John was a sales executive with VisuWell in Franklin, Tennessee, and from December 2017 until March 2020, John was a business leader with Ramsey Solutions in Franklin, Tennessee. John also took some time off between the jobs listed above.

## ITEM 3
## LITIGATION

Litigation Against Franchisees in the Last Fiscal Year
No
In the last fiscal year ending on September 30, 2022, Egoscue, Inc. initiated lawsuits against a former franchisee as follows:

*Suits for Breach of Contract, Misappropriation of Trade Secrets, and Injunctive Relief*

Egoscue, Inc. v. Pain Fre Posture Therapy, LLC, *et al*. *U.S. District Court for the District of Colorado, Civil Action No. 1:21-cv-03282, Dec. 7, 2021.*

Egoscue, Inc. vs. Anu D. Lawrence; Pain Free Posture Therapy, LLC. American Arbitration Association Commercial Arbitration Tribunal, San Diego, CA, Case No.: 01-21-0017-2374, November 5, 2021.

Other than described above, 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

On the signing of the franchise agreement, all franchisees pay an initial franchise fee of $100,000.

Initial Training Fees

You will receive 2 registrations for each certification course described in Item 11 as part of the initial franchise fee. These certification courses are: Postural Alignment Specialist (PAS), Advanced Exercise Therapist (AET), E-cise Therapy Skills ("ETS"), and Franchise Operations ("FO"). Additional registrations can be purchased as well. Current fees for the 4 courses are: PAS--$2,749, AET--$3,795, ETS--$1,980, and FO--$1,650. You will also be responsible to cover any travel or living expenses during training.

Opening Assistance

To assist you with your preparations prior to opening and to train your staff in the operation of an Egoscue® facility, we will provide you with up to 40 hours of on-site or virtual opening assistance. If you elect to have on-site assistance, you will be responsible to pay the travel, food, and lodging for our representative to provide in-person assistance.

Uniformity and Refunds

~~The fees listed here in Item 5 are uniform and non-refundable.~~
These costs and fees are uniform and are non-refundable for all franchisees. However, in the previous fiscal year, we sold a franchise for $50,000. We did this because the franchisee had over 20 years of experience with Egoscue as a client, had already completed 2 levels of certification prior to purchasing a franchise, formed a partnership with an existing franchisee, and was willing to assume some liability left outstanding by the previous franchisee in the area.

**ITEM 6**
**OTHER FEES**

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Successor Franchise Fee[1] | $~~5~~10,000 | Prior to your entering into a successor franchise agreement | A successor franchise agreement is available to you only if you meet each of the requirements described in the franchise agreement at the time of your timely election to enter into a successor agreement. |
| Relocation Fee | Reimbursement of our costs, including any legal fees. | At the time we approve of the relocation | If you wish to relocate your business and we agree, you must pay this fee to us in order to defray our costs. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| ~~Royalty~~ [1]Royalty[1,7] | A minimum royalty of the greater of $2,500 per month or the average minimum royalty due during the immediately preceding 12 months of your previous franchise agreement; plus 6% of gross sales on monthly sales above $12,000 | Payable monthly by the 15th day of each succeeding month | The minimum royalty will be reduced by $500 per month for each month that you are found to be in full compliance with the franchise agreement, clinic manual, and other operational standards and procedures as instituted by us. |
| Brand Development Fund[1,2] | 2% of gross sales or $500 per month, whichever is greater | Payable monthly by the 15th day of each succeeding month | See Note 3 below. |
| Late Charges[1,] | $25 per day (up to $500 per late fee) | Payable with royalty or on demand | Charges begin to accrue after the due date of any required payment or report. |
| Non-Sufficient Fund Fees[1,] | $50 per bounced check or insufficient or disputed draft | Payable with royalty or on demand | ~~Or~~If this fee is higher than what is allowed under state law, the fee will be reduced to the maximum allowed by state law (see state specific addendum). |
| Interest on Late Fees and Reports[1] | 18% interest or maximum rate permitted by state law, whichever is less | Payable with royalty or on demand | Interest begins to accrue on the total amount (fee plus any late charge) after the due date of any required payment or report. |
| Sales or Use Tax[1] | Sum equal to tax imposed | Upon demand | If a sales, use, or value added tax is assessed on fees you pay to us, you must also pay us the applicable tax when invoiced. |
| Audit Charge[1] | Cost of audit | On billing | Payable only if an audit shows an understatement of 2% or more of gross sales for the ~~time~~ period audited, or records are unorganized or unavailable |
| System Non-Compliance ~~Fines and Charges~~[3]Fines[1,4,7] | ~~Amounts to be specified in our manuals, currently ranging between $50 and $500~~$250 per violation | As incurred | See Note 7. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Technology Fee[1] | Currently, $250 per month | As incurred | This amount is paid directly to the vendor (currently) and is for the use of our designated technology suite and will be updated periodically in our manuals to account for increased costs and new technologies, if applicable. |
| Transfer Visit Fee[6,7] | Currently, $100 per visit fulfilled by another Egoscue® facility | As incurred | You must pay this fee to the applicable Egoscue® if that facility fulfills a pre-paid visit for a client that purchased that visit through your Egoscue® facility. |
| Additional In-Person Training[1,7] | $300 per day, per person | Upon billing | Depending on advanced notice and our availability, you may request additional in-person training. In such case, you will also be required to pay all travel, lodging, food, and other expenses of your attendees or our representatives during this additional training. We reserve the right to limit additional in-person training. |
| Additional Registrations for Certification and Training Courses[1] | PAS: $2,749<br>AET: $3,795<br>ETS: $1,980<br>FO: $1,650 | As incurred | Any travel or living expenses are the responsibility of the enrollee. Prevailing course fees for additional personnel can be found at www.egoscueinstitute.com |
| Rescheduling Fee[7] | $150 | As incurred | This fee is due if you postpone or reschedule a training within 2 weeks of the scheduled date, or if you fail to complete certain requirements prior to a training. |
| Insurance Reimbursement Fee[1,7] | Reimbursement of premium amount, plus $50 per hour for our time | Upon demand | You are required to hold and maintain your own insurance, but if you fail to do so, we have the right to obtain insurance on your behalf. |
| PCI and DSS Audit Reimbursement Fee[1] | Costs of the audit | Upon demand | You must reimburse us all costs related to an audit for your non-compliance with PCI and DSS requirements. |
| Conference or Seminar Fee[1] | $500 to $1,500 per person | At time of registering for the conference or seminar | You will also be required to pay all travel, lodging, food, and other expenses for each of your attendees. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Interim Management Fee | $300 per day, per person | As incurred | Payable if we elect to operate your business during your unapproved closing, unapproved absence, incapacity, death, or after you have been given a notice of default and failed to cure. You must also pay all travel, lodging, food, and other expenses for our representative(s) and other expenses that may be incurred by us to perform such services, plus royalties, advertising fees, and other applicable fees. The interim management period will not last more than 6 months unless otherwise agreed between us. |
| ~~Insurance Reimbursement Fee[1,7]~~ | ~~Reimbursement of premium amount, plus $50 per hour for our time~~ | ~~Upon demand~~ | ~~You are required to hold and maintain your own insurance, but in the event you fail to do so, we have the right to obtain insurance on your behalf, and you are required to reimburse us the premium payments, plus an administration fee of $50 per hour.~~ |
| ~~PCI and DSS Audit Reimbursement Fee[1]~~ | ~~Costs of the audit~~ | ~~Upon demand~~ | ~~You must reimburse us all costs related to an audit for your non-compliance with PCI and DSS requirements.~~ |
| ~~Conference or Seminar Fee[1]~~ | ~~$500 to $1,500 per person~~ | ~~At time of registering for the conference or seminar~~ | ~~You will also be required to pay all travel, lodging, food, and other expenses for each of your attendees.~~ |
| Fees on Default[1] | Our costs associated with your default | On demand, as incurred | Paid in addition to other payments to us |
| Post-Termination Fees[1] | Actual costs | As incurred | You will be responsible to pay us any post-termination expenses, including attorney's fees and costs to enforce your post-term obligations. |
| Unfulfilled Visit Liability[1,6] | 50% of the outstanding visit liability existing at the time of termination | At the time of termination or non-renewal | See Note 5 below. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Early Termination Liquidated Damages[1] | Average royalty from the previous 12 months multiplied by the lesser of 24 months or the remaining term of your franchise agreement | Upon termination | Payable if your franchise agreement is terminated prior to the expiration of the term. This is only to compensate for lost royalties and is not our only remedy. |
| ~~Post-Termination Fees[1]~~ | ~~Varies~~ | ~~As incurred~~ | ~~You will be responsible to pay us any post-termination expenses, including attorney's fees and costs to enforce your post-term obligations.~~ |
| Franchise Agreement Transfer Fee[1] | $10,000 | At time of approved transfer | Payable when you sell your franchise and prior to our signing any approval or new agreement. Owners who own at least 10% of the franchise must personally guarantee the franchise agreement for us to approve the transfer |
| Minority Interest Transfer Fee[1] | Our legal fees and administrative costs related to the transfer | On demand | This fee applies to transfers of up to 40% of your franchisee entity—cumulative during the term of the franchise agreement. ~~All guarantors will remain guarantors unless otherwise released by~~Transferees owning at least 10% of the franchise must personally guarantee the franchise agreement for us~~.~~ to approve the transfer. Subject to state law. |
| Transfer Training Fee[1] | Our then-current registration fees for certification and training courses | At time of approved transfer | |
| Indemnification[1,3] | ~~Varies~~Our damages and costs | As incurred or on demand | See Note 3 below. |
| Non-Compete Violations[1,5,7] | $200 per day for each competing business | Upon demand | This fee is applied if you violate the non-compete covenants in the franchise agreement or any related agreements or if you use our system without our express written permission or approval. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Dispute Resolution Fees[1] | ~~Varies~~Our legal fees and costs if we prevail | As incurred or on demand | You are required to pay half of the mediation and/or arbitration fees. Additionally, the prevailing party will be entitled to reimbursement of its legal fees and expenses. |

NOTES

[1] Royalty and Fees. Except as shown in the remarks column, all fees are uniformly imposed and payable to us. In no event will the formula for determining any fees change based on the volume or value of business or sales generated. All fees payable to us or an affiliate are non-refundable. You should verify with third-party payees whether such payments, deposits, or fees are refundable or not. Gross sales means the total gross revenue, including but not limited to earned and unearned revenues as such terms are defined by generally accepted accounting principles, received by you from the operation of your Egoscue® facility less the sum of all sales taxes, use taxes, gross receipts taxes, and other similar taxes added to the sales price and collected from the customer, and any bona fide refunds, rebates, and discounts.

We have the right to require you to establish a bank sweep, draft or other similar type of electronic funds transfer ("EFT") account in which you must deposit the gross sales of your outlet (not including local sales & use taxes) which account we may automatically access for any payment due us. You must pay all service charges and fees charged to you by your bank so that we may electronically debit your bank account. You cannot close or terminate any EFT account without receiving our prior written consent. If you fail to timely report gross sales, we may sweep an estimated amount of fees due to us. You will be responsible ~~to pay~~for paying us any amount owing if we underestimate your payment to us, and we will credit you with any overage that we charge.

[2] Brand Development Fund Fees. If not already instituted, we have the right to implement a brand-development fund fee upon 60 days' notice to you. The brand development fund fee may be used by us for one or more national or regional marketing and brand development programs, as we choose. We may increase this fee upon 60 days' notice to you. However, the increase will not be more than 3% of gross sales or more than a minimum of $750 per month. These fees are uniformly imposed. The formula for determining the brand development fund fees and discretion for any increase or allocation of the brand development fund will not be based on the volume or value of business or sales generated.

[3] Indemnification. You must ~~defend,~~ indemnify~~, and hold~~ us ~~harmless~~ from ~~any and against any and all losses, liabilities,~~ damages~~;~~ and costs ~~and expenses, including reasonable attorney's fees arising out of or~~ related to~~, or in any way connected with you or~~ your acts, errors or omissions in the operation of your Egoscue® facility or your Egoscue® facility generally, and including any allegation that you are our employee, or that we are a joint employer or otherwise responsible for the acts or omissions relating to your employees, and other laws regarding public accommodations for persons with disabilities. You are not required to indemnify us for liability caused by our willful misconduct ~~or~~, gross negligence, strict liability, or fraud.

[4] System Non-Compliance. ~~We may issue you a fine for certain violations of the franchise agreement and/or manuals. The amount of the fine~~You will be ~~set forth in the manuals and are paid to us to reimburse us for our administrative and management costs for us to address the~~fined $250 per violation~~:~~ if you are in violation of our manuals. If you do not correct the violation within the time

required by us, we have the right to put you in default. All fines are to be paid in accordance with our electronic funds transfer or automatic withdrawal program and are not our only remedy.

[5] Liquidated Damages for Breach of Non-Competition. This fee is applied if you violate the non-compete covenants in the franchise agreement or any related agreements. This fee is not our only remedy, does not represent a price for the privilege of not performing, nor does the payment represent an alternative manner of performance.

[6] Unfulfilled Visit Liability. This fee is to cover the pre-paid visits purchased from your Egoscue® facility that were not fulfilled during the term of the franchise agreement. You may either pay this fee at the time of termination or non-renewal of the franchise agreement, or you may pay the applicable transfer visit fee to the applicable Egoscue® facility each time an Egoscue® facility fulfills a visit for a client that purchased a visit at your Egoscue® facility. Any outstanding balance due after 3 years will be waived. If you choose this option, you must enter into a stipulated judgement with us for the entire amount due in case you fail to timely pay (within 10 days) an Egoscue® facility that fulfills a visit for a client that purchased a visit at your Egoscue® facility.

[7] Fee Increases. We may increase these fees by an amount equal to the Consumer Price Index each year during the term of the franchise agreement to adjust to increased costs. Costs charged by third parties are subject to change at any time and do not have an annual cap.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| TYPE OF EXPENDITURE | LOW AMOUNT | HIGH AMOUNT | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|---|
| Initial franchise fee[1] | $100,000 | $100,000 | Lump sum | Upon signing the franchise agreement | Us |
| Travel, lodging, food, and other expenses while training[2] | $2,000 | $5,000 | As Incurred | Prior to and during training | Airlines, hotels, restaurants, etc. |
| Real estate improvements[3] | $10,000 | $40,000 | As incurred | As negotiated | Suppliers and contractors |
| Rent[4]<br>(3 months of' rent, plus a security deposit) | $12,000 | $33,000 | As incurred | As negotiated | Landlord |

| TYPE OF EXPENDITURE | LOW AMOUNT | HIGH AMOUNT | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|---|
| Therapy and fitness equipment, furniture, fixtures, and décor[5] | $11,000 | $17,000 | As incurred | As negotiated | Us and suppliers |
| POS system, computer hardware, and software[6] | $4,000 | $8,000 | As incurred | As negotiated | Suppliers |
| Signs[7] | $4,000 | $5,000 | As incurred | As negotiated | Suppliers |
| Misc. opening costs[8] | $3,500 | $5,500 | As incurred | As incurred | Suppliers, government departments, utilities, etc. |
| Opening inventory and supplies[9] | $5,000 | $7,000 | Lump sum | As negotiated | Us and suppliers |
| Grand opening marketing[10] | $2,000 | $15,000 | As incurred | As negotiated | Suppliers |
| Additional funds[11] (3 months) | $10,000 | $20,000 | As incurred | As incurred | Suppliers, employees, etc. |
| TOTAL[12] | $163,500 | $255,500 | | | |

NOTES

[1] Initial Franchise Fee. The initial franchise fee is non-refundable, and we do not finance any portion of the fee.

[2] Initial Training. You are responsible to pay all travel, lodging, food, and other expenses for your attendees during training directly to the supplier (hotels, airlines, restaurants, rental car companies, etc.). These costs will vary widely as a function of the distance traveled and the choice of accommodations, meals, and transportation.

[3] Real Estate Improvements. This estimate includes the cost for construction to build out your facility according to our specifications. Costs of improvements vary widely based on location, terms of the lease, the total area of your space, as well as construction and material costs. Your landlord may provide you with a tenant improvement allowance as part of your lease, which has not been included as part of these estimates. You should review these costs with a local contractor, commercial real estate agent and other professionals. If you locate your center to a newly constructed space, the landlord may require significantly greater additional expenditures to cover leasehold improvements. You are not required to lease newly constructed space.

[4] Rent. Your space will vary depending on your needs, but we estimate you will need approximately 1,000 square feet for every postural alignment specialist in your facility, and we estimate your lease to be $18 and $50 per square foot, per annum~~.~~, depending on your market. Our estimate includes a security deposit and 3 months of rent. You are encouraged to negotiate a ~~"~~rent-free~~ rent"~~ period for the time it takes to build out your business. You may be able to negotiate additional free rent or reduced rent periods after opening as well. We expect that you will rent your facility. If you choose to purchase real estate instead of renting, your costs will be significantly different.

[5] Furniture, Fixtures, and Décor. This estimate includes interior furniture and décor. You are required to follow our furniture and décor specifications.

[6] POS System, Computer Hardware, and Software. This estimate includes computers (3 years old or newer), video camera, TVs, printers, technology, and hardware, that must meet our minimum technology standards and be compatible with all our software and operating systems.

[7] Signs. Subject to landlord and government restrictions, at least one exterior sign displaying the trademark and one interior signs are required. These signs may be made locally. All signs must conform to our specifications. You must use the location's monument sign if available.

[8] Miscellaneous Costs. These miscellaneous costs include legal fees, utility set up fees, business entity organization expenses, employee training, deposits, insurance and licenses. The cost of insurance may vary depending on the insurer, the location of your Egoscue® facility, and your claims history. We strongly recommend that you hire a lawyer, accountant, and other professionals to advise you on this franchise offering. Rates for professionals can vary significantly based on locale, area of expertise, and experience.

[9] Opening Inventory and Supplies. Opening inventory items include Egoscue® authored books and brochures and other supplies. The range in cost depends upon the size of your Egoscue® facility, as well as estimated initial business volume. This is only an initial supply and will require replenishment on a regular on-going basis based on the volume of sales for your Egoscue® facility.

[10] Grand Opening Marketing. This estimates the cost to promote your grand opening. You must spend a minimum of $2,000 on marketing your grand opening. All grand opening marketing must be approved by us prior to publication.

[11] Additional Funds. This estimates your operating expenses during your first 3 months of operations, not including cash flows. We have relied upon the experience of our principals and franchisees to compile these estimates.

[12] Total. These figures are estimates for the development of a single franchise unit, and we cannot guarantee that you will not have additional expenses starting your Egoscue® facility. ~~You should review these figures in this Item 7 carefully with a business advisor before making any decision to purchase the franchise.~~ All purchase agreements or leases must be negotiated with suppliers. For any items purchased from us or an affiliate, we require immediate payment. We do not offer direct or indirect financing for any item. All fees and payments payable to us or an affiliate are non-refundable. You should verify with third-party payees whether such payments, deposits, or fees are refundable or not.

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

Approved Suppliers, Proprietary Products and Required Purchases

You must operate your Egoscue® facility according to our system, including purchasing or leasing certain items or services according to our specifications and/or from approved suppliers. You ~~must~~may not deviate from these methods, standards, and specifications without our prior written consent.

You must purchase or lease the following products and services from us, other sources designated or approved by us, or according to our specifications as set forth in the manuals:

| Item or Service | Is the franchisor or an affiliate an approved supplier of this Item? | Is the franchisor or an affiliate the only approved supplier of this Item? |
|---|---|---|
| Therapy Equipment | Yes | No |
| Fitness Equipment | Yes | No |
| Computer Software and Hardware | Yes | No |
| Uniforms | No | No |
| Videos, Books, and Training Media | Yes | No |
| Interior Furniture and Décor Items | No | No |
| Marketing | Yes | No |
| Insurance | No | No |

We may also require you to purchase advertising materials only from approved suppliers. We reserve the right for us or an affiliate to be an approved supplier or the only approved supplier of any of the items listed in the above table. Additionally, we reserve the right to require that all items used in the operation of your business be purchased from sources approved by us.

We will also provide you with a waiver form for your customers, but it is your responsibility to verify that the waiver complies with the laws and regulations of your jurisdiction.

Insurance

You must at all times during the entire term of the franchise agreement and at your own expense keep in full force, by advance payment(s), the following minimum insurance policies, obtained from a company rated "A-" or better by A.M. Best & Company, Inc., which minimums may be adjusted from time to time in our sole discretion:

| Type of Insurance | Minimum Required Amount(s) |
|---|---|
| Commercial general liability insurance | $1,000,000 per occurrence and $3,000,000 in the aggregate or leasehold minimum, whichever is greater |
| Property insurance | 100% of the full replacement cost against loss or damage from fire and other risks normally insured against in extended risk coverage |
| Government required insurances | You must maintain and keep in force all workers' compensation and employment insurance on your employees that is required under all federal and state laws. |

These policies (excluding worker's compensation) will insure you, us, and our officers, directors, and nominees as additional insureds against any liability that may accrue by reason of your ownership, maintenance or operation of the Egoscue® facility. These policies will stipulate that we will receive a 30-day written notice prior to cancellation or termination, and we must receive a 30-day notice of any modification. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to us must be furnished to us together with proof of payment prior to you beginning operations. Our insurance coverage requirements are only minimums. ~~You must also procure and pay for all other insurance required by state or federal law.~~ You need to make an independent determination as to whether increased amounts or additional types of insurance are appropriate.

If you fail to obtain or maintain insurance, we may obtain insurance for you, and you will pay us the premium costs, plus an administration fee of $50 per hour for our time. We may periodically modify or adjust the amounts of coverage required and/or require different or additional coverage. We do not derive revenue ~~as a result of~~from your purchase of insurance. We recommend you consult with your insurance agent prior to signing the franchise agreement.

If your premises are damaged and covered by insurance, you must use the proceeds to restore the facility to its original condition within 160 days from receiving the proceeds unless we consent otherwise in writing.

Approved Suppliers

We may enter into contracts with suppliers for items or services purchased by our franchisees. Pursuant to these contracts, you must purchase items or services from approved suppliers.

All currently approved suppliers and specifications are made available to you before the beginning of operations. We consider our approved suppliers and specifications to be of critical importance to the success of the system. You must receive our prior written approval to deviate in any manner from our specifications.

Ownership in Approved Suppliers

Other than ownership of Egoscue, Inc., none of our officers have a direct ownership interest in any of our suppliers.

Proportion of Required Purchases and Leases

We estimate that the proportion of required purchases or leases will represent 30% to 40% of your overall purchases in opening your Egoscue® facility and 20% to 30% of your overall purchases in operating your Egoscue® facility.

Revenue to Us and Our Affiliates from Required Purchases

We or our affiliates may derive income from required purchases or leases of goods or services made by our franchisees from approved sources. In the last fiscal year ending September 30, 2023~~2022~~, our revenues from the sale of these products and services to franchisees was $~~0~~5,692.95 or 0.18% of our total revenues of $~~506,472~~3,160,402.

Non-Approved Suppliers

Except for certain trademark and private label items and designated source items described above, if you desire to use a particular supplier and if that supplier meets the specifications and requirements of our system, at our discretion, we may approve that supplier to become an approved supplier.

You may establish suppliers on the approved list by making an appropriate application to us. The following general criteria is used in considering whether a supplier will be designated as an approved source: the ability of the supplier to make the product to our standards and specifications; a willingness by the supplier to cooperate and work with you and other franchisees; the supplier's production and delivery capabilities; price and quality; reputation of the supplier; quality assurance systems; the financial condition of the supplier; the ability and willingness of the supplier to train you and us on the effective and safe use of the product; and the supplier's professional competence and performance abilities. We will use our best judgment in setting and modifying specifications to maintain quality and integrity of the franchise system.

If you desire to purchase any of the items listed in this Item 8 from an unapproved supplier, you will submit to us a written request for this approval or request the supplier itself to do so. We may require you to submit sufficient information and data to permit us to ascertain whether a supplier meets our specifications. We will notify you in writing within 30 days after completing our evaluation as to whether the supplier has been approved. We may make changes or alterations in the standards and specifications for approving suppliers. At our discretion, we may revoke our approval from an approved supplier upon 30 days' written notice to you.

Standards and Specifications

We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our manuals and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to do so) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

Other than as stated above, there is no obligation for you under the terms of the franchise agreement to purchase or lease any goods or services regarding the establishment or operation of the Egoscue® facility from approved sources.

Negotiated Arrangements

At this time, there are no purchasing or distribution cooperatives, and we do not currently negotiate purchase arrangements with suppliers, including price and terms for the benefit of franchisees.

Benefits Provided to You for Purchases

We do not provide material benefits to ~~franchisees~~you based on ~~the franchisee's~~your purchase of particular products or services or use of particular suppliers (e.g., grant renewals, certifications, or additional franchises based on your purchases).

The Egoscue Foundation

The Egoscue Foundation is a non-profit organization focused on understanding and improving musculoskeletal health, injury, and function through research and education. You are required to participate in semi-annual advertising events that support the non-profit. We have the right to share information from your Egoscue® facility with The Egoscue Foundation.

## ITEM 9
## FRANCHISEE'S OBLIGATIONS

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

| | Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|---|
| a. | Site selection and acquisition/lease | Sections 4.1 and 4.2 | Item 11 |
| b. | Pre-opening purchases/leases | Paragraphs 6.1.3, 6.1.11, and 6.1.13 | Item 8 |
| c. | Site development and other pre-opening requirements | Sections 4.2 and 4.3 | Items 7 and 11 |
| d. | Initial and ongoing training | Paragraph 6.1.4 and sections 7.~~4 and~~3 - 7.5 | Item 11 |
| e. | Opening | Sections 4.4 and 7.4 | Item 11 |
| f. | Fees | Article V | Items 5, 6 and 7 |
| g. | Compliance with standards and policies/operating manual | Section 6.2 and article IX | Items 8 and 11 |
| h. | Trademarks and proprietary information | Article III | Items 13 and 14 |
| i. | Restrictions on products/services offered | Article VIII | Item 8 and 16 |
| j. | Warranty and customer service requirements | Paragraphs 6.1.2 and section 8.5 | Item 11 |
| k. | Territorial development and sales quotas | Not Applicable | Item 12 |
| l. | Ongoing product/service purchases | Article VIII | Item 8 |
| m. | Maintenance, appearance and remodeling requirements | Paragraphs 6.1.2 and 6.1.9 | Item 11 |
| n. | Insurance | Paragraph 6.1.11 | Item 8 |
| o. | Advertising | Article X | Items 6, 7 and 11 |
| p. | Indemnification | Section 15.2 | Item 6 |
| q. | Owner's participation/ management/staffing | Paragraphs 6.1.7, 6.1.8, 6.1.10, 6.1.14 and 6.2.3 | Items 11 and 15 |
| r. | Records and reports | Sections 5.4 and 5.5 | Item 6 |
| s. | Inspections and audits | Paragraphs 5.5.2 and 6.2.2(iv) | Items 6 and 11 |
| t. | Transfer | Article XIV | Item 17 |
| u. | Renewal | Section 2.2 | Item 17 |

| | Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|---|
| v. | Post-termination obligations | Section 12.1 | Item 17 |
| w. | Non-competition covenants | Article XVI | Items 14, 15 and 17 |
| x. | Dispute resolution | Article XVII | Item 17 |
| y. | Compliance with government regulations | Sections 4.1 and 4.2 and paragraph 6.1.1, 6.1.10, and 16.1 | Item 12 |
| z. | Guarantee of franchisee obligations | Section 6.3 | Item 15 |

## ITEM 10
## FINANCING

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

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

**Except as listed below, Egoscue, Inc. is not required to provide you with any assistance.**

Pre-Opening Assistance

Before you open your Egoscue® facility, we will:

1. Designate your search area in which to look for an approved location for your Egoscue® facility [franchise agreement section 1.1].

2. Approve a site for your Egoscue® facility. However, we do not assist in locating a site. That is your responsibility. We must approve ~~of~~ your site before a lease is entered into or you begin construction. Our approval is based upon the following general criteria: rent, lease terms, access, appearance, traffic, general population, number of and types of businesses in the area, parking, square feet, general vicinity, and the ability to build out the site in accordance with the brand image. You must have at least 1,000 square feet of space for each postural alignment specialist along with at least 4 available parking spaces for every 1,000 feet of space. We do not prepare demographic studies or otherwise determine a need for our services or products within your market or evaluate or guarantee the potential success of your proposed site. Site approval or disapproval should be completed by us and notice provided to you in writing within 30 days or less after you have submitted a proposed site for our review. We do not generally own and lease properties to you, and we do not assist you in negotiating the purchase or ~~your~~ lease of your site [franchise agreement section 4.1].

3. Make available general written specifications for those items listed in Item 8. For purchase, delivery and installation, you are required to work directly with the manufacturer or supplier of these items. We do not offer assistance in delivery or installation of any of these items [franchise agreement section 7.1 and 8.5].

4. Provide you with the names of approved suppliers [franchise agreement section 7.2].

5. Provide you preliminary design/layout plans for your Egoscue® facility. You must adapt your Egoscue® facility to our general specifications at your own expense, in accordance with local, state and federal laws, rules and ordinances. You are responsible ~~to obtain~~for obtaining any required licenses and permits [franchise agreement section 4.3 and 7.1].

6. We do not ~~provide assistance~~assist in the actual construction, remodeling, or decorating of your Egoscue® facility [franchise agreement section 4.3].

7. Loan you a copy or provide electronic access to our confidential manuals containing mandatory policies, operating procedures, and other information. The manuals are confidential, will remain our property, and may be used by you only in association with your Egoscue® facility and only during the term of the franchise agreement. You must keep the contents of all manuals confidential. The master copy of the manuals maintained by us will be controlling in the event of a dispute relative to the contents of the manuals. You may not copy any part of the manuals either physically or electronically. The table of contents of the clinic manual is included as Exhibit "~~G~~F" to this disclosure document. Our clinic manual is in electronic format and is equivalent to approximately 73 pages [franchise agreement article IX].

8. We provide an initial training program described at the end of this Item 11 [franchise agreement paragraph 6.1.4].

9. Provide you with up to 40 hours of assistance prior to the opening of your Egoscue® facility. If you elect to have all or part of the 40 hours be in-person, you will be responsible to pay the travel, food, and lodging for our representative to provide in-person assistance [franchise agreement section 7.~~5~~].4].

~~9.~~

Lease, Construction and Commencing Operations

You will have 4 months to have a site selected and approved for your Egoscue® facility [franchise agreement section 4.1]. A lease must be in place within 6 months from the date of the franchise agreement [franchise agreement section 4.~~5~~2]. You are required to have the landlord consent to an assignment of the lease before the lease agreement is signed [franchise agreement paragraph 4.~~5~~2.2]. Additionally, you are required to include our standard lease rider which is attached to the franchise agreement as part of your lease. We do not generally own or sublease properties to you.

Any construction of your Egoscue® facility must be done in accordance our specifications. However, it will be your responsibility to verify that the plans conform to federal, state, and local laws. We do not assist in the actual construction, remodeling, or decorating of your Egoscue® facility. You must complete any construction within 9 months from the date of signing the franchise agreement [franchise agreement section 4.3].

You are required to begin operations within 10 months after signing the franchise agreement. You must give us at least 60 days prior written notice before opening your Egoscue® facility [franchise agreement sections 4.3 and 4.4].

Estimated Length of Time Before Operation

It is estimated that the length of time between the signing of the franchise agreement with the accompanying payment of the initial franchise fee and the opening of your Egoscue® facility is 6 weeks to 10 months. Factors affecting this length of time usually include obtaining a satisfactory site, financing arrangements, construction, local ordinance compliance, training, and delivery and installation of furniture, fixtures, equipment, signs, supplies, and opening inventory items.

Failure to meet these deadlines for any reason, including our disapproval of a proposed site location, or if we cannot agree on a site, may result in a termination of the franchise agreement without a refund [franchise agreement section 4.6]. However, if you can show a good faith effort to meet these deadlines, we may agree to extend a specific deadline at our discretion.

Assistance During Operation

During the operation of your Egoscue® facility, we will:

1. Make ourselves available once per week for the first 90 days after you open your Egoscue® facility, by video conference or telephone to discuss your clinic operations. However, it will be your responsibility for reaching out and scheduling these weekly meetings [franchise agreement section 7.5].

2. Provide ongoing support as necessary to assist with clinic operations—assistance not to exceed one hour per week [franchise agreement section 7.6].

3. Provide you with updates to the manuals, which updates may be in the form of emails, newsletters, announcements, technical bulletins, or other written directives through means determined by us. We have the right to modify the manuals to reflect changes in the system including the development of or change in products and services [franchise agreement section 9.1]. The modifications may obligate you to invest additional capital in your Egoscue® facility and to incur higher operating costs. You must incorporate all such modifications within the time periods that we specify~~. Other than modifications due to health or governmental mandates or guidelines, or public concerns, we will not obligate you to invest additional capital at a time when the investment cannot in our reasonable judgment be amortized during the remaining term of the franchise agreement [franchise agreement paragraph 6.2.2(iii)].~~ [franchise agreement paragraph 6.2.2(iii)].

4. Provide you with an email address which must be used in all correspondence and communications involving your Egoscue® facility. If we provide you with an email account/address, we have the right to access your email account. You are not allowed to use a non-approved email for business purposes involving the Egoscue® facility. You must at all times maintain and frequently check your emails to facilitate our communication with you [franchise agreement paragraph 6.2.2(i)].

5. Maintain a website for the Egoscue® brand that will include your business information and telephone number for your ~~facility~~franchise business [franchise agreement section 7.8].

During the operation of your Egoscue® facility, we may:

6. Make periodic inspections of your Egoscue® facility, which may be done in person or through remote access such as video or live video conferencing and may be performed through a third-party provider. Upon our request, at all reasonable times, you will provide ~~to~~ us with video and/or digital images of the interior and exterior of your Egoscue® facility as set forth in the manuals [franchise agreement paragraph 6.2.2(iv)].

7. Hold an annual conference for all ~~of~~ our franchisees to provide training, and cover topics such as new techniques, standards, performance, and business strategies. If held, attendance is mandatory for your authorized representative and other designated personnel. You must pay registration fees and all travel, lodging, food, and other expenses for each of your attendees [franchise agreement paragraph 6.1.14].

8. Conduct additional seminars, which may be through online webinars, videos, live video conferencing or other electronic media, phone conference or in person, to discuss improvements, new developments, mutual concerns and business issues, sales, marketing, personnel training, bookkeeping, accounting, inventory control and performance standards. We may charge a seminar fee, and you may be required to pay all your travel, lodging, food, and other expenses. In-person seminars are normally held at our headquarters or as available at regional facilities [franchise agreement paragraph 6.1.14].

9. Provide you with such continuing assistance in the operation of the Egoscue® facility as we deem advisable [franchise agreement section 7.2].

10. Replace defective products purchased directly from us, based on our standard limited warranty. For items purchased through third parties or an affiliate, you must work directly with the supplier or manufacturer of those items regarding warranties, defective products, training, and support [franchise agreement section 8.5]. Products purchased directly from us or our affiliate may carry a manufacturer's warranty. You must look directly to the manufacturer to replace defective products. For items purchased through third parties, you must work directly with your supplier or manufacturer of such items regarding warranties, defective products, training, and support.

11. To the degree permitted by law, we may suggest retail price, specify maximum and minimum pricing above and below which you will not sell any goods or services. You must honor all coupons, price reductions and other programs established by us [franchise agreement paragraph 6.1.12].

12. At your expense, require you to repair, refinish, repaint, remodel, modernize, redecorate, or otherwise refurbish your premises from time to time as we may reasonably direct, but not more often than every 5 years, and we will not obligate your to invest additional capital at a time when the investment cannot in our reasonable judgment be amortized during the remaining term of the franchise agreement (except for required changes to the trademarks, or changes due to health or government mandates, guidelines, or public concerns which we may require at any time~~) at your expense.~~). We may also require you to invest in new or updated equipment and technology. You will also be required to complete any day-to-day maintenance issues as they occur during the term of the franchise agreement. You must implement all changes within the time frames required by us [franchise agreement section 6.1.9].

13. Refine and develop products or services that you will offer to your customers [franchise agreement paragraph 6.2.2(iii)].

Employment Matters

We do not assist you with the hiring, firing, ~~managing or~~ discipline, scheduling, management, compensation, supervision, assignment of duties, the directions governing the manner, means, and methods of the performance of duties, work rules, or working conditions of your employees. That is your responsibility. We may provide you with ~~an~~a sample employee guide or manual, but if we do, it will only be an example of certain employment matters ~~unless otherwise indicated by us~~that you

may adopt or not. It is your responsibility to comply with state and federal employment laws [franchise agreement paragraph 6.1.10].

Advertising and Promotion

We may provide you with samples of marketing materials developed by us and provide new marketing techniques as developed [franchise agreement section 10.4].

You may develop ~~advertising and~~ marketing materials for your use, at your cost, but all ~~advertising and~~ marketing material developed or used by you must have our prior written approval. Any ~~advertising or~~ marketing materials or concepts you create becomes our property and will be considered a "work-made-for-hire" that can be used by us and other franchisees without compensation to you. If you do not receive written approval or disapproval within 10 days of the date we received your submission of ~~advertising~~marketing materials, the materials submitted are deemed unapproved. We can revoke our approval of any marketing materials at any time in our sole discretion [franchise agreement sections 3.11 and 10.4 to 10.5].

Brand Development Fund

Although under the terms of the franchise agreement we are not obligated to conduct advertising for the franchise system, or to spend any amount on advertising in your market, we have the right to maintain and administer a brand development fund for marketing and development including public relations programs as we, in our sole discretion, may deem necessary or appropriate to advertise and promote the franchise system. We may utilize the brand development fund to develop and test various media and technologies for potential utilization and/or improvement of the system and marketing of the system [franchise agreement section 10.1].

You must contribute 2% of your gross sales or $500 per month, whichever is more, to the brand development fund. Our corporate clinics will contribute to this fund on the same basis as the franchisees. We have franchises operating under older franchise agreements that currently do not contribute to the fund. Contributions by our franchisees that do contribute to the fund are uniform [franchise agreement section 10.1].

We are responsible for administering the brand development fund, but we are not a fiduciary or trustee of the brand development fund. We will direct all uses of the fund, with sole discretion over: 1) the creative concepts, materials, endorsements and media used (that may include television, internet, radio, print, and other media and marketing formats as developed over time, as funds permit); 2) the source of the marketing or public relation efforts (that may be in-house or through an outside agency located locally, regionally or nationally); 3) the placement, timing, and allocation of these programs (that may be local or regional); and 4) the composition of all geographic territories and market areas for the development and implementation of these programs [franchise agreement paragraph 10.1.1].

We may use brand development fund to offset a portion of direct costs to manage and maintain the fund, including the payment of staff salaries and other expenses for those employees who may be involved in the brand development fund [franchise agreement paragraph 10.1.2].

We are not required to spend any amount on marketing directly in the market where your Egoscue® facility is located. We make no representations that expenditures the brand development fund will benefit you or any other franchisee directly, on a pro-rata basis, proportionally, or at all. We are not required to segregate the brand development fund from our general operating funds. Funds may

be used to solicit additional franchisees, but this will not account for more than 10% of the fund [franchise agreement paragraph 10.1.2].

Advertising Expenditures in the Last Fiscal Year

Because we did not require contributions to the brand development fund in previous years, we do not have an accounting of the use of brand development fund in our prior fiscal year.

Any unused marketing funds in any calendar year will be applied to the following year's fund. The brand development fund is unaudited. ~~You~~Once each calendar year, you may send us a written request to receive an unaudited annual report of marketing expenditures from the ~~prior~~previous fiscal year. This report will be made available within 90 days of ~~the end of our fiscal year~~request [franchise agreement paragraph 10.1.2].

Advertising Council and Advertising Cooperatives

No franchisee advertising council is anticipated at this time, and you are not required to participate in a local or regional advertising cooperative.

Other Marketing Funds

At this time, you are not required to participate in any other marketing funds.

The Internet

You may not create a website for your Egoscue® facility. However, we may allow you to place pre-approved information concerning your Egoscue® facility on our website, as developed by us. You cannot engage in marketing on the Internet, including posting for re-sell, items on third party re-sell or auction-style websites such as eBay, Craigslist or Amazon without our prior written permission. You may not claim any web listing on sites such as Yelp. We have the right (but not the obligation) to manage and control all online reviews for your franchise [franchise agreement paragraph 10.6.1].

Social Media

We will own the social media accounts related to the brand, but we may provide you access to the social media account for your facility for certain management responsibilities and functions. You cannot change any login/password information without our prior written approval, and you must supply us with all changed/updated login/password information. All social media for our brand must strictly comply with our policies and procedures. We can alter, remove, or require that you alter or remove a post. You must sign the Digital and Social Media Authorization for Assignment as part of your franchise agreement. We reserve the right to restrict your use of social media in the future [franchise agreement section 10.6.2].

Software

You are required to use and pay for all software as designated by us in the operation of your franchise. You must also input, record, and upload all the required information our software and manuals require. You must also follow all laws and regulations in storing customer data and in submitting information to us [franchise agreement paragraph 6.1.15].

Computer / Point of Sale System

You must purchase computers (3 years old or newer), video camera, TVs, printer/scanner, as well as other technology and hardware that must meet our minimum technology standards ~~and~~for your franchise business and they must be compatible with all our software and operating systems. You must use a merchant provider and POS that integrates with our designated systems or as otherwise required by us. The POS system must have at least one terminal. We do not require a specific POS system, but we must approve of the POS system that you use. Most of our franchisees use the MindBody platform for their POS system.

You must also install a client contact and appointment system as determined by us. The current system in use by all franchisees is "~~Mind Body~~MindBody Online" and the current cost payable to the vendor for use of that system is approximately $150/mo. We own and have access to all data contained within the franchisee's ~~Mind Body~~MindBody Online system even if such information is shared or ported to another approved platform such as Active Campaign. You are required to use our designated email automation system and pay all fees associated with your account. Current fees for this program are approximately $50 to $100 per month.

We will have independent access to the information and data collected or generated through Mind Body Online, Active Campaign, and other designated systems we require. There are no contractual limits on our rights to do so. You must keep these systems available for our access 24 hours a day, 7 days a week. We may require updates and upgrades to your computer hardware, software and POS system at your expense during the term of the franchise agreement. There are no contractual limitations on our right to do so. We estimate the annual costs to maintain, upgrade and support your computer and POS system to be $250. We are not required to maintain, repair, update and/or upgrade your computer or POS system [franchise agreement paragraph 6.1.13].

Loyalty Programs

You are required to participate in the loyalty, gift card, discount, memberships, subscription, and coupon programs we develop. You are not allowed to implement any sort of loyalty, coupon, membership, gift card or subscription model without our prior written permission [franchise agreement paragraph 6.2.2(ii)].

Accounting

You must use the designated accounting software designated by us. You ~~may use only~~must follow our accounting procedures and line items, including standardized profit and loss statement templates, balance sheet templates, and charts of account~~,~~ as we may designate. You must provide us with independent, view-only access to your account [franchise agreement paragraph 6.1.13(ii)].

Merchant Provider

At your sole cost and expense, you are required to use our designed merchant services or payment processor, and to pay all monthly, annual, service, and upgrade fees. The required or designated provider may change at any time, and you are required to comply with any changes and are solely responsible for the fees associated with any changes [franchise agreement paragraph 6.1.13(iii)].

Initial Training

We provide an initial training program to your authorized representative, clinic director, and therapists. Your "authorized representative" is: a) if the franchisee is an individual, that individual; or b) if the franchisee is an entity, an individual that owns at least 25% of the ownership and voting interests in the franchisee entity (unless you obtain our written approval of a lower percentage), has authority over all business decisions related to the Egoscue® facility, and has the power to bind ~~the Egoscue® facility~~you in all dealings with us. The authorized representative must be involved with the business as described in Item 15.

The initial training program is held online and at our facilities in Southern California, depending on the training. The length of training depends on the prior experience of your attendees but should last approximately 10 to 30 days. The training program is held as needed. Your attendees must successfully complete the initial training. Failure to successfully complete training may result in the termination of your franchise agreement. Some trainings and certifications must be completed before opening and some may be completed after opening as described below. Successful completion will be determined by our trainers and may include your attendees successfully passing the certification exams at the end of each certification course [franchise agreement paragraph 6.1.4].

You will receive 2 registrations for each certification course as part of the initial franchise fee. These certification courses are: Postural Alignment Specialist (PAS), Advanced Exercise Therapist (AET), E-cise Therapy Skills ("ETS"), and Franchise Operations ("FO"). Additional registrations can be purchased as well. Current fees for the 4 courses are: PAS--$2,749, AET--$3,795, ETS--$1,980, and FO--$1,650. You will also be responsible ~~to cover~~for covering any travel or living expenses during training. The estimated cost of attending training is listed in Item 5 and Item 7. Certifications are valid for 2 years, after which re-certification is required at then-current costs.

Required Courses by Personnel

1. *Authorized Representative*. Your authorized representative must complete at least the PAS and FO courses. These must be completed prior to opening.

2. *Clinic Directors*. Clinic directors (which can be your authorized representative) are required to complete the PAS and ETS courses prior to opening. If your authorized representative will not be managing the daily operations at your Egoscue® facility, then your clinic director must also complete the FO course prior to opening. Within 6 months of opening, your clinic director must also complete the AET course.

3. *Therapists*. All therapists must complete the PAS course before they may participate in any therapy delivery and must complete the ETS course within one year of hire. Additionally, if a therapist will be performing services without the clinic director present, then that therapist must also complete the AET course. You must have 2 therapists on staff at all times, one of which can be your clinic director. Prior to the date on which you open your Egoscue® facility, you must have at least one ETS-certified therapist (which can be your clinic director) and one separate PAS-certified (or PAS enrollee) therapist. For the first 6 months of operation, your Egoscue® facility must have at least one therapist (which may be your clinic director) with ETS certification on-~~-~~site when therapy is being delivered. For the remaining term of the franchise agreement, your Egoscue® facility must have at least one therapist (which may be your clinic director) with AET certification on-~~-~~site when therapy is being delivered.

A description of each of the courses are listed below:

Franchise Operation (FO) Course

The FO course focuses on specific business and operational demands that your authorized representative and clinic director will encounter in operating an Egoscue® facility, including marketing, ~~new employee hiring and training,~~ administrative training, clinic design and atmosphere, potential client refunds, therapy troubleshooting, and schedule maintenance. The majority of the FO course is provided in-person at the Egoscue Institute, located in San Diego, California, and some of the FO course will be done through video conferencing. In particular, video conferencing training will include training on the different systems that are used for marketing, marketing automation, and the use of other technology.

Advanced Exercise Therapist (AET) Certification Course

The AET course focuses on creating a successful, quality experience for clients of the Egoscue Method®, along with critical thinking and an investigative approach to the therapy process. Certification requires 16 hours of in-person training at any approved Egoscue® facility, and some of the course may be provided online or through video conferencing.

Postural Alignment Specialist (PAS) Certification Course

The PAS certification course focuses on how to perform functional tests to identify symptoms and dysfunction in a person's posture and to prepare a menu plan of exercises to correct said symptoms and dysfunction through the Egoscue® approach to pain relief and health. The PAS course can be completed entirely online or in-person at the Egoscue Institute, located in San Diego, California.

E-cise Therapy Skills (ETS) Certification Course

The ETS course focuses on the Egoscue® software program, menu selection, therapist thought process, and exercise execution and technique of 180 of the most commonly used exercises. The ETS course is designed to prepare your clinic director and therapists for the in-clinic demands of postural therapy within an Egoscue® facility. The ETS course can be completed entirely online or in-person at the Egoscue Institute, located in San Diego, California.

~~The following~~Below is a ~~summary~~table listing the subjects taught and the amount of classroom and onsite training provided as part of the initial training ~~requirements:~~.

| Subject | Hours of Classroom (Online) Training | Hours of In-Person/Live Online Training | Location |
|---|---|---|---|
| PAS | ~60 | 6 | Online |
| AET | ~50 | ~16 | Online and/or at an approved Egoscue® facility |
| ETS | ~40 | 0 | Virtual |
| FO | ~24 | ~24 | San Diego, CA |
| Total | ~174 | ~46 | |

Online courses are taken in a self-paced environment with progression to the next level based on quizzes and performance reviews. Online enrollment is available 365 days a year. Attending a seminar can be done online or in-person to provide for optimal and convenient learning. On-the-job

training is provided by instructors with over 10 years of experience in the relevant discipline. ~~All attendees at a training must sign a non-disclosure agreement [franchise agreement paragraph 6.1.4(iv)].~~

Materials Provided at the Initial Training

We will provide access to our manuals during the initial training and other handouts to facilitate training. All attendees at any training must sign a non-disclosure agreement acceptable to us before attending the training [franchise agreement paragraph 6.1.4(iv)].

Opening Assistance

To assist you with your preparations prior to opening and to train your staff in the operation of your Egoscue® facility, we will provide you with up to 40 hours of on-site or virtual opening assistance. If you elect to have all or part of the 40 hours be on-site assistance, you will be responsible to pay the travel, food, and lodging for our representative to provide in-person assistance. [franchise agreement section 7.4].

Replacement Training and Recertification

You are responsible to secure the training and certification of any additional or replacement staff. The cost for replacement or additional training depends on the course taken. Prevailing course fees for additional personnel can be found at www.egoscueinstitute.com. Any travel or living expenses are the responsibility of the enrollee [franchise agreement paragraph 6.1.4(ii)].

Additional In-Person Training

We can require your operating principal and/or other key personnel to attend additional trainings if you are in default, or if we reasonably believe such training would be in the best interest of your franchise.

Depending on availability and advanced written notice, if you would like additional in-person training, we may provide this training to you. We can limit additional training to a certain number of days, attendees, and/or representatives at a time. You will be responsible for the costs of travel, food, lodging and compensation of your attendees or our representatives [franchise agreement paragraph 6.1.4(iii)].

Ongoing Evaluation and Trainings

Our staff may visit your site to conduct practical evaluations of all PAS certified specialists as they work individually with clients. Our staff will give private critique of performance. [franchise agreement section 7.7].

At this time, other than listed above, no additional trainings or refresher courses are required.

## ITEM 12
## TERRITORY

Non-Exclusive Territory

You will not receive an exclusive territory for your Egoscue® facility. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Grant of Territory

Under the franchise agreement, we will grant you the right to use the system and proprietary marks at a specific location. However, we do not grant any specific protected territory for your location.

Territory Restrictions

You are restricted to operations from the approved franchised premises and may not, without our prior written approval, open or operate another outlet, or provide mobile or off-site services.

Relocation

You do not have the automatic right to relocate your Egoscue® facility, and we have the right to deny any relocation request. You must obtain our prior written permission if you want to relocate your Egoscue® facility, and you must also be able to demonstrate to us that you have the financial ability to relocate. Approval to relocate is determined on a case-by-case basis and is based on factors such as your operational history, our then-current criteria used in approving a new franchisee's proposed site, proximity of other Egoscue® facilities, and other factors that are relevant to us at the time of the relocation request. You will be required to cover our costs associated with your relocation request and relocation.

Your Rights to Use Channels of Distribution

You are not allowed to solicit or provide service via Skype, Facetime or other video protocol or via texting, emailing, chat or similar electronic protocol to any client residing within 20 miles of another Egoscue® facility or at a level exceeding more than 15% of your Egoscue® facility's appointments for any successive 12-month period. Any digital therapy or online therapy provided as an extension of previously rendered person-to-person therapy services in your Egoscue® facility will not count towards the foregoing limitation. Additionally, any online or other type of digital therapy or services you wish to provide, whether live or on-demand, requires our prior written approval before you can provide such service.

Territorial Advertising

Neither you, nor other franchisees may actively market within 20 miles of another franchisee's Egoscue® facility. However, there are no territorial restrictions on our and our affiliates' ability to advertise anywhere.

Options to Acquire Additional Franchises

You do not receive the right or option to acquire additional franchises. Purchase of additional facilities will be based on your good standing and submission to us of a business plan which we, in our sole discretion, have approved. This option will only be available to you if there are franchise territories available, you meet our then-current criteria for new franchisees, and we determine to sell you another franchise.

~~Non-Exclusive Territory~~

~~You will not be assigned an exclusive territory for your Egoscue® facility. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.~~

Our Rights to Use Channels of Distribution in Your Territory

We and/or our affiliates may offer or license others to offer products and services over the Internet and other video platforms under our marks or any other names or marks to clients anywhere in the world, regardless of the proximity a client may have to your or another Egoscue® facility. We do not compensate you for the sale of products or services sold to clients that may be located near your Egoscue® facility. In our discretion, we may refer clients to you or other franchisees, which referrals may be for in-person or online/digital appointments.

Additionally, we may from time to time hold events near your facility or advertise and promote via direct response marketing, social media, SEO or like media efforts without regard to your or any other Egoscue® facility's location and without compensation to you for any revenue derived.

Our Previous Activities in Your Territory

In the past, we or an affiliate may have used one or more of the following distribution channels to sell and distribute products and services in your proposed search area under the Egoscue® brand: websites, apps, social media, books and brochures, direct marketing, and various video platforms.

Affiliate Program and Events

We also offer individuals to become POS certified and license to them a limited version of our software. These non-Egoscue® affiliates could be near your Egoscue® facility. Additionally, we currently attend various events during the year where we solicit and sell Egoscue® therapy, and these events could be near your Egoscue® facility.

Competition by Us Under Different Trademarks

Neither we, nor an affiliate operates, franchises, or has plans to operate or franchise a business that sells or will sell goods or services similar to those sold in your franchise using a different trademark, but we reserve the right to do so in the future.

## ITEM 13
## TRADEMARKS

Non-Exclusive Grant of the Trademark

We grant you the non-exclusive right to use certain of our trademarks in the operation of your Egoscue® facility. You may also use future trademarks in the operation of your Egoscue® facility, as we designate. You will not at any time acquire any rights in the trademarks. By trademarks we mean our trade names, trademarks, commercial symbols, service marks and logos.

Registered Trademarks

The following trademarks, service marks, trade names, logotypes or other commercial symbols listed below are registered or have been filed for registration with the United States Patent and Trademark

Office on the Principal Register, or the state of California registry, or they have not been filed for registration, but we claim common law rights in them. All required affidavits and renewals have been filed.

| Registration/ Serial Number | Word or Design Mark | Registry | Registration/ Filing Date | Status |
|---|---|---|---|---|
| 2987119 | "EGOSCUE" (word mark) | Principal | Aug. 23, 2005 | Registered |
| 0363781678857 / 74007378 | "THE EGOSCUE METHOD" (word mark) | State of California | March 20, 199010, 1992 | Registered |
| 2544671 | "THE PATCH" (word mark) | Principal | March 5, 2002 | Registered |
| 2850560 | "EGOSCUE DIRECT" (word mark) | Principal | June 8, 2004 | Registered |
| 2905877 | "E-CISE" (word mark) | Principal | Nov. 30, 2004 | Registered |
| 2914232 | "EPETE" (word mark) | Principal | Dec. 28, 2003 | Registered |
| 3642392 | "EPETE PAIN FREE LIVING SINCE 1971" and Design(design mark) | Principal | July 23, 2009 | Registered |
| 3649921 | "EPETE PAIN FREE LIVING SINCE 1971" and Design(design mark) | Principal | July 7, 2009 | Registered |
| 3511930 | "PATCHFITNESS" (word mark) | Principal | Oct. 7, 2008 | Registered |
| 3511928 | "The PATCH and design" (design mark) | Principal | Oct. 7, 2008 | Registered |
| 5521184 | "EGOSCUE INSTITUTE" (word mark) | Principal | July 17, 2018 | Registered |
| 5521196 | (design mark) | Principal | July 17, 2018 | Registered |
| 5680314 / 88025049 | Servic (design mark) | Principal | Feb. 19, 2019 | Registered |

| | | | | |
|---|---|---|---|---|
| 7257785 / 97522951 | Feel Better. Move Better. Live Better. (word mark) | Principal | Jan 2, 2024 | Registered |

Registered Domain Names

We have registered the Uniform Resource Locators (domain names) Egoscue.com. You may not register or own a domain name, social media account, email account, etc., using our trademark or any derivative of our trademark in a domain name, and you may not create or register any domain name social media, email, etc., in connection with your Egoscue® facility or the franchise system without our prior written permission.

Use of the Trademark

You must use all trademarks in strict compliance with our manuals and Egoscue® system. You must promptly modify or discontinue the use of a trademark at your cost if we modify or discontinue it, and you have no rights to compensation or otherwise under the franchise agreement if we require you to modify or discontinue using a trademark. You cannot make application for registration for any of our marks, or for any derivation ~~thereof~~of our marks. You cannot use the name "Egoscue" as part of your corporate name, but you must use the name Egoscue® as part of an assumed business name or dba ("doing business as") registered with the applicable governmental authority. This use is non-exclusive. You cannot make application for registration or other protection of Egoscue® names, derivatives, or any other trademark used by us.

You may only use the trademarks with the letters "™" or "℠ " or "®" as appropriate. You cannot use any trademark in the sale of any unauthorized product or service. You cannot use any other trademark as part of your Egoscue® facility that is not affiliated with us or approved by us. You must follow all security procedures required by us ~~for maintaining~~to maintain the secrecy of proprietary information.

Government Determinations Regarding the Trademarks

There are presently no effective determinations by the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court or pending interference, opposition or cancellation proceeding, or pending material litigation involving the trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the trademarks.

Superior Prior Rights and Infringing Uses

We are unaware of any superior rights in or infringing uses of the trademarks that could materially affect your use of the trademarks in your area.

Protection Against Infringement

You are obligated to immediately notify us when you learn about an infringement of or challenge to your use of our trademarks. We will have the discretion to take the action we deem appropriate. We

are not obligated to protect any rights that you have to use the trademarks, or to protect you against claims of infringement or unfair competition. You are given the right to protect yourself, at your sole cost, from any of these claims if we elect not to prosecute the claim of infringement or unfair competition; however, we have the right to control any administrative proceedings or litigation involving the trademarks, and you will proceed in strict coordination and oversight by us. You may not act contrary to our rights in the marks. We are not required to defend or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the licensed trademarks.

You may not contest, directly or indirectly, our right and interest in our trademarks, names or marks, trade secrets, methods, and procedures that are part of our business. Any goodwill associated with the trademarks or system belongs to us.

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

Patents and Copyrights

You do not receive the right to use an item covered by a patent, and we do not have any pending patent applications with the United States Patent and Trademark Office. We do not own rights to, or licenses in, any patent that is material to the franchise system. However, we claim protected trade secrets and copyrights in our training materials, exercise regimens, software, menu planning techniques, philosophy, and customer lists.

We also claim other copyrights in sales literature and marketing materials that we or our franchisees develop for our use and for use by our franchisees, and your use of these materials will be limited to the uses required or allowed by us. We or an affiliate may develop software or apps. ~~In such cases~~If so, we claim copyright protection on all such items.

You must modify or discontinue the use of any copyright, at your cost, if we modify or discontinue it, at our reasonable discretion.

Proprietary Information

As a franchisee, you may use the proprietary information in our manuals, but only in connection with the system. The manuals may not be copied. The manuals must be returned to us or permanently deleted by you upon termination, transfer or non-renewal of your franchise agreement. Portions of the "system," including the Egoscue Method®, e-Pete®, menus, processes, customer lists, etc., are a trade secret or confidential and proprietary to us.

With regards to our proprietary information, the franchise agreement also provides that you will: (a) strictly follow all confidential security procedures required by us, (b) disclose this information to your employees only as needed to market our products and services; (c) not use this information in any other business; (d) exercise the highest degree of diligence to maintain this information as confidential; and (e) promptly notify us if you learn of any unauthorized use of our trade name, trade secrets or proprietary information. Your use of our proprietary information is limited to the uses required or allowed by us.

~~Improvements to the System~~

~~Any improvements you make to the system will be owned by us and considered a "work-made-for-hire" or will otherwise be assigned to us.~~

Protection Against Infringement

You must also promptly tell us when you learn about unauthorized use of our copyrights, manuals and any other proprietary information. We are not obligated to take any action but will respond to this information as we believe appropriate. We have the right to control any administrative proceedings or litigation. We are not required to defend or indemnify you for any damages from any proceeding based on patents or copyright. You must modify or discontinue the use of any patent or copyright, at your cost, if we modify or discontinue it. You are given the right to protect yourself, at your sole cost, from any of these claims if we elect not to prosecute the claim of infringement or unfair competition; however, we have the right to control any administrative proceedings or litigation involving the patents or copyrights, and you will proceed in strict coordination and oversight by us. You may not act contrary to our rights in the patents or copyrights.

Superior Prior Rights and Infringing Uses

We are unaware of any superior rights or infringing uses of the copyrights or patents that could materially affect your use of the copyrights or patents in your area.

## ITEM 15
## OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE EGOSCUE® FACILITY

Participation and "On Premise" Supervision

Your authorized representative must personally participate in the direct operation and supervision of your Egoscue® facility. However, your authorized representative does not need to be your clinic director and manage your Egoscue® facility full time. We recommend but do not require on-premises supervision by your authorized representative. You must hire a clinic director if your authorized representative will not be your clinic director. For the first 6 months of operation, your Egoscue® facility must have at least one therapist (which may be your clinic director) with ETS certification on-site. For the remaining term of the franchise agreement, your Egoscue® facility must have a least one therapist (which may be Your clinic director) with AET certification on-site when therapy is being delivered.

Your authorized representative is not required to work a certain or minimum number of hours. However, your authorized representative must work sufficient hours to operate your franchise or supervise your Egoscue® facility so that it is operating at maximum capacity and efficiency.

Additionally, although we do not require your authorized representative to be involved in the day-to-day on-premises management, your authorized representative is required to participate in your Egoscue® facility as follows: (i) be directly responsible for overseeing all accounting, reporting and bookkeeping, and all financial components of the Egoscue® facility; (ii) attend and complete all training and retraining courses required by us; (iii) attend any annual or special meetings of franchisees required by us; (iv) be directly involved with site selection, construction, remodeling; (v) be directly involved in all personnel decisions affecting the Egoscue® facility; and (vi) conduct frequent inspections of the Egoscue® facility operations to ensure the highest standards of professionalism, cleanliness and a general pleasant appearance, and compliance with our approved methods.

Who Must Attend and Successfully Complete Initial Training

Your authorized representative and your clinic director, if different from your authorized representative must attend and successfully complete our initial training and certification program. Your therapists much each complete the appropriate certifications as required by the franchise agreement.

Restrictions on the On-Premises Supervisor

We do not put a limitation on whom you can hire as your on-premises supervisor.

No Competing Enterprises

Neither you, your authorized representative, nor your clinic director, or therapists can have an interest in or business relationship with any competing business during the term of the franchise agreement and must keep free from activities that would be detrimental to or interfere with the operation of your Egoscue® facility or detrimental to the franchise system. You, your partners, directors, members, shareholders, and authorized representative must sign our standard principal brand protection agreement agreeing to protect and keep confidential our trade secrets and confidential information and to conform with the covenants not to compete described in Item 17 [franchise agreement, exhibit A-4]. Your employees will also be required to sign a brand protection agreement, and that agreement also imposes certain non-competition restrictions on management employees. Some states may impose certain restrictions on non-competition agreements. We provide you this form, but it is your responsibility to conform it to the laws and regulations of your state [franchise agreement, exhibit A-5].

Required Operations

You must operate the Egoscue® facility at least 5 days per week throughout the year during conventional business hours, as designated or approved by us.

Personal Guarantees

Any individual who owns a 10% or greater interest in the Egoscue® facility (and their spouse or domestic partner) must personally guarantee the performance of all your obligations under the franchise agreement and agree to be personally bound by, and liable for, the breach of every provision of the franchise agreement.

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

You may accept customers at your location regardless of whether that customer lives in another franchisee's area. However, you are not allowed to solicit or provide service via Skype, Facetime or other video protocol or via texting, emailing, chat or similar electronic protocol to any client residing within 20 miles of another Egoscue® facility or at a level exceeding more than 15% of your Egoscue® facility's appointments for any successive 12-month period.

You may provide and offer to your clients only those products, goods and services specified and approved by us in writing. No service or product or other item may be added to or included or performed by your business, unless such service, product or item is first approved by us in writing. You must offer all items to your clients that we offer to you and must strictly follow our policies and procedures and manuals as may be updated from time to time. You must purchase the items set forth in Item 8 from designated or approved suppliers.

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

### THE FRANCHISE RELATIONSHIP

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

| | Provision | Section in Franchise or other Agreement | Summary |
|---|---|---|---|
| a. | Length of the franchise term | Section 2.1 | The term is 5 years. The franchise term will begin upon signing the franchise agreement and will be extended to coincide with your lease agreement for the premises (for a 5-year lease). |
| b. | Renewal or extension of the term | Section 2.2 | If you are in good standing at the end of the franchise term, you can enter into a successor franchise agreement for an additional term of 5 years. Your successor agreement will also provide an option to enter into a subsequent successor franchise agreement. |
| c. | Requirements for franchisee to renew or extend | Section 2.2 | You are not allowed to renew unless the average monthly royalty paid during the 12 months prior to the notice of renewal being given exceeds $2,500. Additionally, you must not be in default, must pay a successor franchise fee, modernize your Egoscue® facility to the then-current standards, and sign the then-current franchise agreement. When renewing, you may be required to sign a contract with materially different terms and conditions than your original contract.<br><br>You are required to give us notice of your intent to renew between 6 and 12 months prior to the expiration of your franchise agreement~~. (Subject~~ (subject to state law). |
| d. | Termination by franchisee | Section 11.4 | There are no provisions in the franchise agreement that permit you to terminate the franchise agreement. However, some states may allow you to terminate as permitted by state law. |

| | Provision | Section in Franchise or other Agreement | Summary |
|---|---|---|---|
| e. | Termination by franchisor without cause | Section 11.1 | We must have cause to terminate the franchise agreement. |
| f. | Termination by franchisor with cause | Section 11.1 | We can terminate if you materially breach and fail to cure. There are certain breaches for which we can terminate without giving you an opportunity to cure (see (h) below). |
| g. | "Cause" defined – curable defaults | Paragraphs 11.1 ~~N~~M-T | You have 24 hours to 30 days to cure certain material defaults of the franchise agreement. |
| h. | "Cause" defined - non-curable defaults | Paragraphs 11.1 A-~~O~~L | Non-curable defaults include insolvency, bankruptcy, conviction of a felony, fraud, repeated defaults even if cured, harm or threat of harm to the public, abandonment, trademark misuse, etc. |
| i. | Franchisee's obligations on termination/non-renewal | Section 12.1 | Obligations include complete de-identification, payment of amounts due, and compliance with the brand protection agreement, etc., (see also (r) below). |
| j. | Assignment of contract by franchisor | Section 14.1 | There are no restrictions on our right to assign. |
| k. | "Transfer" by franchisee - defined | Section 14.2 | The definition of transfer by you includes the assignment and transfer of contracts, security interests, transfer of ownership interest, the sale of substantially all ~~of~~ your assets, etc. |
| l. | Franchisor approval of transfer by franchisee | Section 14.2 | We must approve all transfers, but we will not unreasonably withhold approval. |
| m. | Conditions for franchisor approval of transfer | Sections 14.3 - 14.8 | Conditions to transfer include you are not in default, all fees are current, new franchisee qualifies, transfer and training fees are paid, purchase agreement is approved, training for the new transferee arranged, new transferee signs the then-current franchise agreement, a release is signed by you, etc. You must also coordinate with the transferee to ensure coverage at the location during the transferee's initial training. These conditions are subject to state law. (See state specific addenda). |

| | Provision | Section in Franchise or other Agreement | Summary |
|---|---|---|---|
| n. | Franchisor's right of first refusal to acquire franchisee's business | Section 14.9 | We can match any offer for your franchise or business assets within 30 days of written notice to us of the offer. |
| o. | Franchisor's option to purchase franchisee's business | Sections 13.1 and 14.12 | Upon termination or expiration of the franchise agreement, we can elect to buy all or part of your business assets at fair market value within 30 days.<br><br>Additionally, if we receive an offer to acquire a majority of the franchises or an offer to purchase a majority of our assets or stock, or to merge or go public or similar transactions, we have the option to purchase all of your rights and interests in and under the franchise agreement and your Egoscue® facility. For any Egoscue® facility that has been operating for less than ~~6~~12 months, we will pay the replacement / construction costs. For any location that has been operating for ~~6~~12 to 24 months, we will pay a 2x EBITDA based on the LTM (last 12 months of operations) and 3x EBITDA based on the LTM (last 12 months of operations) if an Egoscue® facility has been operating for more than 24 months. |
| p. | Death or disability of franchisee | Section 14.10 | Within ~~160~~180 days of death or disability of your authorized representative or majority owner, your personal representative must be approved, and a new manager must be trained, if applicable, or franchise must be assigned to an approved buyer. We have the right to operate your Egoscue® facility until a trained manager is in place for which fees will apply. |
| q. | Non-competition covenants during the term of the franchise | Section 16.1 | No involvement in another postural alignment or musculoskeletal therapy business anywhere without our written consent. Non-competition provisions are subject to state law. |

| | Provision | Section in Franchise or other Agreement | Summary |
|---|---|---|---|
| r. | Non-competition covenants after the franchise is terminated, transferred or expires | Sections 16.3 – 16.4 | No competing business for 2 years within 25 miles of your Egoscue® facility, or within 20 miles of any other Egoscue® facility (including after assignment). If you compete within the ~~time~~restrictive period, then this non-compete ~~time~~ period will be tolled for the period of your competition. Non-competition provisions are subject to state law.<br><br>For a period of 3 years from termination, transfer, or expiration of your franchise agreement, you may not solicit to or on behalf of a competing business any former customer of your Egoscue® facility that you serviced as ~~a~~an Egoscue® franchisee, or customer of ours or of an affiliate or of another Egoscue® facility with whom you interacted during the term of the franchise agreement. |
| s. | Modification of the agreement | Section 20.11 | Modifications must be made in writing and signed by both parties, but policies and procedures and the manuals are subject to change by us. |
| t. | Integration / merger clause | Section 20.10 | Only the terms of the franchise agreement are binding (subject to state law). All representations and promises outside the disclosure document and franchise agreement may not be enforceable. No provision in the franchise agreement is intended to disclaim the ~~express~~ representations made in this franchise disclosure document. Any representations or promises made outside of the franchise disclosure document and other agreements may not be enforceable. |
| u. | Dispute resolution by arbitration or mediation | Section 17.2 | Except for certain claims, for all disputes, there must be a face-to-face meeting, mediation, and arbitration. (See state specific addenda). |

| | Provision | Section in Franchise or other Agreement | Summary |
|---|---|---|---|
| v. | Choice of forum | Sections 17.2 and 19.2 | All disputes must be resolved by arbitration in Salt Lake City, Utah, or the county where our then-current headquarters is located (subject to state law). |
| w. | Choice of Law | Sections 19.1 and 19.5 | Utah law, the Federal Arbitration Act, and the United States Trademark Act apply (subject to applicable state law). |

## ITEM 18
## PUBLIC FIGURES

We do not use any public figure to promote our franchise.

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management at admin@egoscue.com and (858) 775-1075, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**
**Systemwide Facility Summary for Years 20202021 to 20232022**

| Facility Type | Year | Facilities at Start ofYear | Facilities at End ofYear | Net Change |
|---|---|---|---|---|
| Franchised | 20202021 | 3130 | 3028 | -12 |
| | 20222021 | 3028 | 2822 | -26 |
| | 20222023 | 2822 | 22 | -6+0 |
| | 20212020 | 2 | 2 | 0 |

| | | | | |
|---|---|---|---|---|
| Company - Owned | 2022~~2021~~ | 2 | 2 | 0 |
| | ~~2022~~2023 | 2 | 2 | 0 |
| Total Facilities | 2021~~2020~~ | ~~33~~32 | ~~32~~30 | -~~1~~2 |
| | ~~2021~~2022 | ~~32~~30 | ~~30~~24 | -~~2~~6 |
| | ~~2022~~2023 | ~~30~~24 | 24 | –<br>~~6~~+0 |

**Table No. 2**
**Transfers of Facilities from Franchisees to New Owners (other than the Franchisor) for Years ~~2020~~2021 to 2023~~2022~~**

**~~None~~**

| State | Year | Number of Transfers |
|---|---|---|
| Total | 2021 | 0 |
| | 2022 | 0 |
| | 2023 | 0 |

**Table No. 3**

**Status of Franchised Facilities for Years ~~2020~~2021 to 2023~~2022~~**

| State | Year | Facilities at Start of Year | Facilities Opened | ~~Termination~~s Termin-ations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Facilities at End of Year |
|---|---|---|---|---|---|---|---|---|
| AR | ~~2020~~2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | ~~2021~~2022 | 1 | 0 | 0 | ~~0~~1 | 0 | 0 | ~~1~~0 |
| | ~~2022~~2023 | ~~1~~0 | 0 | 0 | ~~1~~0 | 0 | 0 | 0 |
| AZ | ~~2020~~2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | ~~2021~~2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | ~~2022~~2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| ~~CA~~ | ~~2020~~ | ~~6~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~6~~ |
| CA | 2021 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 2 | 0 | 0 | 0 | 4 |
| ~~CO~~ | ~~2020~~2023 | ~~24~~ | 0 | 0 | 0 | 0 | 0 | ~~24~~ |
| CO | 2021 | 2 | 0 | 1 | 1 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ~~FL~~ | ~~2020~~2023 | ~~2~~0 | 0 | 0 | 0 | 0 | 0 | ~~2~~0 |
| FL | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| GA | ~~2020~~2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| IL | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| ~~IL~~ | ~~2020~~2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| MA | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | ~~0~~1 | 0 | 0 | 0 | ~~1~~0 |
| ~~MA~~ | ~~2020~~2023 | ~~1~~0 | 0 | 0 | 0 | 0 | 0 | ~~1~~0 |
| NV | 2021 | ~~1~~2 | 0 | 0 | 0 | 0 | 0 | ~~1~~2 |
| | 2022 | ~~1~~2 | 0 | ~~1~~0 | 0 | 0 | 0 | ~~0~~2 |
| ~~NV~~ | ~~2020~~2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| NY | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| ~~NY~~ | ~~2020~~2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| OR | 2021 | ~~2~~1 | 0 | 0 | 0 | 0 | 0 | ~~2~~1 |
| | 2022 | ~~2~~1 | 0 | 0 | 0 | 0 | 0 | ~~2~~1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| PA | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| TX | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 2 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VA | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| WA | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Japan | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Mexico | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Totals | 2021 | 30 | 0 | 1 | 1 | 0 | 0 | 28 |
| | 2022 | 28 | 0 | 5 | 1 | 0 | 0 | 22 |
| | 2023 | 22 | 0 | 0 | 0 | 0 | 0 | 22 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ~~OR~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2021~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2022~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| ~~PA~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2021~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2022~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| ~~TN~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ | ~~0~~ |
| | ~~2021~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | ~~2022~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| ~~TX~~ | ~~2020~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | ~~2021~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | ~~2022~~ | ~~2~~ | ~~0~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| ~~VA~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2021~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2022~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| ~~WA~~ | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2021~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | ~~2022~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| ~~Japan~~ | ~~2020~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | ~~2021~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | ~~2022~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| ~~Mexico~~ | ~~2020~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | ~~2021~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | ~~2022~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| ~~Totals~~ | ~~2020~~ | ~~31~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ | ~~30~~ |
| | ~~2021~~ | ~~30~~ | ~~0~~ | ~~1~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~28~~ |
| | ~~2022~~ | ~~28~~ | ~~0~~ | ~~5~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~22~~ |

**Table No. 4**
~~**Status of Company-Owned Outlets**~~
~~**For Years 2020 to 2022**~~

~~**Table No. 4**~~
**Status of Company-Owned Facilities for Years ~~2020~~2021 to ~~2022~~2023**

| State | Year | Facilities at Start of Year | Facilities Opened | Facilities Reacquired From Franchisee | Facilities Closed | Facilities Sold to Franchisee | Facilities at End of Year |
|---|---|---|---|---|---|---|---|
| CA | ~~2020~~2021 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2022~~2~~021 | 2 | 0 | 0 | 0 | 0 | 2 |
| | ~~2022~~2023 | 2 | 0 | 0 | 0 | 0 | 2 |
| Totals | ~~2020~~2021 | 2 | 0 | 0 | 0 | 0 | 2 |
| | ~~2021~~2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| | ~~2022~~2023 | 2 | 0 | 0 | 0 | 0 | 2 |

**Table No. 5**

**Projected Openings as of September 30, ~~2022~~2023**

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlet In The Next Fiscal Year | Projected New Company-Owned Outlet In the Next Fiscal Year |
|---|---|---|---|
| Arizona | 0 | 0 | 1 |
| Massachusetts | ~~0~~1 | ~~1~~0 | 0 |
| ~~Tennessee~~Texas | 0 | 1 | 0 |
| Total | ~~0~~1 | ~~2~~1 | ~~0~~1 |

List of Franchisees

Exhibit "~~D~~C" contains a list of our current franchisees. Exhibit "~~D~~C" also contains a list of franchisees who have had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date.

Disclosure of Franchisee Information

If you invest in this franchise, your contact information and financial information may be disclosed in our disclosure document.

Sale of Previously Owned Outlet

We are not selling a previously owned franchised outlet now under our control.

Confidentiality Agreements

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

Franchisee Organizations

We do not know of any trademark specific franchisee organization associated with our system that is required to be disclosed in this Item.

## ITEM 21
## FINANCIAL STATEMENTS

Our fiscal year ends on September 30 of each year. Attached as Exhibit "~~C~~B" are our audited financial statements dated September 30, ~~2022~~2023, September 30, 2022~~2021~~, and September 30, ~~2020~~2021. We have also attached unaudited interim financials dated December 31, ~~2022~~2023.

## ITEM 22
## CONTRACTS

We have attached the following contracts: as Exhibit "A," the Franchise Agreement and its Exhibits; ~~as Exhibit "B," the Statement of Prospective Franchisee;~~ and as Exhibit "~~H~~G," the Form Release Agreement. All other contracts and agreements are to be entered into with persons of your choice and therefore cannot be attached.

## ITEM 23
## RECEIPT

The last 2 pages of this disclosure document contain a receipt, in duplicate. The receipt is a detachable acknowledgement that you have received this Franchise Disclosure Document. Both receipts should be signed and dated by you. One copy should be returned to us, and you should keep the other for your records. If you do not sign this receipt via our electronic signature platform, then you need to send us a signed and dated copy. You may return the signed and dated receipt by emailing it to us at admin@egoscue.com.

**ADDENDUM TO THE EGOSCUE® FDD**
**STATE REGULATIONS**

**SCHEDULE "A-1"**
**TO THE FDD**

**STATE ADDENDA**

## STATE REGULATIONS
## FOR THE STATE OF CALIFORNIA

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

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 at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise.

2. The California Franchise Relations Act, Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with California law, California law controls.

3. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)

4. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be ~~fully~~ enforceable under California law.

5. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

6. The franchise agreement requires binding arbitration. The arbitration will occur at ~~San Diego, California~~Salt Lake City, Utah with the costs being borne by you for travel to, and lodging in, ~~San Diego, California~~Salt Lake City, Utah, and other costs associated with arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (this or these as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 128a, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of ~~California~~Utah.

7. The franchise agreement requires application of the laws of Utah. This provision may not be enforceable under California ~~or your home jurisdiction in some cases, but the California franchise laws may prevail in some instances. Prospective franchisees are encouraged~~law. You may want to consult ~~private legal counsel~~an attorney to ~~determine~~understand the impact of out-of-state governing law on the ~~applicability of California laws~~franchise agreement.

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

9. Neither franchisor nor any person listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling this or these persons from membership in such association or exchange.

10. Section 31125 of the California Corporations Code requires the Franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed modification of an existing franchise.

11. Our website at www.egoscue.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.

12. The franchise agreement provides for waiver of a jury trial. This may not be enforceable in California.

13. ~~No disclaimer~~**Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy.** Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, ~~clause, or~~ or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.

(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

14. Franchisees owning 10% or greater must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

15. California's Franchise Investment Law (Corporations Code section 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

16. No statement ~~signed~~, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall ~~be construed or interpreted as~~ have the effect of (i) waiving any ~~claim of~~ claims under any applicable state franchise law, including fraud in the inducement, ~~whether common law or statutory, or as~~or (ii) disclaiming reliance on ~~or the right to rely upon~~ any statement made ~~or information provided~~ by any franchisor, ~~broker~~franchise seller, or other person acting on behalf of the franchisor ~~that was a material inducement to a franchisee's investment.~~. This provision supersedes any other ~~or inconsistent~~ term of any document executed in connection with the franchise.

~~14.~~ 17. Franchisees owning 10% or greater must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

18. Item 6 under Late Fees is amended to include the following: “The highest interest rate allowed in California is 10% annually.”

~~15~~19. 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.

20. In registering this franchise, the California Department of Financial Protection and Innovation has not reviewed, and makes no statements concerning, the franchisor’s compliance with state and federal licensing and regulatory requirements relating to the practice of medicine. You should consult with your attorney concerning these laws, regulations, and ordinances that may affect the operation of your business. If the California Medical Board, or any other agency overseeing the practice of medicine in this state, determines that the operation of the franchise fails to comply with state law, the franchisor may be required to cease operations of the franchised business in California. This may result in the termination of your franchise and loss of your investment.

## STATE REGULATIONS
## FOR THE COMMONWEALTH OF VIRGINIA

By statute under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right give to him by any provision contained in the franchise. Accordingly, the Division requests that the franchisor add a Virginia Addendum to the FDD containing the following statements:

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for [insert franchisor name] for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Item 17.h:

> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and area developer 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.
>
> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the franchise agreement and area developer agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

## ADDENDUM TO THE FDD
## FOR THE STATE OF WASHINGTON

In the

event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting the transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Article XIII of the franchise agreement will be interpreted in accordance with RCW 19.100.180.

Section 14.12 of the franchise agreement empowers the franchisor to purchase the franchise before the termination of the franchise agreement. This is inconsistent with RCW 19.100.180(2)(j) and does not apply to Washington franchisees.

The time limitations to initiate a claim as set forth in Section 17.2.3(iii) of the franchise agreement are hereby amended and extended to the time limits allowed under RCW 19.100.

Section 17.2.3(viii) of the franchise agreement is here by amended as follows:

Federal Arbitration Act. You and We mutually agree that all issues relating to arbitrability are governed exclusively by the Federal Arbitration Act and the federal common law of arbitration to the exclusion of any state statutes or common law and will be decided by the arbitrator. All provisions of this Agreement pertaining to venue, choice-of-laws, dispute avoidance and resolution will be strictly enforced (subject to state law).

Section 2 of the Form General Release Agreement (Exhibit "G" to the franchise disclosure document) is hereby omitted and not applicable in the state of Washington.

The undersigned does hereby acknowledge receipt of this addendum.

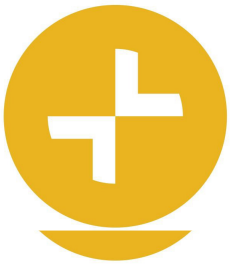
Dated this _____ day of _____ 20_____.

_____ _____

FRANCHISOR FRANCHISEE

**EXHIBIT "A"**
**TO THE FDD**

**FRANCHISE AGREEMENT**



THE EGOSCUE METHOD®

**FRANCHISE AGREEMENT**

By and Between

EGOSCUE, INC.

and

_____

(Franchisee)

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This Agreement and the Schedules and Exhibits attached hereto are subject to the copyright of The Franchise & Business Law Group, LLC.

**EGOSCUE®**
**FRANCHISE AGREEMENT**

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**EGOSCUE, INC.**
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT ("Agreement") is entered into and made effective as of _____ by and between EGOSCUE, INC., a Utah corporation ("Franchisor" or "We," "Us" or "Our" as further defined in Article XXI below) and _____ ("Franchisee" or "You" or "Your" as further defined in Article XXI below).

WHEREAS, We have developed a system for the operation of an Egoscue® facility utilizing the Egoscue Method®, Marks, and System for the treatment of pain and musculoskeletal health through function and motion and other related products and services ("Egoscue® Facility"); and

WHEREAS, You are desirous of entering into an agreement with Us so as to be able to obtain the rights to operate an Egoscue® Facility using the System.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, recitals, obligations, terms and conditions herein contained, and the acts to be performed by the respective parties hereto, the parties hereto agree as follows:

## ARTICLE I
## AWARD OF FRANCHISE

1.1 Award of Franchise. We hereby grant to You, and You accept, subject to the terms, conditions, and obligations herein, the non-exclusive, non-sublicensable personal right to establish and conduct one Egoscue® Facility as an Egoscue® franchisee and the right to use the System and the Marks only as specifically set forth herein. As an Egoscue® franchisee, You are allowed to utilize and offer the Egoscue® Method via in-person therapy at Your approved Egoscue® Facility ~~or~~set forth on Exhibit "A-1" and through digital or online therapy subject to the restrictions in Section 1.2 below. You must operate Your Egoscue® Facility in strict compliance with the terms and conditions of this Franchise Agreement and the Manuals.

1.2 Scope of Franchise Operations. You are not allowed to provide in-person services outside of Your Egoscue® Facility or to establish remote facilities or venues or to provide in-home services, or to establish more than one Egoscue Facility® through this Agreement. Additionally, You are not allowed to solicit or provide service via Skype, Facetime or other video protocol or via texting, emailing, chat or similar electronic protocol to any client residing within 20 miles of another Egoscue® facility or at a level exceeding more than 15% of Your Egoscue® Facility's appointments for any successive 12-month period. Any digital therapy or online therapy provided as an extension of previously rendered person-to-person therapy services in Your Egoscue® Facility will not count towards the foregoing limitation. Additionally, any online or other type of digital therapy or services You wish to provide, whether live or on-demand, requires Our prior written approval before You can provide such service.

1.3 Our Reservation of Rights. All rights not specifically granted to You in this Agreement are reserved to Us. You expressly acknowledge and agree that this license is non-exclusive, and that We retain, among other rights, the right, in Our sole discretion: 1) to establish and license others to establish and operate Egoscue® Facilities and/or businesses anywhere that do not operate under the Egoscue® brand name; 2) to use and license others the right to utilize the distribution channels as set forth in Section 1.4 below; and 3) to use the Marks and other marks in connection with the manufacture and sale of products at wholesale and at retail.

1.4 Our Rights to Use Channels of Distribution. Except for the rights expressly given to You, there will be no limitation on Our rights to deal with potential or actual customers located anywhere. We and Our affiliates expressly reserve the right to Market in Your area and elsewhere using Marketing strategies and distribution channels Including websites, apps, TV, radio, Social Media, books and brochures, direct marketing, and various video platforms. You may not sell Our products and/or services using such reserved Marketing strategies and distribution channels without Our prior written permission. We and/or ~~our~~Our affiliates may offer or license others to offer products and services over the Internet and other video platforms under the Marks or any other names or marks to clients anywhere in the world, regardless of the proximity a client may have to Your or another Egoscue® Facility. We do not compensate You for the sale of products or services sold to clients that may be located near Your Egoscue® Facility. In Our discretion, We may refer clients to You or other franchisees for in-person or online/digital appointments.

1.5 Restriction of Territory Rights. The rights and privileges granted to You under this Agreement are personal in nature. This Agreement is granted solely for the operation of an Egoscue® Facility at the Premises and do not extend to the operation of an Egoscue® Facility or any other use of the System from any other location, or to provide mobile or off-site services, or in any other manner, except as may be allowed by this Agreement and Our Manuals. You may only service customers at the Premises. You cannot operate any other business from the Premises other than the Egoscue® Facility.

## ARTICLE II
## TERM AND SUCCESSOR FRANCHISE

2.1 Term. This Agreement will be effective when executed by both You and Us. The franchise term will be for a period of five years, unless terminated earlier pursuant to Article XI herein. However, at the time You sign a lease for the Premises, the term of this Agreement will be extended to coincide with the expiration date for Your Lease, so long as such Lease is approximately 60 months and does not otherwise extend the term of this Agreement more than 12 months, unless otherwise agreed in writing by Us. If We are required by law or otherwise to give You notice before the Termination of this Agreement and if We fail to do so, this Agreement will remain in effect from month-to-month until We have given the required notice.

2.2 Successor Franchise. You have the right to be awarded a successor franchise ("Successor Franchise") upon the expiration of the original term for an additional term of five years if all of the following conditions are met at the time You elect to renew: 1) You are not in default of this Agreement; 2) You have complied with and timely met material terms and conditions of this Agreement throughout the initial term; 3) You have complied with Our material operating and quality standards and procedures and any required modification to such standards and procedures; 4) You have timely paid all monetary obligations owed to Us during the term of this Agreement; 5) You are not subject to any pending litigation or governmental proceeding which could have a material adverse effect upon You or Your Egoscue® Facility; 6) the average monthly royalty You paid during the 12 months prior to You providing notice of Your intent to renew exceeds $2,500; and 7) You give Us written notice at least six months and not more than 12 months prior to the expiration date of the term hereof. Your Successor Franchise Agreement will also provide for a successive franchise term. Your failure to give timely notice will constitute an election not to enter into a Successor Franchise Agreement (defined below). If You fail to enter into a Successor Franchise Agreement for any reason but continue to operate Your Egoscue® Facility, at Our election, You will be deemed to have renewed on a month-to-month basis, requiring You to abide by Our then-current Fees.

In addition to Our rights to terminate as set forth in Article XI, Your month-to-month franchise may be terminated by Us upon 30 days' prior written notice to You for any reason whatsoever.

2.2.1 Commencement Date for Successor Franchise Term. Unless another date is specified in a Successor Franchise Agreement, which date will supersede, said Successor Franchise term, Including~~,~~ any month-to-month term, will commence on the day following the expiration date of the initial or applicable Successor Franchise term.

2.2.2 Notice of Non-Approval. Upon receiving Your election to enter into a Successor Franchise, We will have 45 days to provide written notice in the event You do not qualify for a Successor Franchise or as otherwise required by law.

2.2.3 Successor Franchise Agreement. If approved as a Successor Franchise, You must execute Our then-current form of Our successor franchise agreement ("Successor Franchise Agreement"). The Successor Franchise Agreement Includes personal guarantees and a general release of all claims against Us (existing at that time) arising from this Agreement, the relationship created herein, and Your Egoscue® Facility. If You fail to execute such a release, the signing of the Successor Franchise Agreement will be the equivalent of the granting of such a release. The Successor Franchise Agreement will supersede in all respects the terms and conditions of this Agreement, and You ~~will be obligated to~~shall pay royalties and other continuing Fees at the then-existing levels required to be paid by new franchisees. You must sign and return to Us the Successor Franchise Agreement ~~within~~at least 60 days prior to the expiration of this Agreement, or You will, at Our election, be deemed to have withdrawn Your request to enter into a Successor Franchise Agreement, and this Agreement will Terminate at the expiration of the term then in effect. **You acknowledge that You will be bound by the form of the Successor Franchise Agreement in effect at the time which may contain Fees and charges, territorial, and other changes in material provisions different from those contained in this Agreement, Including terms affecting payments to Us or Our affiliates.**

2.2.4 Successor Franchise Fee. If approved for a Successor Franchise, You shall pay to Us a non-refundable Successor Franchise Fee set forth in Exhibit "A-3," payable in full at the time of execution of the Successor Franchise Agreement.

2.2.5 Upgrading Your Egoscue® Facility. As a condition to Us approving You entering into a Successor Franchise Agreement, at Your expense, You are required to ~~reasonably renovate, remodel, redecorate, redesign, refixture, upgrade, and/or otherwise refurbish~~Update Your Egoscue® Facility and Premises to the extent and in the manner specified by Us to conform with and bring it up to the standards, image, and capabilities of new Egoscue® Facilities being opened at the time the Successor Franchise takes effect. Unless otherwise waived by Us, such improvements must be made within six months of signing the Successor Franchise Agreement. You shall make all necessary arrangements to continue the occupancy of Your existing Premises through the Successor Franchise term(s) unless We give written permission to relocate Your Premises.

2.2.6 Successor Franchise Training. As a condition to Us approving You entering into a Successor Franchise Agreement, Your Authorized Representative, and/or other key personnel may also be required to attend and successfully complete trainings, certifications, and other programs at such times and locations as We specify. You may be required to cover the expense of travel, meals, lodging, and other related costs for such training and certifications.

2.2.7 Notice of Non-Renewal and Restriction of Activities Upon Notice of Non-Renewal. Notice of non-renewal will be effective: 1) six months before the end of the term of this Agreement if You provide Us written notice of non-renewal before six months prior to the end of the term hereof; 2): six months prior to the end of the term hereof if You fail to provide Us with the required notice of Your intent to renew at least six months prior to the expiration date of the term hereof; 3); the date We provide You notice of non-approval to renew as set forth in Paragraph 2.2.2 above; or 4) the date You or We provide notice of non-renewal if done after the six-month notice period and/or 45-day notice periods set forth above (collectively and individually, the "Non-Renewal Effective Date"). You shall restrict Your therapy operations after the Non-Renewal Effective Date to: a) servicing clients with prepaid visits; and b) single-visit client therapy for which payment is made at time of service. You may not offer new, multi-visit, prepaid therapy 'packages' after the Non-Renewal Effective Date. All client communication after the Non-Renewal Effective Date will be subject to the restrictions set forth in Paragraph 12.1.5 below.

## ARTICLE III
## INTELLECTUAL PROPERTY

3.1 Intellectual Property and Confidential Information. You acknowledge that: 1) as between You and Us, We have the sole rights in and to the Intellectual Property and Confidential Information; 2) Your right to use the System is granted by Us solely pursuant to the terms of this Agreement; and 3) as between You and Us, We have the sole right to license and control Confidential Information and Intellectual Property. Our Intellectual Property and Confidential Information provided to You by or through Us will remain Our sole property. You acknowledge that Our Confidential Information and Intellectual Property are unique and/or confidential and contain trade secrets and other material proprietary to Us.

3.2 Use of Confidential Information and Intellectual Property. You have a non-exclusive right to use the Confidential Information and Intellectual Property and only in connection with Your Egoscue® Facility and in accordance with Our Manuals and this Agreement. You understand and agree that the use of Our Confidential Information, Intellectual Property, and goodwill are all temporary benefits and expire with the Termination of this Agreement. You expressly covenant that during the term of this Agreement and after the Termination thereof, not to: 1) directly or indirectly contest or aid in contesting the validity of Our ownership of, or rights in, the Confidential Information or Intellectual Property; 2) in any manner interfere with or attempt to prohibit Our use of the Confidential Information or Intellectual Property and derivatives thereof or any other name, trademark or service mark that is or becomes a part of Our System; or 3) interfere with the use of Our Confidential Information or Intellectual Property by Our other franchisees or licensees at any time.

3.3 Our Marks. You acknowledge that as between You and Us, the Marks and derivatives thereof are valid trade names, trademarks and service marks owned by Us or licensed to Us.

3.4 Use of Marks. You have the non-exclusive right to use Our Marks as directed by Us. You shall only use Our Marks licensed by this Agreement and only with the letters "TM," "SM" or "®," as appropriate, approved and as instructed by Us, whenever and wherever such Marks are used. You may not use Your own name or any other name service or product in connection with any of Our Marks without Our prior written consent. You are prohibited from using any Mark in connection with the performance or sale of any unauthorized service or product. You cannot use the Marks, the System, or the Egoscue Method®, in any manner, or otherwise take any action (or inaction) that would or may cause the Marks or the System to be subject to any ill repute or negative publicity. You cannot use the Marks on any intercompany documents to identify Your Egoscue® Facility or entity (Including in or on employee manuals, handbooks,

emails, letterhead) or on business checks or bank accounts. All communications with Your employees must be under Your entity name.

3.4.1 Cooperation. You shall execute any and all additional papers, documents and assurances in connection with the Marks as reasonably requested by Us and agree to cooperate fully with Us and any of Our other franchisees or licensees in securing all necessary and required consents of any state agency or legal authority for the use of the Marks or any other name, trademark, service mark, logo or slogan that is now or later becomes a part of Our System. You shall immediately notify Us as soon as You become aware of any infringement or apparent or alleged infringement of the Marks, Our Confidential Information, or any part of Our Intellectual Property.

3.4.2 Use in Marketing. The use of the Marks in Marketing is set forth in Article X.

3.4.3 Modification of Marks. We have the right, in Our reasonable discretion, to require You to change, modify, or discontinue the Marks or to use one or more additional trademarks, service marks, logos, and/or other symbols in connection with the operation of the Egoscue® Facility. In that event, You must bear the cost of using such additional or modified Marks or items in accordance with Our reasonable directives.

3.4.4 No Registration. You cannot make application for registration, domain name, or other protection of any of the Marks, or any other trademarks, service marks, symbols, names, slogans, logos, trade names or any items that are similar or derivatives therefrom in any jurisdiction without Our prior written consent and then only upon the terms and conditions specified by Us in connection therewith.

3.5 Copyrights. All right, title and interest in and to Copyright Materials are Our sole and exclusive property and cannot be reproduced or replicated either during or after this Agreement. You have no rights to make any direct or indirect use of the Copyrighted Materials except as allowed under this Agreement.

3.6 Sole Control. As between You and Us, We will have the sole control over any legal or administrative action concerning the Confidential Information or Intellectual Property. You must promptly notify Us in writing of any unauthorized use of Our Confidential Information and Intellectual Property, or of any claim, demand or suit by any person, corporation or other entity based upon or in connection with any of Our Confidential Information or Intellectual Property licensed hereunder in which We have an interest. We are not obligated to protect any rights that You have to use the Confidential Information and Intellectual Property, or to protect You against claims of infringement or unfair competition. However, in the event We do undertake the defense or prosecution of any litigation pertaining to any Confidential Information or Intellectual Property, You agree to execute any and all documents and do such acts and things as may, in the opinion of Our counsel, be necessary to carry out such defense or prosecution. If We fail to undertake action within a reasonable time after receipt of Your notice regarding any such claim, demand or suit, then You may, with Our prior written consent (but You will not have the obligation), undertake the defense of any such proceeding and will do so at Your sole cost and in strict coordination and oversight with Us. You ~~may~~shall not do any act or make any claim which is contrary to or in conflict with Our rights in Our Confidential Information or Intellectual Property.

3.7 Goodwill. All goodwill associated with the Marks and System belongs exclusively to Us. You acknowledge that valuable goodwill is attached to the Marks and System, and that We have invested and continue to invest time and capital into promoting the System and that such promotion creates goodwill and customer association which benefits Us, You, and all

other franchisees in the System. Furthermore, even goodwill associated with the Marks and System that might be deemed to have arisen through Your activities is Our sole property and inures directly and exclusively to Our benefit, except as otherwise provided herein or by applicable law.

3.7.1 Customer Data. All Customer Data is Our sole property and inures directly and exclusively to Our benefit. You have a royalty-free, non-exclusive right to use the Customer Data during the term of this Agreement. You must gather, upload, and/or store all Customer Data as required by Us. To the extent that We do not otherwise have access, You must provide Us copies of all Customer Data upon request. You must abide by all applicable laws pertaining to the privacy of consumer, employee and transaction information, and if We allow You to use the Customer Data to transmit advertisements to customers and potential customers, You are solely responsible to comply with the laws pertaining to the sending of emails or other transmission of information, Including any anti-spam legislation.

3.8 Fictitious Business Name. You must not use Our Marks or any other name similar thereto in the name of any partnership or entity owned or formed by You, whether to own or operate Your Egoscue® Facility or otherwise. However, within 30 days of signing this Agreement, You must file for a certificate of assumed or fictitious name or a "doing business as" name ("DBA") using our Marks as designated by Us, and in the manner required by state law so as to notify the public that You are operating Your Egoscue® Facility as an independent business pursuant to this Agreement and must Include Your assigned franchise designation in such filing. You must provide Us with a copy of Your DBA registration and/or certificate upon receipt of the same, and upon Our request from time to time.

3.9 Maintaining Secrecy. You shall: 1) fully and strictly adhere to all security procedures prescribed by Us in Our sole discretion for maintaining the secrecy of Our Confidential Information; 2) disclose such information to Your employees only to the extent necessary to Market Our products and services and for the operation of the Egoscue® Facility in accordance with this Agreement; 3) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Us; and 4) exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all such information during and after the term of this Agreement.

3.10 Changes to the System. You shall fully disclose all Innovations to Us, without disclosing the Innovation to others and shall obtain Our written approval before using or implementing an Innovation. All Innovations are owned by Us and considered a "work-made-for-hire." If all or part of any Innovation that You create is for any reason deemed not to be a work-made-for-hire, then You hereby irrevocably transfer and assign to Us or Our affiliate all right, title, interest and ownership, Including license rights, in the Innovation, and You agree to execute any document necessary to effectuate the transfer and assignment. To the extent You have any moral or similar rights in an Innovation or derivative thereof, You expressly waive those rights. Any Innovation may be used by Us and all other franchisees without any obligation to compensate You. We reserve the right to make application for and own Intellectual Property relating to any Innovation, and You shall cooperate with Us in securing these rights. We may also consider an Innovation as part of Our trade secret. At Our discretion, We may authorize You to utilize Innovations that may be developed by You, Us, or other franchisees.

3.11 Association with Causes; Co-Branding. You cannot, without first receiving Our written approval, in the name of the Egoscue® Facility or in any manner associated with the Marks: (i) donate money, products, or services to any charitable, political, social, religious, or other for-profit or non-profit organization, cause, or position, or (ii) act in support of or against any such organization, cause, or position. You cannot "co-brand" or use the Marks or Your Egoscue®

Facility to associate any other business activity in a manner which is likely to cause the public to perceive the activity to be related to or sponsored by the brand or System.

## ARTICLE IV
## CONSTRUCTION, COMMENCING OPERATIONS AND LEASE

4.1 Location of Premises. You must select a site within the designated search area listed on Exhibit "A-1" ("Search Area"). You must have a site approved by Us within four months of signing this Agreement. Although We must approve of Your site, We do not warrant or guarantee the success of the site. You must not commit to purchase or lease any real property or commence construction unless and until You have Our written approval of the proposed location. Your Premises must strictly comply with local zoning, state and federal laws, rules, and regulations.

4.1.1 Location Approval. We must approve Your proposed site. However, it is Your responsibility, at Your sole cost and expense, to select the site within the Search Area. You must provide Us with the street address of the proposed site and such other information as We request, Including pictures or existing brochures of the proposed site. You must have at least 1,000 square feet of space for each postural alignment specialist along with at least four available parking spaces for every 1,000 feet of rented space. **We do not prepare demographic studies or otherwise evaluate the need for Our products and services in Your area, nor do We provide You with a site checklist or other similar information.** Site approval or disapproval should be completed by Us within 30 days after You have submitted a proposed site to Us.

4.2 Lease. A Lease must be in place within six months from the date of this Agreement. We do not assist You in negotiating the Lease; however, We have the right to review ~~all leases~~and approve or disapprove any lease relating to Your Egoscue® Facility prior to execution. You must also deliver an executed copy of the Lease to Us within 15 calendar days after execution.

4.2.1 Assignment of Lease. You hereby assign and transfer all rights and interest in and to the Lease to Us to be effective upon Our election when this Agreement Terminates. In such an event, We will have the right, but not the obligation, to accept the assignment and assume the Lease or execute a lease with You as provided below. We also have the right to assign the Lease to another franchisee or an affiliate of Ours. If You own the Premises, You hereby agree to lease the facilities to Us upon Termination of this Agreement at a rate not to exceed its fair market rental value, and on commercially reasonable terms and conditions. Your Lease must Include a provision allowing the assignment of the Lease to Us or Our nominee, at Our option, in the event this Agreement is Terminated for any reason, and You are required to have Your landlord sign the attached Landlord's consent to an assignment of the Lease before the Lease is signed. The Landlord's consent is attached hereto as Exhibit "A-6." You and Your Landlord are also required to complete and sign the lease rider attached as Schedule "A-6.1" to Exhibit "A-6."

4.2.2 Assumption of Lease. We will have 45 days from the date of Termination of this Agreement, to exercise Our right and option to take and assume the Lease for the Premises. If the option is exercised, We will notify You and the Landlord of Our exercise within the option period. In such event, You agree to bring all obligations under the Lease current as of the date of possession by Us as well as to indemnify Us against all losses and costs arising by virtue of, attributable to, or in any way related to the period of Your possession of the Premises. All taxes, utilities and rentals will be prorated between Us and You as of the date of Our possession. We will not be obligated to pay Your arrearages. After the date of possession, We agree to indemnify You against all Lease obligations solely attributable to the period of Our possession

of the Premises. You agree that no compensation for the Lease is payable by Us to You unless the Premises are owned by You. The Lease will be transferred to Us without the payment of any kind to You by Us for the Lease other than the indemnification provided above.

4.3 Construction. Any construction of the Premises must be done in strict accordance with the specifications approved by Us, but it is Your responsibility to verify that the plans conform to federal, state, and local laws. We do not assist in the actual construction, remodeling, or decorating of Your Egoscue® Facility. You must complete any construction within nine months from the date of this Agreement.

4.3.1 Design of Premises. At Your own expense, and unless waived in writing by Us, You are required to follow Our design standards and specifications and follow Our interior and exterior design specifications. We provide You preliminary layout/design plans for Your Egoscue® Facility, but You must adapt these plans at Your expense in accordance with local, state and federal laws, rules and ordinances, for Your specific Premises. All changes and modifications to the plans We provide must be approved by Us in writing prior to Your commencing construction. You are also responsible ~~to obtain~~for obtaining any required permits.

4.3.2 Setting Up the Premises. You shall arrange the fixtures, signs, furniture and décor of the Premises in strict compliance with the format and color schemes recommended by Us and to work with Our approved suppliers providing such items. We must approve Your Premises setup prior to opening, and if any elements of the Premises do not meet Our specifications, You will, at Your cost, be required to make the required adjustments.

4.4 Conditions to Opening. You shall notify Us in writing at least 60 days before You intend to open the Egoscue® Facility to the public. You must begin operations within ten months from the date of this Agreement. Before opening, You must satisfy all of the following conditions: 1) You are in compliance with this Agreement; 2) You have obtained all applicable governmental permits, licenses, certificates of occupancy, and authorizations; 3) the Egoscue® Facility conforms to all applicable System standards; 4) We have inspected and approved the Egoscue® Facility, which may be done virtually, at Our discretion; 5) You have hired sufficient employees; 6) the required personnel have completed all ~~of~~ Our required pre-opening trainings and certifications; and 7) We have given You Our written approval to open, which will not be unreasonably withheld.

4.5 Relocation of Premises. You are not allowed to relocate Your Premises without Our prior written approval. Approval to relocate will be based upon the same criteria used in approving a new franchisee's proposed site. You must demonstrate the financial ability to relocate as part of Our approval process. Additionally, You must reimburse Us for Our costs, Including any legal fees associated with Your relocation request and relocation. We have the right to deny a request for relocation in Our sole discretion.

4.6 Failure to Meet Deadlines. If You fail to meet a deadline and fail to cure, or we cannot agree on a site, this Agreement is subject to Termination by Us, at Our option. However, You may be granted an extension at Our discretion if You demonstrate a good faith effort in complying with this Article.

## ARTICLE V
## FEES AND REPORTS

5.1 Initial Franchise Fee. You shall pay Us the initial franchise fee listed in Exhibit "A-3" in one lump sum at the time of execution of this Agreement. The initial franchise fee must be

paid by wire transfer or certified check. The initial franchise fee is fully earned by Us and is non-refundable. No rights or privileges under this Agreement exist until the initial franchise fee is paid in full.

5.2 Royalty. You shall pay Us a non-refundable, on-going, monthly royalty as listed in Exhibit "A-3." The royalty is in consideration of Your right to use Our Intellectual Property and certain Confidential Information in accordance with this Agreement and not in exchange for any specific services We render.

5.2.1 Change in Law. In the event there is a change in the law or a discovery of a law affecting the collection of payments to Us, You agree to allow Us to modify the definition of "Gross Sales" and the calculation of other Fees due to Us in order to comply with the law. However, in no event will the modification of the term "Gross Sales" or the calculation of other Fees due to Us result in Your payment in excess of the Fees listed in Exhibit "A-3."

5.3 Marketing Fees and Required Spending.

5.3.1 Brand Development Fund. You shall pay Us the monthly Brand Development Fund Fee listed in Exhibit "A-3" for Our Marketing programs as further described in Section 10.1 below. Upon 60 days' written notice to You, We may increase this amount, but the increase will not be more than 3% of Gross Sales or a minimum of $750 per month. This increase may be ~~increased~~done at one time or in stages.

5.3.2 Opening Marketing. You are required to spend at least $2,000 in promoting Your opening. All grand opening Marketing must be approved by Us prior to publication.

5.4 Calculation and Reporting. The calculation, reporting and payment of the Fees specified in Sections 5.2 and 5.3 above will be made as follows:

5.4.1 Gross Sales Report and Other Reports. See Section 5.5 below.

5.4.2 Payments; Due Date. Royalties and Brand Development Fund Fees are due on the 15th day of each month. All Fees must be paid in accordance with Our then-current electronic funds transfer, ACH or other automatic withdrawal program or as specifically directed by Us. Our current ACH agreement is attached hereto as Exhibit "A-7" and may be modified by Us at any time in Our sole discretion. You shall pay all service charges and fees charged to You by Your bank so that We may electronically debit Your bank account. We reserve the right to change the payment due date or require an alternative payment frequency payment for any or all Fees in the future. You agree that Your obligation to pay all Fees due under this Agreement are absolute and unconditional.

5.4.3 Operating Account. You shall not have more than one Operating Account associated with Your Egoscue® Facility. If You fail to timely report Gross Sales, We may automatically sweep or debit an estimated amount of Fees due to Us. You shall pay Us any amount owing if We underestimate Your payment to Us, and We will credit You with any overage that We charge.

5.4.4 Late Fees. You will be charged a late Fee if a required Fee, payment to Us or an affiliate, or report is not timely received by Us or an affiliate~~,~~ (see Exhibit "A-3"), and You will be charged per bounced check or insufficient funds transfer. See Exhibit "A-3." These Fees are due with the next royalty payment.

5.4.5 Interest. In addition, all Fees not paid when due will be assessed and accrue interest from the due date to the date of payment, both before and after judgment at the rate of 18% per annum or the maximum rate allowed by law, whichever is less. In no event will any ~~amounts~~amount be charged as interest or late fees ~~or~~that otherwise ~~that exceed~~exceeds or ~~violate~~violates any applicable legal restrictions. Unpaid interest charges will compound annually.

5.4.6 Sales or Use Tax. If there is hereafter assessed any nature of sales tax or use tax or other value added tax on Fees~~,~~ that You pay to Us, You shall also pay Us the applicable tax when invoiced.

5.5 Reports and Financial Statements. You must submit the following reports by the following due dates. We reserve the right to require all reports to be submitted at more frequent intervals.

| TYPE OF REPORT | DUE DATE | REMARKS |
|---|---|---|
| Gross Sales Report | Same due date as royalties, or as otherwise designated by Us | This report must include the prior month's sales of the immediately preceding week showing all monies received or accrued, sales or other services performed, and such other information concerning Your financial affairs, as We may reasonably require. |
| Financial Statements | Within 30 days after the end of each fiscal year | Must be submitted in accordance with the standard profit and loss statement template and balance sheet template required by Us. This is a complete financial statement for the preceding calendar year, Including profit and loss statement and balance sheet. |
| Federal Tax Return | Upon request | |
| Other Reports | Upon request | Those additional reports that We may from time to time require, Including by way of example and not limitation, sales and cost data and analyses, advertising budget, and expenditures, etc. |

5.5.1 Access and Use of Financial Records. We or Our certified public accountants or other duly authorized ~~agent~~agents, have the right during normal business hours to conduct computer and other audits and to examine and make copies of Your books, records, financial statements and sales and income tax returns, and You must keep complete and accurate books and records of the operation of Your Egoscue® Facility. You shall provide Us with access to, or copies of, all financial records in the time We require.

5.5.2 Audit of Books and Records. If any audit or investigation discloses a deficiency of 2% or more of the Gross Sales in the computation or payment of Fees due to Us, You shall immediately pay Us the amount of the deficiency, the appropriate Fee for late charges, and You shall reimburse Us for the total expense of the audit or investigation, Including the charges for the accountant and the travel expenses, room, board, and other costs incurred in

connection with the audit. Your failure to report Gross Sales for any period, or Your failure to retain and have available, readable, and organized required records will be deemed an understatement by more than 2%.

5.6 Application of Payments. We can apply any payments received from You to any past due or then-current indebtedness of Yours for any payments owing to Us.

5.7 No Refunds. The Fees set forth in this Agreement are not refundable.

5.8 Funding. You are solely responsible for obtaining all funding for Your Egoscue® Facility. Failure to obtain sufficient initial funding for opening Your Egoscue® Facility is grounds for termination of this Agreement.

5.9 Non-Compliance Fines. We may issue You a fine for certain violations of this Agreement and/or the Manuals. ~~The fines are set forth in Our Manuals and are paid to Us to reimburse Us for Our administrative and management costs for Us to address the violation and is not a penalty or estimate of all damages arising from Your breach.~~See Exhibit "A-3." If You do not correct the violation within the time required by Us, We have the right to put You in default. We are not obligated to charge You a fine before putting You in default. All fines and charges are to be paid upon billing or in accordance with Our electronic funds or automatic withdrawal program, if established. Such fines are not Our sole remedy. Our decision to impose or not to impose a fine for Your non-compliance does not constitute a waiver of any other right that We may have under this Agreement, Including Termination of this Agreement.

5.10 Technology Fee. You must pay Us the Fee listed in Exhibit "A-3" for utilization of Our technology suite. We can designate You to pay all or a portion of this Fee directly to the supplier and/or Us. We or the supplier may increase this ~~fee~~Fee to account for new or additional technologies and increased costs.

5.11 Transfer Visit Fee. This Fee is listed on Exhibit "A-3." You must pay this ~~fee~~Fee to the applicable Egoscue® Facility if that facility fulfills a pre-paid visit for a client that purchased that visit through Your Egoscue® Facility.

## ARTICLE VI
## FRANCHISEE'S OPERATIONAL COVENANTS

6.1 Business Operations. In addition to other obligations, requirements, and covenants set forth in this Agreement:

6.1.1 Compliance with Applicable Laws. You are solely responsible for ensuring compliance with all applicable laws, ordinances and regulations or ruling of every nature whatsoever which in any way regulate or affect the operation of Your Egoscue® Facility.

(i) Permits and Licensing. You shall obtain and maintain all required permits and licenses for the operation of Your Egoscue® Facility. ~~You agree that We have not made and You have not relied on any representation that no permits or licenses, or only certain licenses, permits, etc., are necessary in connection with the operation of Your Egoscue® Facility.~~

6.1.2 Appearance; Customer Service. You shall establish and maintain the Premises in a clean, attractive, and repaired condition; perform work competently and in a workmanlike manner; give prompt, professional, courteous and efficient service to the public adhering to the highest standards of honesty, integrity, fair dealing, and ethical conduct; and otherwise operate Your Egoscue® Facility in strict compliance with Our System, policies, practices and

procedures contained in the Manuals or otherwise communicated to You so as to preserve, maintain and enhance the reputation and goodwill of Our System. We reserve the right to require that Your employees comply with any dress code, Mark, or other brand-related standards that We may require. You shall arrange the fixtures, signs, furniture, and décor of the Egoscue® Facility in strict compliance with the format recommended or required by Us.

6.1.3 Signage. You must have the number of interior and exterior signs as required by Us and according to Our specifications. All signs to be used on, in, or in connection with Your Egoscue® Facility must meet Our specifications and must be approved in writing by Us prior to use by You. You shall maintain all signs in good condition and undertake such repairs and or replacements at Your expense as We reasonably determine to be necessary. You are required to use the location's pylon/pole or monument sign, if available. You understand and acknowledge that ~~while~~although You are required to purchase and display signage, Including signage displaying Our Marks, You do not own rights to use of the signs following Termination.

6.1.4 Training. Your applicable personnel must successful complete the coursework needed to obtain Postural Alignment Specialist ("PAS") certification, Advanced Exercise Therapist ("AET") certification, E-cise Therapy Skills ("ETS") certification, and Franchise Operation ("FO") training for the applicable parties.

(i) Required Courses by Personnel. The required courses by personnel are listed below. Successful completion of trainings will be determined by Our trainers but may Include demonstrating knowledge of basic techniques, knowledge of policies and procedures, computer system competency, etc., through passage of one or more exams. Failure to successfully complete training is a default of this Agreement.

a. *Authorized Representative*. Your Authorized Representative must complete at least the PAS and FO courses. These must be completed prior to Your opening.

b. *Clinic Directors*. Your clinic director (which can be Your Authorized Representative) are required to complete the PAS and ETS courses prior to opening. If Your Authorized Representative will not be managing the daily operations at Your Egoscue® Facility, then Your clinic director must also complete the FO course prior to opening. Within six months of opening, Your clinic director must also complete the AET course.

c. *Therapists*. All therapists must complete the PAS course before they can participate in any therapy delivery and must complete the ETS course within one year of hire. Additionally, if a therapist will be performing services without the clinic director present, then that therapist must also complete the AET course. You must have two therapists on staff at all times, one of which can be Your clinic director. Prior to the date on which You open Your Egoscue® Facility, You must have to have at least one ETS-certified therapist (which can be Your clinic director) and one separate PAS-certified (or PAS enrollee) therapist.

(ii) Replacement Training and Recertification. New Authorized Representatives and other new or replacement personnel must complete the required certification courses. Certifications are valid for two years, after which re-certification is required at then-current costs. Current fees for the four courses are listed on Exhibit "A-3." You must also cover any needed travel, food, and lodging for Your attendees or Our representatives, as applicable.

(iii) Additional In-Person Training. Depending on availability and advanced written notice, if You would like additional in-person training, We may provide this training to You. We have the right in Our sole discretion to limit additional training to a certain number of

days, attendees, and/or representatives at a time. We can also require Your Authorized Representative and/or other key personnel to attend additional trainings if You are in default, or if We reasonably believe such training would be in the best interest of Your Egoscue® Facility. Our current Fee for additional training is listed in Exhibit "A-3." For all training, You shall also bear the costs of travel, food, lodging and compensation of Your attendees or Our representatives (as applicable) in connection with training.

(iv) Non-Disclosure. All attendees at a training must sign a non-disclosure agreement acceptable to Us before attending a training.

6.1.5 Certifications and Courses. You will receive two registrations for each certification course (PAS, AET, ETS, and FO) as part of the initial franchise fee. Additional registrations can be purchased as well. The current fees for the four courses are listed on Exhibit "A-3." Some certifications or part of some certifications may be completed online, and other parts must be completed in person. You will also be responsible to cover any travel or living expenses during training.

6.1.6 Rescheduling Fee. You shall pay Us the rescheduling Fee listed in Exhibit "A-3" if You cancel, postpone, or reschedule a training or certification course within two weeks of the scheduled date, or if You fail to complete certain requirements prior to a training or certification course.

6.1.7 Management. Your Egoscue® Facility must be managed by either Your Authorized Representative, who will also act as the clinic director, or a separate clinic director who will be required to devote their full time, attention, and best efforts to the management and operation of Your Egoscue® Facility. For the first six months of operation, Your Egoscue® Facility must have at least one trained therapist (which may be Your clinic director) with ETS certification on-site when therapy is being delivered. For the remaining term of this Agreement, Your Egoscue® Facility must have a least one trained therapist (which may be Your clinic director) with AET certification on-site when therapy is being delivered. You must disclose the identity of Your Authorized Representative to Us, and You must immediately notify Us in writing if Your Authorized Representative is no longer acting in such capacity. We must approve of Your Authorized Representative and any replacement Authorized Representative.

(i) Unless Your Authorized Representative will act as the clinic director of the Egoscue® Facility, Your Authorized Representative is not required to work a certain or minimum number of hours; however, Your Authorized Representative must work sufficient hours or supervise Your clinic director and employ adequate personnel to operate Your Egoscue® Facility at its maximum capacity and efficiency.

(ii) Although We do not require Your Authorized Representative to be involved in the day-to-day, on-premises management, Your Authorized Representative is required to participate in Your Egoscue® Facility as follows: (i) be directly responsible for overseeing all accounting, reporting and bookkeeping, and all financial components of the Egoscue® Facility; (ii) attend and complete all training and retraining courses required by Us; (iii) attend any annual or special meetings of franchisees called by Us; (iv) be directly involved with site selection, construction, ~~remodeling~~and Updates to Your Egoscue® Facility, (v) be directly involved in all personnel decisions affecting the Egoscue® Facility; and (vi) conduct frequent inspections of the Egoscue® Facility operations to ensure the highest standards of professionalism, cleanliness and general pleasant appearance in compliance with Our approved methods.

(iii) Your Authorized Representative must devote their primary

attention to the Egoscue® Facility, and You, Your Authorized Representative and Your clinic director and other key personnel must keep free from any conflicting or competing enterprises or any other activities that would be detrimental to or interfere with the operation of Your Egoscue® Facility.

6.1.8 Operational Hours. You shall operate Your Egoscue® Facility at least five days per week throughout the year and at the conventional hours designated or approved by Us.

6.1.9 Remodel and Upgrades. ~~You shall repair, refinish, repaint, remodel, modernize, redecorate, or otherwise refurbish~~You shall Update Your Egoscue® Facility and/or Premises from time to time as We may reasonably direct, but not more often than every five years~~ between required remodels,~~ and ~~upgrades~~We will not obligate You to invest additional capital at a time when the investment cannot in Our reasonable judgment be amortized during the remaining term of this Agreement (except for required changes to the Marks~~ and equipment~~, or changes due to health or government mandates, guidelines, or public concerns, which We may require at any time~~) to conform to the building design, color schemes and presentation of trade dress consistent with Our then current public image.~~). This can Include structural changes, new flooring, wall treatments, signage, new equipment, new technologies, remodeling, redecoration, new furnishings, fixtures and décor, and such modifications to existing improvements as may be reasonably necessary, such that all Egoscue® ~~locations~~facilities will have a generally similar look, feel, and capabilities. You must complete all such ~~updates and upgrades~~Updates within six months of notice from Us. You will also be required to complete any day-to-day maintenance issues as they occur. In the event You relocate Your Egoscue® Facility to a new approved location, or sign a Successor Franchise Agreement, You must bring Your Egoscue® Facility up to Our then-current standards.

6.1.10 Your Employees. You, Your principals, and Your employees are not Our employees. You are solely responsible for the hiring, firing, discipline, scheduling, management, compensation, ~~benefits, managing~~supervision, assignment of duties, directions governing the manner, means, and methods of the performance of duties, work rules, working conditions and training of Your employees. We do not assist You in employment~~-~~-related decisions, or in creating any policies or terms and conditions related to the management of Your employees or their employment. We may provide You with a sample employee guide or manual, but it will only be an example of certain employment matters ~~unless otherwise expressly provided by Us.~~that You may choose to adopt or not. It is Your responsibility to comply with local and federal labor and employment laws.

6.1.11 Insurance.

(i) Minimum Limit Requirements. You shall at all times during the entire term of this Agreement and at Your own expense keep in full force, by advance payment(s), the following minimum insurance policies, obtained from a company rated "A-" or better by A.M. Best & Company, Inc.

| Type of Insurance | Minimum Required Amount(s) |
|---|---|
| Commercial general liability insurance | $1,000,000 per occurrence and $3,000,000 in the aggregate or leasehold minimum, whichever is greater |
| Property insurance | 100% of the full replacement cost against loss or damage from fire and other risks normally insured against in extended risk coverage |
| Government required insurances | You must maintain and keep in force all workers' compensation and employment insurance on Your |

| | |
|---|---|
| | employees that is required under all federal and state laws. |

(ii) Policy Requirements. Other than worker's compensation, these policies must insure You and Us and Our nominees as additional insureds, without regard to any other insurance program that We may have in effect, against any liability that may accrue by reason of or relating to Your ownership, maintenance, or operation of the Egoscue® Facility wherever it may be located. These policies must stipulate that We will receive a 30-day written notice prior to renewal or termination, and We must receive a 30-day notice of any modifications. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Us must be furnished to Us together with proof of payment prior to You beginning operations and within 15 days of any request which We may make from time to time.

These insurance coverage requirements are only minimums. You need to make an independent determination as to whether increased amounts or additional types of insurance are appropriate. If You fail to obtain insurance and keep the same in full force and effect, We may obtain insurance at Our discretion, and You must reimburse Us the premium costs, plus an administration Fee for Our time (see Exhibit "A-3"). We may periodically increase the amounts of coverage required and/or require different or additional coverage. If Your Premises are damaged and covered by insurance, You must use the proceeds to restore the facility to its original condition no later than 160 days from receiving the proceeds.

6.1.12 Pricing. We may, to the degree permitted by law, suggest retail prices and specify maximum and/or minimum pricing You may charge for products and services. If We impose a maximum price for any product or service, You may charge any price for the product or service up to and Including the maximum pricing We impose, but You may not charge any price in excess of the maximum pricing. If We impose minimum pricing for any product or service, You may charge any price down to and Including the minimum pricing imposed, but You may not charge any price below the minimum pricing set by Us. Unless otherwise agreed to by Us in writing, You cannot advertise or promote prices lower than, or inconsistent with, Our suggested prices outside of Your Premises. Our pricing policies are intended to benefit the System as a whole and may not maximize Your profits.

6.1.13 Computer System, POS System, and Other Hardware, Software and Technologies. You must purchase computers (3 years old or newer), video camera, TVs, printer/scanner, as well as other technology and hardware that must meet Our minimum technology standards and be compatible with all Our software and operating systems. You must purchase and use a point of sale ("POS") system that integrates with Our designated systems or as otherwise required by Us. You must also install a client contact and appointment system as determined by Us, and You will be responsible for all fees payable for such use. We own and have access to all data contained within the ~~Mind Body~~MindBody Online system and other designated systems and databases even if such information is shared or ported to another approved platform such as Active Campaign. You are required to use Our designated email automation system and pay all fees associated with Your account. We will have independent access to the information and data collected or generated through Our ~~Mind Body~~MindBody Online, Active Campaign, and other designated systems We require. There are no contractual limits on Our rights to do so. You must keep these systems available for our access 24 hours a day, 7 days a week and the right to "upload" or "download" information to and from all POS, computer, and other systems, and to the information and data contained in them. We may require updates and upgrades to Your computer hardware, software and POS system at Your expense. There are no contractual limitations on our right to do so. We are not required to maintain, repair, update and/or upgrade your computer or POS system. You hereby

waive any claim against Us or Our affiliates for any loss, damage, liability, or expense caused by or related to failures, errors, acts, omissions, or otherwise of any computer, POS, hardware, or software system (not related to Our or an affiliate's acts or omissions). You understand and agree that Customer Data and Marketing content generated by or uploaded to a designed application belongs exclusively to Us, and upon Termination of this Agreement, You will no longer have access to such accounts or Customer Data or Marketing content, and You hereby transfer and assign to Us all such accounts upon Termination of this Agreement. You hereby appoints Us as Your attorney-in-fact for the above transfers, which appointment is coupled with an interest. Furthermore, You cannot copy, port over, or share any Customer Data or Marketing materials stored or generated by a designated application to different or new accounts.

(i) Retention of Records. You must record all sales at the time of the sale in Your computer and/or POS system, or other sales recordation system approved or designated by Us. You must also upload and save all data created from a client visit in Our designated systems as required by Us. You must have high speed, broadband Internet access at the levels required in the Manuals. You must retain all POS, computer records, charge account records, sales slips, orders, return vouchers, sales tax reports, and all ~~of~~ Your other business financial records and related back-up material, tax returns and financial reports for at least five years following the end of the year in which the items pertain, Including after the Termination of this Agreement.

(ii) Accounting Systems. You ~~are~~ must use and pay for the accounting software designated by Us. You are required to follow Our accounting procedures, line items, and templates and charts of accounts~~, and designated software~~ as provided and updated in Our Manuals. ~~We can require that We have~~ You shall provide Us with independent, view-only access to Your account. ~~You are solely responsible for any fees associated with the use of the accounting software.~~

(iii) Merchant Account. At Your expense, You must participate in Our merchant account and other point of sale programs as set forth in Our Manuals.

(iv) Data Security Standards. At Your cost and expense, You must investigate and ensure that You comply with all payment card industry ("PCI") and data security standard ("DSS") standards, regulations, and requirements; however, We reserve the right to approve of the ~~vendor~~supplier You use for compliance. You must meet the requirements of, and comply with enhancements and changes to, the PCI and DSS and maintain PCI compliance with the current version of the PCI and DSS. We reserve the right to require an audit (and to designate the auditor) to verify compliance. You must reimburse Us for all costs related to the audit if You are not in compliance. You are responsible to use all required tools, systems, and vendors to complete ongoing PCI requirements, Including quarterly external security scans and annual self-assessment questionnaires. You are solely responsible for all costs relating to PCI compliance and data security issues, Including, security threats, breaches, and malware. It is Your responsibility to alert Us, not later than 24 hours following a suspected or confirmed data security breach, so that appropriate action can be taken to protect Customer Data and to notify relevant parties. You are not permitted to collect, store, transfer, etc., any unnecessary customer information.

(v) Waiver. You are required to use a waiver form if required by Us, and as designated by Us. However, it is Your responsibility to verify that the waiver complies with the laws and regulations of Your jurisdiction.

6.1.14 Conferences and Seminars. At Our discretion, We may hold conferences or seminars on a regional or national basis for all franchisees in good standing. The conferences and seminars may be held at various locations chosen by Us. If held, attendance is mandatory for Your Authorized Representative and other designated personnel. You must pay registration Fees (see Exhibit "A-3") and all travel, lodging, food, and other expenses for each of Your attendees.

6.1.15 Required Software; ~~Uploading and Storing Client Information.~~Technology. You must use and pay for all software (Including the ePete® software as the sole source of menu writing and therapy data recording for all clients) and other technology platforms as required by Us, which may be changed from time to time. You must input and record all required information into Our designated software and platforms as set forth in Manuals. In particular, You must upload a record of all services (at the time of service) and Customer Data in MindBody Online or other system designated by Us, and You must upload and record all therapy services (at the time of service) in ePete® or other system designated by Us. You must follow all laws and regulations in storing Customer Data and in submitting information to Us.

6.1.16 Non-Profit Promotion. The Egoscue Foundation is a non-profit organization focused on understanding and improving musculoskeletal health, injury, and function through research and education. You are required to participate in semi-annual advertising events that support the non-profit as directed by Us. We have the right to share Customer Data and other information related to Your Egoscue® Facility with the Egoscue Foundation.

6.2 Quality Control.

6.2.1 Correction of Defects. You shall immediately correct defects, deficiencies or unsatisfactory conditions in the appearance or conduct of Your Egoscue® Facility. You shall establish and maintain an image and reputation for Your Egoscue® Facility consistent with the standards set forth in this Agreement, in the Manuals, or as otherwise specified by Us.

6.2.2 System Compliance. You shall strictly follow Our System, the Manuals, and other directives promulgated or provided by Us from time to time.

(i) Email Address. You must at all times use and maintain the email address provided by Us or approved by Us for use in relation to Your Egoscue® Facility, frequently checked by You to facilitate Our communications, and that You must use as the sole email for all Egoscue® Facility-related communications and accounts. If We provide You with an email account/address, We have the right to access Your email account at any time and without notice to You, and You understand and acknowledge that You have no expectation of privacy in the assigned email accounts.

(ii) Incentive Programs. If We adopt a loyalty, coupon, gift card/certificate, free giveaways, fundraising programs, subscription model, or other discount or incentive program, You are required to implement and honor such programs in Your Egoscue® Facility. You are not allowed to implement any sort of coupon, loyalty, membership, subscription model, gift card program, etc., without Our prior written permission. The method of sales and pooling and reconciling the funds for all such programs will be determined by Us at Our sole discretion as set forth in the Manuals.

(iii) Modifications. We have the right to modify, delete, add to and otherwise make systematic and other changes to the System, Intellectual Property, Manuals, operations, etc. We may issue new specifications and standards for any aspect of Our System, or modify existing specifications and standards, at any time by revising Our Manuals and/or issuing new

written directives (which may be communicated to You by any method We choose). You must accept, comply with, use, and implement any and all such changes to the System or operations. The modifications may obligate You to invest additional capital in Your Egoscue® Facility and to incur higher operating costs. You must incorporate all such modifications within the time that We specify. ~~Other than modifications due to health or governmental mandates or guidelines, or public concerns, We will not obligate You to invest additional capital at a time when the investment cannot in Our reasonable judgment be amortized during the remaining term of this Agreement.~~ You are prohibited from making modifications to the System or Your Egoscue® Facility without Our prior written approval.

(iv) Inspections and Visits. We may conduct periodic evaluations, inspections, and audits of any or all aspects of Your Egoscue® Facility at reasonable intervals by Our duly authorized representative for compliance with the System, reporting, customer service and the standards and procedures set forth in the Manuals. These inspections may be conducted in person or through remote access such as video or live video conferencing. Our inspections may Include Your Premises, Your Egoscue® Facility, business records, Customer Data, bank accounts, Venmo ~~or similar accounts,~~(and the like), operating procedures, reports, computer drives, electronic storage devices, POS system, account records, tax records, etc~~.~~., related to Your Egoscue® Facility. We also have the right to speak with and interact with Your employees, independent contractors, and customers, and to remove samples of products, supplies and materials. Immediately upon Our request, You must provide to Us video and/or images of the interior and exterior of Your Premises, the Egoscue® Facility, and any specific pieces of equipment or other items, as may be more fully set forth in the Manuals. If any inspection reveals that You are in noncompliance with Our System, We have the right to send a notice of default and opportunity to cure, unless the default is non-curable, at which point We shall have the right to immediately terminate this Agreement. In the event You fail to cure any default, We have the right to immediately terminate this Agreement.

6.2.3 Interim Management. If for a time, Your Egoscue® Facility is not capable of seeing clients in-person, or is not able to see clients online (if permitted), or Your Egsocue® Facility it is understaffed or under certified, or there is a death or incapacity as described in Section 14.10 below, then We have the right at Our sole discretion (but not the obligation) to step in to manage Your Egoscue® Facility for up to six months, as We deem advisable for a Fee. See Exhibit "A-3." This reflects the estimated fair market value of Our services. We can either manage Your Egoscue® Facility remotely, or We can send representatives to be there in person. If We send one or more representatives to Your Egoscue® Facility, You shall reimburse Us all travel, lodging, food and other expenses for Our representative(s) and other expenses that may be incurred by Us to perform such services, plus royalties, advertising fees and other applicable fees. We have the right to direct clients to be seen at other Egoscue® facilities, Including online by another franchisee or through one of Our affiliates. You will be responsible for any fees associated with another Egoscue® facility fulfilling a client visit.

(i) Operations, Access to Information and Operating Account. During the Interim Management Period, You hereby grant Us authority to assist You in managing any or all aspects of Your Egoscue® Facility. We will work directly with Your Authorized Representative and Your clinic director, and We may require additional training for Your Authorized Representative, Your clinic director, therapists, and other contracted personnel. You shall cooperate to provide Us with all pertinent information regarding Your Egoscue® Facility and access to the applicable operating accounts to enable Us to efficiently assist with management operations. All accounts must remain in Your name during the Interim Management Period, but You shall add Us or Our representative as a co-signer on certain accounts. You shall cooperate with Us in communicating with all vendors and suppliers related to Our interim management. You hereby grant Us permission to speak directly with Your

landlord ~~and,~~ suppliers, banks, IRS, state agencies, creditors, etc., regarding Your Egoscue® Facility, and You shall cooperate with Us to facilitate such communication. We may require You to establish a new bank account for Your Egoscue® Facility during the Interim Management Period into which all operating income will be deposited. You and We (at Our option) will have authority over this account, and You or We will make payments on Your accounts payable as cash is available, but only with Your prior authorization and direction when possible. You are ultimately responsible for all operating costs both before and during the Interim Management Period. You shall provide Us with a list of all accounts payable with direction on which accounts are to be paid, but with the understanding that all taxing authorities will be paid first. Any excess funds in the Operating Account or any new account after all applicable costs and Fees have been paid and after an additional amount has been set aside sufficient for the Egoscue® Facility to fulfill its business purposes as determined by Us, will be transferred to You monthly. We may provide monthly internal profit and loss statements to You. We have no obligation to infuse capital into Your Egoscue® Facility, but if We do, such amounts will be treated as a loan, which must be repaid within an agreed upon time and bear market interest as agreed. We have the right to direct Your employees and contract personnel during the Interim Management Period. Both You and We agree that in no way does Our interim management create a relationship of trustee, beneficiary or any type of fiduciary relationship over or in relationship to Your Egoscue® Facility.

(ii) Your Obligation to Cure. During the Interim Management Period, You are obligated to cure all applicable defaults within the applicable cure periods as set forth in this Agreement. We have the right to terminate this Agreement during the Interim Management Period for defaults not cured within the applicable cure periods.

6.3 Personal Guarantees. If Your Egoscue® Facility is owned by a business entity, each individual owner, partner, shareholder, and member, respectively, who own 10% or greater interest, (and their spouse or domestic legal partner), must each personally sign an agreement not to compete and must personally guarantee the performance of all Your obligations under this Agreement and agree to be personally bound by, and liable for, the breach of every provision of this Agreement. ~~See Exhibit "A-8"~~ The Guaranty and Assumption of Obligations is attached as Exhibit "A-8" to this Agreement.

6.4 Standards and Control. Any required standards exist to protect Our interest in the System and the Marks and not for the purpose of establishing control or duty to take control over those matters that are reserved to You.

6.5 Required Notices. You shall provide Us with prompt notice (within five business days of receipt) of any default with regards to late payment of any taxes, government fines, payments owing to any vendors, landlords, or amounts owing to employees or contractors.

6.6 Non-Contravention; Non-Disparagement. You shall not undertake any action or inaction to circumvent, contravene, or undermine the purposes of this Agreement. Additionally~~, during and after the term of this Agreement~~, You shall not make any negative, disparaging, false or misleading statements, published or made orally, in any medium about Us, the brand, or Our officers, owners, partners, directors, members, managers, representatives, agents or employees, the System, Our products and services, or other franchisees.

6.7 Non-Delegation. You may not outsource to a third party, any part of Your obligations to Us or services to customers, Including to another franchisee, without Our prior written approval.

## ARTICLE VII
## FRANCHISOR'S OPERATIONAL ASSISTANCE

7.1 Layout and Design. We shall provide You with general specifications for the Premises and/or Your Egoscue® Facility layout, signs, equipment, and interior décor.

7.2 Suppliers and Products. We shall provide You with a list of specifications for approved products and a list of approved suppliers. We may add to or discontinue working with any of Our suppliers.

7.3 Initial Training. We shall train Your Authorized Representative and other personnel as described in Paragraphs 6.1.4 and 6.1.5.

7.4 Opening Assistance. To assist You with Your preparations prior to opening and to train Your staff in the operation of your Egoscue® Facility, We shall provide You with up to 40 hours of on-site or virtual opening assistance. If You elect to have on-site assistance, You will be responsible to pay the travel, food, and lodging for Our representative to provide in-person assistance.

7.5 Post-Opening Assistance. We shall make ourselves available once per week for the first 90 days after You open Your Egoscue Facility, by video conference or telephone, to discuss Your clinic operations. However, it will be Your responsibility for reaching out and scheduling these weekly meetings.

7.6 Operations Assistance. We shall furnish You with guidance relating to the general operation of Your Egoscue® Facility, and upon Your reasonable request, make Ourselves available to consult with You by telephone, email, video conference, teleconferences, or website posting during regular business hours during the continuing operation of Your Egoscue® Facility—not to exceed one hour per week. Other than initial training and the opening assistance, We are not required to provide additional training to You. If You feel additional training is necessary (such as management training), We will provide such training to You based on advance notice, availability of personnel, and Your payment of a per day, per person Fee. See Exhibit "A-3." You shall be responsible to cover the cost of travel, food, wages, lodging, and other costs incurred by Your trainees or Our representatives, as applicable.

7.7 Additional Guidance. Additional guidance, at Our sole discretion, will be furnished in the form of written Manuals, videos, audio recordings, bulletins or other written materials, ~~telephone consultations and/or consultations at Our offices or at Your Egoscue® Facility.~~or by consultation (in person or remote). We have the right to communicate directly with Your Authorized Representative and clinic director concerning operational matters that We reasonably believe may affect Our goodwill, Marks, or the System. We may also visit Your Egoscue® Facility to conduct practical evaluations of all PAS certified specialists as they work individually with clients.

7.8 Website Maintenance. We shall maintain a website for the Egoscue® brand that will ~~include~~Include Your business information ~~and telephone number~~ for Your Egoscue® Facility.

## ARTICLE VIII
## PURCHASE OF PRODUCTS AND EQUIPMENT

8.1 Approved Products and Services; Suppliers. You shall purchase, use, provide, and sell only those goods and services that meet Our specifications and/or that are purchased from Our approved suppliers. You shall timely pay all suppliers, Including Us and Our affiliates for

purchased goods and services. The prices, delivery terms, terms of payment, and other terms relating to the sale of such goods and services are subject to change by the supplier (Including Us and affiliates) without prior notice at any time. In no event will We or an affiliate be liable to You for unavailability of or delay in shipment or receipt of merchandise due to temporary product shortages or ~~unavailabilities~~unavailability, order backlogs, production difficulties, delays in or unavailability of transportation, fire, strikes, work stoppages, or other such causes. A list of approved goods, services, and suppliers may be set forth in Our Manuals, which list We may update from time to time. You shall maintain at least one sample item of every available Egoscue® product, either for use or display within Your Egoscue® Facility. No ~~product~~goods or ~~service~~services may be added to, altered, or discontinued by Your Egoscue® Facility unless it is first approved by Us in writing. Any additional goods or services that are unique to Your area requires written approval from Us before such goods and/or services are offered. For the purpose of this Article, "goods" means any product, good, inventory, supply item, equipment, tool, item, etc.

8.1.1 Delivery and Installation. For delivery and installation, You are required to work directly with the manufacturer or supplier of these items. We do not assist in delivery or installation of any required or approved purchases.

8.2 Supplier Compensation. We or Our affiliate may derive revenue from the sale of required goods and services through mark-ups in prices We charge to You for goods and services purchased from Us or an affiliate, or We or an affiliate may receive compensation or discounts from the supplier for Your purchase of such goods and services. No compensation is due to You for compensation or discounts We receive from suppliers.

8.3 Unapproved Suppliers. If You desire to purchase any goods or services from an unapproved supplier, You must submit to Us a written request for such approval or request the supplier itself to do so. We may require You to submit samples, and other data to permit Us to ascertain whether any such supplier meets Our specifications. We will notify You in writing and within 30 days of completing Our evaluation as to whether that supplier has been approved. A supplier who is able to meet Our specifications may, as determined in Our sole discretion, become an approved supplier. We may make changes in the standards and specifications for approved suppliers. At Our discretion, We may revoke Our approval of an approved supplier upon 30 days' prior written notice.

8.4 Equipment. You shall maintain all inventory, tools, and equipment of Your Egoscue® Facility in good working order.

8.5 Warranties; Support. You must look to the respective manufacturers or suppliers for issues related to warranties, defective products, training, and support for any third-party goods purchased for Your Egoscue® Facility. We will replace defective items purchased directly from Us pursuant to Our standard limited warranty, if any.

## ARTICLE IX
## MANUALS

9.1 Manuals. We shall loan You a copy or provide electronic access to Our Manuals. Our Manuals may consist of a series of online videos, webpages, online drives, or other forms designated by Us. You may not copy any part of the Manuals either physically or electronically. The Manuals are confidential and remain Our property. The Manuals may be used by You only in association with Your Egoscue® Facility and only during the term of this Agreement. We have the right to revise the Manuals at Our sole discretion. You must promptly and continuously comply, at Your expense, with all provisions of, and modifications to the Manuals.

The master or most updated copy of the Manuals maintained by Us will be controlling in the event of a dispute relative to the contents of the Manuals.

9.2 Standards and Procedures. We may establish performance procedures, certifications, standards, techniques, and specifications for products, services and Marketing ("Standards") for the operation of Your Egoscue® Facility. We may change these Standards at Our discretion, and You must strictly follow and implement all such Standards within the periods required by Us.

## ARTICLE X
## MARKETING

10.1 Brand Development Fund. You shall contribute to Our Marketing and brand development fund ("Brand Development Fund") for Marketing activities as We, in Our sole discretion, may deem necessary or appropriate to Market the System. The Fees for the Brand Development Fund are listed in Exhibit "A-3." We may increase this Fee upon 60 days' notice to You. However, the increase will not be more than 3% of Gross Sales or more than a minimum of $750 per month. We can terminate, suspend, or postpone the Brand Development Fund at any time. Upon termination of the Brand Development Fund, the unused funds will either be returned to those that contributed the funds, or We will cease to collect new funds while We spend the remainder of funds ~~within the Brand Development Fund~~.

10.1.1 Brand Development Fund Administration. We will direct all such programs, with sole discretion over: 1) the creative concepts, materials, endorsements and media used in connection with such programs; 2) the source of the Marketing or public relation efforts; 3) the placement, timing, and allocation of such programs; and 4) the composition of all geographic territories and market areas for the development and implementation of such programs. The Brand Development Fund can be operated through an entity separate from Us that has all ~~of~~ Our rights and duties relating to the Brand Development Fund. We are not liable for any act or omission with respect to the Brand Development Fund or otherwise that is consistent with this Agreement, or which is done in subjective good faith. The Brand Development Fund may be used, in Our reasonable discretion, to reimburse Us for costs related to the administration of the Brand Development Fund and Marketing efforts intended to benefit the System. We have the right to loan money to the Brand Development Fund to cover any deficits. The Brand Development Fund is not in the nature of a trust, fiduciary relationship or similar special arrangement, and We disclaim any such relationship.

10.1.2 Use of Brand Development Fund Fees. We may use the Brand Development Fund to offset a portion of direct costs to manage and maintain the Brand Development Fund, Including the payment of staff salaries and other expenses for those groups who may be involved in Brand Development Fund activities. We may receive payment for providing goods or services to the Brand Development Fund. We reserve the right to use fees from the Brand Development Fund to place Marketing in national or regional media. We are not required to spend any amount on Marketing directly in Your area, and We do not have any obligation to ensure that expenditures are or will be used equally in each region or that they will be equivalent to contributions to the fund by other franchisees operating in any geographic area. We make no representations that Marketing expenditures will benefit You or any other franchisee directly, on a pro-rata basis, proportionally, or at all. Any unused Brand Development Funds in any calendar year will be applied to the following year's fund. You may request (in writing) an unaudited annual report of the previous year's Marketing expenditures once each calendar year. This report will be made available within 90 days of ~~the end of each year~~request.

10.2 Marketing Cooperative. You are not required to participate in a local or regional advertising cooperative.

10.3 Your Marketing Obligations and Compliance. You must at all times use Your best efforts to promote ~~and grow the clientele for~~ Your Egoscue® Facility. All Your Marketing and promotional activities must be done in strict compliance with Our Manuals and in good taste and must reflect favorably upon the brand and System. You shall participate in all Marketing, texting, email, and other programs as developed by Us, Including the collection of Customer Data and participation in using and promoting apps, as developed by Us.

10.4 Marketing Materials. We may provide You samples of Marketing materials developed by Us from time to time. You may develop Marketing and promotional materials and digital Marketing programs for Your use at Your cost, but You must submit to Us, prior to publication, copies of all Marketing materials, proposed to be used by You, Including any use of the Internet, or other digital, electronic or Social Media along with a description of how it will be used, by what media published, and such other information as may be reasonably requested by Us. All such materials must be approved by Us in advance and in writing in accordance with Our Manuals. Submitted Marketing materials will be unapproved if You do not receive Our written approval or disapproval within 10 days of the date We receive the submission. We have the right to disapprove previously approved Marketing materials at any time.

10.5 Marketing Restrictions. You are not permitted to Market within 20 miles of another Egoscue® facility. However, neither We nor are affiliates are restricted from Marketing in Your area.

10.6 Internet and Social Media. You must strictly comply with Our policies and procedures regarding websites, Social Media sites, and Internet Marketing. We reserve the right to restrict Your use of these mediums in the future.

10.6.1 Use of the Internet. You may not create a website for Your Egoscue® Facility or use or obtain a domain name consisting of all or any part of the Marks, or that would be confusingly similar to all or any part of the Marks without Our prior written permission. However, You may be allowed to place pre-approved information concerning Your Egoscue® Facility on Our website, as developed by Us. Additionally, You cannot Market on the Internet, Including posting for resale, items on third party resale or auction-style websites such as eBay, Craigslist, or Amazon without Our prior written permission. We have the right (but not the obligation) to manage and control all online reviews for Your Egoscue® Facility. You may not claim any web listing on sites such as Yelp.

10.6.2 Social Media. We will own and control all Social Media related to the brand, but We may allow You to manage certain aspects of Social Media related to Your Egoscue® Facility. You cannot change any login/password information without ~~our~~Our prior written approval, and ~~you~~You must supply ~~us~~Us with all changed/updated login/password information. In all cases, We will have administrative access, and access to account information, and any other information related to Your Social Media activities related to the Egoscue® brand. We have the right to remove or alter or require You to remove or alter any content We deem inappropriate or inconsistent with the Egoscue® brand. Additionally, You must sign the Digital and Social Media Authorization for Assignment attached as Exhibit "A-9."

## ARTICLE XI
## BREACH AND TERMINATION

11.1 Default and Termination. We may terminate this Agreement before the expiration of its term if You breach this Agreement and fail to cure, if curable. If curable, You must cure ~~a default~~all defaults within the times set forth below after receiving notice of default. If the default is one which is incapable of cure, Termination is effective as of the date of the notice of default and Termination.

No Cure Period:

A. Insolvency. You become insolvent or commit an act of bankruptcy or make a general assignment for the benefit of creditors or to an agent authorized to liquidate Your property or assets, or become or are adjudicated bankrupt, or voluntarily file a petition in bankruptcy or for reorganization.

B. Repeated Breaches. You repeatedly breach (three or more times) the same or different conditions of this Agreement or the Manuals within a 12-month period.

C. Unauthorized Use. You duplicate the System or use Our Confidential Information or Intellectual Property other than in connection with the operation of Your Egoscue® Facility.

~~D. Public Safety. Your maintenance or operation of Your Egoscue® Facility results in a threat or danger to public health or safety.~~

~~E.~~D. Misrepresentations. You make any material misrepresentations relating to the acquisition of the Egoscue® Facility, or Your misrepresentation to customers, Including deception relating to the source, nature, or quality of goods sold or services provided.

~~F.~~E. Abandonment. You abandon Your Egoscue® Facility, or You state, or clearly demonstrate any intent to discontinue operating Your Egoscue® Facility.

~~G.~~F. Unauthorized Transfer. You Transfer or attempt to Transfer all or any part of this Agreement, Your Egoscue® Facility, or any material portion of the property associated with Your Egoscue® Facility, or an unapproved percentage of Your franchise entity, or You sublicense or attempt to sublicense to another any of the rights licensed to You hereunder, or You otherwise fail, refuse or neglect to obtain Our prior written consent or approval required hereunder.

~~H.~~G. False Reporting. You knowingly or intentionally conceal revenues, maintain false books or records (Including purposely uploading or storing incorrect or incomplete information on a designated platform), or submit any false report or payment or otherwise defraud Us.

~~I.~~H. Crimes and Adverse Behavior. You commit or are convicted of or plead guilty or no contest to, or enter into a plea in abeyance, stipulated order of continuance, or related agreement, to a felony, a crime involving moral turpitude, or You engage in any conduct or behavior that We believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Our interest therein; or You make disparaging remarks against Us, Our management, employees, the System, or Our brand to Our other franchisees or in a public forum, Including radio, television, newspapers, the Internet, or Social Media.

~~J.~~I. Unauthorized Competition. You fail to comply with the covenant not to compete during the term of this Agreement or intentionally or recklessly disclose or use Our Confidential Information or Intellectual Property in violation of this Agreement.

~~K.~~J. Termination of Lease Agreement. Your Lease for the Premises is terminated.

~~L.~~K. Failure to Obtain Financing. You fail to qualify for or fail to receive the necessary financing to open and operate Your Egoscue® Facility.

~~M.~~L. Termination of Another Agreement. Another agreement between Us or an affiliate of Ours and You or with an affiliate of Yours is terminated due to Your failure to cure any breach after notice, or for Your uncurable breach of such agreement.

24-Hour Cure Period:

~~N.~~M. Public Safety. ~~Health Code or Safety Violations.~~Your maintenance or operation of Your Egoscue® Facility results in a threat or danger to public health or safety. You fail to cure a health code or safety violation within 24 hours of an inspection by Us or the applicable governmental agency ~~except for threats to the public safety which may be cause for immediate Termination~~.

5-Day Cure Period:

~~O.~~N. Unauthorized Closure or Relocation. Your Egoscue® Facility is closed for a period of three or more consecutive business days or not open for the business hours as required under this Agreement for three or more business days in any 30-day period without Our prior written approval, which consent will not be unreasonably withheld or delayed, or You move the location of Your Egoscue® Facility Premises without Our prior written approval.

~~P.~~O. Failure to Use or Provide Access to a Designated Platform. You refuse to use or enable or allow Us access to Your account for a designated platform or software such as MindBody Online, ePete®, Social Media account, or branded email account.

15-Day Cure Period:

~~Q.~~P. Failure to Pay. You fail to pay any Fee or an amount due to Us, any of Our affiliates, or other designated, approved or other suppliers or assigns, within the time specified for such payments by this Agreement, the Manuals or an agreement specifying the payment concerned.

~~R.~~Q. Failure to Accurately Report. You fail to accurately report or fail to submit any reports or records required under this Agreement or the Manuals.

~~S.~~R. Default Notice of Lease Agreement. You receive a notice of default under Your Lease.

~~T.~~S. Act in Contravention. You perform or undertake any action to undermine or circumvent this Agreement, the System, or Us.

30-Day Cure Period:

T. Other Breaches. Except as otherwise provided herein, You fail to comply with any other provision of this Agreement or the Manuals.

11.1.1 Adequate Assurance. When reasonable grounds for insecurity arise with respect to the performance of Your obligations under this Agreement, We may demand adequate assurance of due performance, and, until We receive such assurance, We may reasonably suspend any performance of Our obligations. Failure to provide Us with adequate assurances within 30 days, when properly demanded, will be considered a default of this Agreement for which no additional cure period will be granted.

11.2 Event of Default. In the event of any default by You, We will give You written notice of default specifying the default(s) and, if curable, state what You must do to cure the specific default(s) within the cure period. In the event of a default by You, all ~~of~~ Our costs and expenses arising from such default(s), Including reasonable legal fees and reasonable costs for Our employee's time related to the default(s) must be paid to Us by You within 10 days following Our demand for payment. Notwithstanding anything to the contrary herein, We have the right, to be exercised in Our sole discretion, to grant You an extended period of time to cure. Any such extension will not be construed as a waiver of Our rights in the future.

11.3 Failure to Cure. If You fail to cure any default within the time allotted, We may proceed to enforce any or all of the following non-exclusive remedies in accordance with this Agreement, and the pursuit of any one remedy will not be deemed an election or waiver by Us to pursue additional remedies:

11.3.1 Actionable Claim. Bring an action or claim for the balance of any monies due hereunder, Including penalties and interest as provided for in this Agreement and for all other damages sustained by Us as a result of Your breach of this Agreement. As part of any such action, We may accelerate and bring an action for the balance of any outstanding installment obligation due hereunder.

11.3.2 Injunctive Relief. Bring an action for temporary or permanent injunctions and orders of specific performance enforcing the provisions of this Agreement and otherwise stop You from engaging in actions prohibited hereby.

11.3.3 Termination. Terminate this Agreement and proceed to enforce Our rights under the appropriate provisions. Such Termination will be effective upon delivery of a notice of Termination to You without further action by Us.

11.3.4 Other Remedies. Seek any other remedy available to Us at law or in equity, Including lost profits.

11.4 No Right of Termination. You may not terminate this Agreement; however, some states may allow You to terminate as permitted by state law.

11.5 Opportunity to Cure. Prior to taking any action against Us, You must first give Us 60 days' prior written notice and an opportunity to cure any alleged act or omission. If such act or omission cannot be cured within such 60-day period, and We are diligently continuing efforts to attempt to cure such alleged act or omission, You must give Us such additional time as is reasonably necessary to cure.

## ARTICLE XII
## TERMINATION AND EXPIRATION

12.1 Upon Termination of this Agreement for any reason, You immediately cease to be Our franchisee and must:

12.1.1 Payments Due. Immediately pay for all product purchases, Fees, and other obligations owed or accrued to Us, Our affiliates or designated suppliers.

12.1.2 Cease Use. Not hold Yourself out as an Egoscue® franchisee or business and immediately and permanently cease to Market or in any way use Our Intellectual Property or Confidential Information, provided by or licensed to You by Us or in any way connected with the Egoscue® Facility or System. And except as provided below in Paragraph 12.1.7, within five days, You must demonstrate with video proof sent to Us that You have permanently destroyed all information and/or products that We deem trade secret or confidential, or in the alternative, provide proof to Us that You have sold such products or information to Us or another System franchisee.

12.1.3 Disassociation. Within 10 days of Termination, take all necessary steps to disassociate Yourself from the System and Your Egoscue® Facility, Including the removal of signs, destruction or removal of letterheads, Marketing material, the change of Your Egoscue® Facility telephone listings, telephone numbers, email addresses, URLs, Internet websites, and any other property that bears Our brand or is affiliated with Our brand. All such property and listings, excluding Your ~~operating assets~~Operating Assets and inventory that are associated with and considered part of Our brand, Intellectual Property, and System revert back to Us upon termination of this Agreement. If any of Your Operating Assets and inventory bear Our brand and Marks to Our System, You must take the steps necessary to dissociate it all from Our brand, Marks, and Intellectual Property. You must not identify any present or future business owned or operated by You as having been in any way associated with Us or the System.

12.1.4 Cancel DBA. Within five days of Termination, take such action as will be necessary to amend or cancel any assumed name, fictitious or business name or equivalent registration, which contains any Mark of Ours or in any way identifies You as being affiliated with Our System.

12.1.5 Notify Suppliers; Communication with Clients. Immediately notify all suppliers, utilities, creditors and concerned others that You are no longer affiliated with Us or the System and provide proof to Us of such notification. All communications with clients of the Egoscue® Facility must be pre-approved by Us, and We can require that all such communication be handled by Us. We also have the right to communicate directly with all clients of the Egoscue® Facility, Including communication regarding redeeming their unfulfilled visits through a different Egoscue® Facility.

12.1.6 Return Materials. At Your cost, permanently delete electronic copies and return to Us by first class prepaid United States Mail (Including originals and any copies), physical copies of Our Manuals, all training materials, Marketing materials, and all other printed and electronic materials and any other Confidential Information obtained by You from Us pertaining to the operation of Your Egoscue® Facility.

12.1.7 Modification of Premises. If We do not exercise Our right to purchase Your Operating Assets or assume Your Lease upon Termination, then You shall alter, modify and change both the exterior and interior appearance of the Premises to Our satisfaction, so that it will be easily distinguished from an Egoscue® Facility and shall cease using the signs, décor, displays, advertisements, promotional materials and the like that are unique or distinctive to the System.

12.1.8 Customer Data. To the extent We do not have access, You shall provide Us with (and then permanently destroy) the Customer Data ~~for all current, prior, and expectant customers of the Egoscue® Facility.~~.

12.1.9 Evidence of Compliance. Otherwise furnish evidence satisfactory to Us or in the manner required by Us of Your full compliance with this Section 12.1 within 30 calendar days after the Termination of this Agreement or on the timeline We may provide at Termination.

12.1.10 Unfulfilled Visit Liability. You acknowledge and agree that after Termination of this Agreement, You will not be able to use the Egoscue Method® and will not be able to service and fulfill any unfulfilled visit liability for clients that prepurchased Egoscue® services. You also acknowledge and agree that clients are able to redeem unfulfilled visits at any Egoscue® facility, and that We, Our affiliates, and other franchisees may be required to service the unfulfilled visits after Termination. You also acknowledge that although We may solicit these clients, Including for the purpose to redeem their unfulfilled visits, it is unlikely that all clients will redeem their unfulfilled visits. Therefore, as a compromise, You shall pay Us the applicable Fee listed on Exhibit "A-3" ("Agreed Payment"). This Agreed Payment is due within 10 days of Termination. You may either pay this Fee at the time of Termination, or You may pay the applicable transfer visit Fee to the applicable Egoscue® Facility each time an Egoscue® Facility fulfills a visit for a client that purchased a visit at Your Egoscue® Facility. Under this option, any outstanding balance due after three years will be waived. Additionally, if You choose this option, You must enter into a stipulated judgement consistent with Utah courts, or the courts of Your jurisdiction (at Our sole discretion), with Us for the entire amount due in the event You fail to pay (within 10 days of invoicing) an Egoscue® Facility that fulfills a visit for a client that purchased a visit at Your Egoscue® Facility within 10 days of invoicing. The remaining balance of the Agreed Payment due at the time of default will accrue interest at a rate of 10% per annum until paid in full.

12.1.11 Financial Inspections. You must provide Us with access to all Your financials, books, and other accounting records for 12 months following the date of Termination.

12.1.12 Pay Damages and Costs. Pay to Us all costs, damages and expenses, Including post-term expenses and reasonable attorney's fees incurred by Us to enforce the provisions of this Agreement, Including to obtain injunctive or other relief to enforce any provision of this Agreement. At Your expense, We may hire a third-party or use Our own personnel to carry out Your obligations on Your behalf.

12.2 Upon Termination of this Agreement, for any reason:

12.2.1 No Compensation. No payment is due to You from Us or any source on account of any goodwill, intangible assets or other equity claimed by You arising from or relating to Your operation or ownership of Your Egoscue® Facility, or otherwise. All goodwill connected in any way with Your Egoscue® Facility or the System belongs now and, in the future, exclusively to Us.

12.2.2 No Refund. No Fees, charges, or other payments of any kind from You to Us are refundable in whole or in part.

12.2.3 No Equity. You will have no equity or other continuing rights to use the System, Confidential Information, Intellectual Property, or goodwill of the Egoscue® Facility.

12.3 Survival of Provisions. All ~~of the~~ provisions of this Agreement, which by implication apply following the Termination of this Agreement are enforceable following Termination of this Agreement, Including Your obligation to indemnify Us and pay all amounts owed and Your

obligations to dissociate from Our brand. You shall also still be bound to the confidentiality, brand protection, indemnification, non-disparagement, non-competition, non-solicitation, arbitration and dispute resolution, choice of forum and law selections clauses and other restrictions of this Agreement that have terms or duties owing after Termination of this Agreement.

12.4 Make Premises Available to Us. In addition to those obligations set forth above, upon Termination, You must make the Premises and computer systems accessible and available for Us to examine and verify Your compliance with Your post-termination obligations, and/or to operate a New Business at the Premises (see Paragraph 13.1.1(i) below) if We, in Our sole discretion, choose to do so.

12.5 Liquidated Damages. If this Agreement is Terminated, other than for an approved Transfer, non-renewal or mutual termination, in addition to other remedies available under this Agreement, We will be entitled to liquidated damages, not as a penalty, and solely to compensate Us for lost future royalties. You and We recognize the difficulty of calculating damages caused by lost future royalties but nevertheless recognize and agree that such damages could arise, and You and We hereby agree to the formula listed on Exhibit "A-3" as a compromise on the calculation of such damages. You and We agree that such amount will be reduced to the present value of such payments as of the date of ~~termination~~Termination utilizing an interest rate of 5% compounded annually. This amount is payable within 10 days of Termination.

12.6 Additional Equitable Remedies. The ~~amounts~~amount contemplated under Section 12.5 do not represent a price for the privilege of not performing nor does the payment represent an alternative manner of performance. Accordingly, as a purely liquidated damages provision, Section 12.5 does not preclude and is not inconsistent with a court granting Us specific performance, other damages set forth herein, or any other equitable remedies, such as an injunction, to prevent future breaches.

12.7 Cumulative Rights. Our rights provided above are cumulative and in addition to any other right or remedy available at law or in equity.

## ARTICLE XIII
## PURCHASE OPTION

13.1 Purchase Option. Upon Termination of this Agreement, You hereby grant to Us the right to:

13.1.1 Acquisition of Assets. Acquire, in Our sole discretion, all or any part of Your Operating Assets at the then-existing fair market value of such item or items as of the date of Termination of this Agreement. You hereby grant Us permission to speak directly with Your landlord and other creditors, Including suppliers, banks, the IRS and state agencies (and You will cooperate with Us to facilitate such communication), regarding any loans and/or liens or obligations that would encumber Your Operating Assets. If the fair market value is not agreed to between us, the fair market value will be established by an independent appraisal. The appraisal will be done at Our expense by an appraiser selected by Us. No goodwill will be considered associated with Your Egoscue® Facility or said items. We must exercise this option within 60 days of such Termination or within 15 days of the establishment of the price of the Operating Assets, whichever is later ("Option Period"), by giving written notice to You of Our intent to exercise Our option to purchase. The purchase of any of Your Operating Assets will be done through an asset purchase agreement. Unless otherwise agreed by You, the purchase price as determined hereunder will be paid within 30 days of providing notice of Our intent to

purchase. We have the right to offset any amounts You owe to Us against the purchase price. If We have not notified You of Our election to exercise this option within the Option Period, it will be conclusively presumed that We have elected not to exercise Our option, and You are then free to sell or transfer such assets to any person or entity on such terms as You may so choose, so long as the Operating Assets have been de-identified as set forth herein. If any of the Operating Assets are subject to liens or taxes, We may also withhold a portion of purchase price to pay off such lien or taxes. We may also withhold 25% of the purchase price for 90 days to ensure that all other liabilities affecting the Operating Assets are paid.

(i) Interim Management During Option Period. We have the right, but not the obligation, to use Your Operating Assets and Premises (if the Lease is still in effect, and in such case, We will obtain this right from the landlord as applicable), and to hire Your personnel to operate the business during the Option Period. You and We understand and agree that We will not be operating Your Egoscue® Facility during this time, but We will be using Your Operating Assets and the Premises to operate Our own, separate Egoscue® business ("New Business") in order to keep the business open during the Option Period. We will pay You the fair market rental value for such use of the Operating Assets as agreed, but not to exceed fair market rental value, and if We use the Premises, We may pay rent directly to the landlord for Our use of the Premises. For any inventory or other items sold or consumed by Us during the Option Period, We will reimburse You the actual price You paid for such items. You will be required to cooperate to provide Us with all pertinent information regarding Your Egoscue® Facility, as We deem necessary. We will establish Our own bank accounts and other accounts for the New Business during the Option Period. During the Option Period, We will pay all costs and expense of the New Business, and all proceeds of the New Business will belong to Us. We will not assume any of Your debts or obligations, and We will not be responsible to pay any debts or expenses incurred by Your Egoscue® Facility. You shall indemnify and hold Us harmless from and against any and all claims, damages, losses, deficiencies, liabilities and costs, Including attorney's fees, of or related in any way to the Egoscue® Facility prior to Us operating the New Business at the Premises, and We will indemnify and hold You harmless from and against any and all claims, damages, losses, deficiencies, liabilities and costs arising solely from the New Business. If necessary, We have the right to change the locks and exclude You from the Premises during this Option Period.

13.1.2 Assumption of Lease. We have the right, during the Option Period, to assume Your Lease under the provisions of Section 4.2 above.

13.1.3 Warranties. The purchase contract for the Operating Assets, as set forth in Paragraph 13.1.1 above, will include standard representations, warranties, covenants and indemnities from You as to the Operating Assets being purchased, Including warranties of good title, absence of liens, compliance with laws, absence of defaults under contracts, litigation and tax compliance.

13.1.4 Unfulfilled Visit Liability. We can offset Your outstanding visit liability against amounts owing to You, and We are entitled to seek those amounts as damages.

## ARTICLE XIV
## SALES OR TRANSFERS OF THE FRANCHISE

14.1 Our Right of Assignment. This Agreement and all rights and obligations hereunder are fully assignable and transferable, whether in part or whole, by Us, and if so assigned or transferred, will be binding upon and inure to the benefit of Our successors and assigns. We may be sold, or We may sell any part of or all ~~of~~ Our Confidential Information and/or Intellectual Property or other assets to a competitive or other entity. In addition, We may go public, may

engage in a private or other placement of some or all of Our securities, may merge, acquire other entities or assets which may be competitive with the System or not, be acquired by a competitive or other entity, and may undertake any refinancing, leveraged buy-out or other transaction, Including arrangements in which: 1) the territories, locations or other facilities are, or are not, converted to the System or other format or brand (Including using the System or Marks~~),~~); or 2) the System is converted to another format or brand, maintained under the System or a different system. ~~You waive all claims, demands and damages with respect to any transaction or otherwise allowed under this Section or otherwise.~~ You shall fully cooperate with any such proposal, merger, acquisition, conversion, sale or financing.

14.2 No Assignment by You Without Our Approval. This Agreement is personal as to You and is being entered into in reliance upon and in consideration of Your qualifications and representations, Including representations of all current owners. Therefore, none of Your Franchise Assets may be Transferred in any manner by You or anyone else unless Our prior written approval is obtained. You shall provide Us with all documentation relating to the Transfer of Your Franchise Assets. Said approval will not be unreasonably withheld but will be conditioned upon Our satisfaction with the qualifications set forth in Section 14.3 below of the proposed transferee and its owners and officers.

14.2.1 Transfers to Competitors Prohibited. You cannot Transfer any part of Your Franchise Assets to a Competing Business or to owners of a Competing Business without Our written permission. Any such Transfer without Our written approval is considered void ab initio.

14.3 Qualifications of Transferee. In determining the acceptability of the proposed transferee, We will consider, among other things, Our then-current standards for new franchisees, Including the net worth, financial resources, credit worthiness, health, background, training, personality, reputation, and business experience of the proposed transferee, Including that of the new Authorized Representative, the terms and conditions of the Transfer, and any circumstances that would make the Transfer not in the best interests of Us or the System, Including the proposed purchase price. We may meet and candidly discuss all matters relating to Your Egoscue® Facility with the potential transferee, Including providing a proposed transferee with corrected information or information in addition to what You have provided. In no case will You or a proposed transferee rely on Us to review or evaluate any proposed Transfer. ~~Neither We nor Our affiliates will be liable to You or the transferee or any other person or entity relating to the Transfer, and You shall indemnify and hold Us harmless from any liability whatsoever relating thereto.~~

14.4 Application for Transfer. You must provide Us written notice of Your intent to Transfer prior to listing or offering part of the Franchise Assets for sale, and upon any proposed Transfer of Your Franchise Assets, or any interest therein. You must also submit to Us an application in the form specified by Us on behalf of the proposed transferee.

14.5 Transfer Fee. As a condition of Our approving the Transfer of any part of Your Franchise Assets, You shall pay Us the non-refundable Transfer Fee listed in Exhibit "A-3" at the time of the approved Transfer.

14.6 Minority Interest Transfers. If a proposed Transfer is for less than 40% of Your entity (cumulative during the term of this Agreement), there will be no transfer Fee, but You must reimburse Us Our legal and corporate fees incurred related to the Transfer, and We will not be entitled to exercise Our right of first refusal set forth in Section 14.9 below. ~~However, all guarantors will remain guarantors to this Agreement unless otherwise released by Us, in Our sole discretion.~~ Each ownership certificate of a corporation or limited liability company franchisee must have endorsed upon its face that a Transfer is subject to the restrictions of this

Agreement. Additionally, any new Authorized Representative and other applicable personnel are required to complete the necessary training as required by Us. Any new owner, along with their spouse or legal domestic partner, with ~~an~~a direct or indirect ownership of 10% or more in Your Egoscue® Facility~~ or Your entity must personally guarantee the obligations of this Agreement~~.

14.7 Involuntary Transfers Void. Involuntary Transfers of this Agreement by You, such as by legal process, are not permitted, are not binding on Us, and are grounds for termination of this Agreement. Using this Agreement as security for a loan, or otherwise encumbering this Agreement is prohibited unless We specifically consent to any such action in writing prior to the proposed transaction. You cannot grant a sub-franchise under this Agreement nor otherwise seek to license or permit others to use this Agreement or any of the rights derived by You under it. Any attempt to Transfer any part of the Franchise Assets, whether or not binding on Us, will be grounds for the immediate Termination of this Agreement unless such Transfer is authorized in writing by Us.

14.8 Conditions of Transfer. Prior to the effective date of Transfer of any part of Your Franchise Assets and as a condition for Our approval of any Transfer:

14.8.1 Compliance. You must be in full compliance with this Agreement and not be in default hereunder, and You must comply with Our policies related to a Transfer as set forth in the Manuals. All accounts payable and other monetary obligations to Us or Our affiliates or subsidiaries must be paid in full. You must have submitted to Us all required reports, financial statements, and other documents.

14.8.2 Written Proposal. The terms and conditions of the proposed Transfer must be provided in writing to Us within the time frames specified by Us. The price and other proposed terms of the Transfer must not, in Our reasonable business judgment, have the effect of negatively impacting the future viability of the Egoscue® Facility.

14.8.3 Assumption of Obligations. All Your obligations in connection with the Franchise Assets must be assumed by the transferee, Including assuming Your Lease obligations, if applicable, in a form acceptable to Us~~:~~, and the necessary transferee(s) must provide personal guarantees approved by Us. See Sec. 6.3 above.

14.8.4 New Franchise Agreement. At Our discretion, the transferee must sign the then-current form of the franchise agreement for a term equal to the remaining term of this Agreement, the remaining term of the existing Lease, or the term set forth in the then-current franchise agreement, and fully ~~upgrade and refurbish~~Update the Egoscue® Facility and Premises to the level required of new franchisees.

14.8.5 Training. The transferee~~ and any new Authorized Representative and other required personnel~~ must pay for and complete the training or certification program required of new franchisees. The cost of such training will be at Our then-current rates. The transferee is also responsible for the cost of travel, food and lodging for Our representatives or the transferee's attendees. You and the transferee and We must coordinate on the timing of training, so that the Egoscue® Facility does not have a gap in properly trained management.

14.8.6 Transfer Fee. You shall pay the Transfer Fee set forth on Exhibit "A-3."

14.8.7 General Release. You must execute a general release releasing Us of any claims You may have against Us.

14.8.8 Outstanding Visit Liability. All outstanding visit liability must be taken into account and handled as a part of the transfer agreement.

14.8.9 Survival of Covenants. Your non-competition, indemnity, confidentiality obligations, the provisions relating to dispute resolutions, and other applicable terms of this Agreement, will survive any Transfer.

14.9 First Right of Refusal.

14.9.1 Right of First Refusal. You hereby grant to Us the right of first refusal to purchase Your Franchise Assets on such terms and conditions specified in a bona fide written offer from a third-party, who would satisfy the criteria for approval under Section 14.3. You must notify Us in writing of the terms and conditions of the Transfer, Including the Franchise Assets proposed to be Transferred, the purchase price or other consideration, any creditor financing terms being extended by You, the date of the proposed Transfer, and all other pertinent provisions of the proposed Transfer. In addition, a copy of any contract, agreement, memorandum of sale, deposit receipt, letter of intent and the like, must also be forwarded to Us as soon as it is signed by You. Following receipt of all pertinent data and documents concerning the proposed Transfer and data concerning Your Egoscue® Facility, financials, employee information, and lease information, We will have 30 days in which to advise You in writing of Our election to have the Franchise Assets transferred and assigned to Us on the terms and conditions agreed to by the prospective transferee. Should We elect to purchase the Franchise Assets proposed to be Transferred pursuant to Our right of first refusal, You and We agree to cooperate to accomplish the Transfer as set forth in the provisions submitted to Us by You, provided that the date for the completion of the Transfer can be extended at Our option for up to 30 days beyond the date originally indicated for the completion of the Transfer in order to allow the completion of the transaction in a manner more convenient to Us. We have the right to off-set any amounts You owe to Us (Including outstanding visit liability) against the purchase price.

14.9.2 Non-Election of Rights. If We do not elect to purchase the Franchise Assets proposed to be Transferred, You may complete the proposed Transfer on the terms and conditions set forth in Your notice to Us subject to Our right to approve the proposed transferee and the terms and conditions set forth under this Article. However, if there are any material changes in the terms and conditions of the proposed Transfer, and any of those changes are more favorable to the purchaser, You must notify Us of the changes in writing, and We will have an additional 10 days to elect to purchase the Franchise Assets proposed to be Transferred on the revised terms and conditions. Additionally, if Your Egoscue® Facility is not Transferred to such third-party within five months after We elect not to purchase the Franchise Assets, You must re-offer the Franchise Assets to Us before You may Transfer to an approved third-party. We have no obligation to purchase Your Franchise Assets.

14.10 Death or Incapacity and Interim Management. In the event of the death or incapacity of an individual franchisee or the majority owner of the franchisee entity (the term "incapacity" means any physical or mental infirmity that prevents the person from performing the obligations under this Agreement: (i) for a period of 60 or more consecutive days, or (ii) for 100 total days during a calendar year), the heirs or personal representative will have the right to continue Your Egoscue® Facility; ~~provided that within a reasonable time (not~~(for no more than ~~160~~180 days~~)~~ after such death or incapacity (or such longer period required by the laws of the state where Your Egoscue® Facility is located) the heirs appoint a representative to act in behalf of the heirs in all matters pertaining to Your Egoscue® Facility as provided for new Authorized Representatives, clinic directors, or franchisees, Including the requirements to have the representative trained, certified, and accepted by Us in accordance with Our standards. The heirs or personal representatives, instead of operating Your Egoscue® Facility

themselves under the foregoing procedures may choose to Transfer Your Egoscue® Facility. If a decision to Transfer is made, the Transfer procedures explained above will apply. If We are required to operate Your Egoscue® Facility for a time due to death or incapacity, or as otherwise allowed under this Agreement, the provisions of Paragraph 6.2.3 above will apply.

14.11 Assumption of Obligations. The parties agree that in the event a court of competent jurisdiction orders You to Transfer to Your spouse, domestic partner, or a third-party all or any part of Your Franchise Assets, such an order will constitute a Transfer of this Agreement and will cause the transferee to be subject to all ~~of~~ the terms and conditions concerning Transfers set forth herein above.

14.12 Acquisitions. If We receive an offer to acquire a majority of the franchises or to purchase a majority of Our assets or stock, or to merge or go public or similar transactions, We have the option, but not the obligation, to purchase all ~~of~~ Your rights and interests in and under this Agreement and Your Egoscue® Facility. If Your Egoscue® Facility has been operating for less than ~~six~~12 months, We will pay Your replacement/construction costs. If Your Egoscue® Facility has been operating for ~~six~~12 to 24 months, We will pay a 2x valuation on the NTM (forecasted EBITDA over the next 12 months based on the previous ~~six~~12 months). If Your Egoscue® Facility has over 24 months of operating history, We will pay You 3x Your Egoscue® Facility' EBITDA. If the purchase option is exercised, You must execute a general release to Us. However, the general release will not apply to any known claims that You have disclosed to Us in writing prior to Us exercising Our option. We will close Our purchase and make payment within 60 days after closing or as soon thereafter as reasonably practical.

14.13 Transfer for Convenience of Ownership. If You are an individual or individuals, You may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership (without paying a transfer fee to Us), provided You: 1) give Us at least 15 days' prior written notice of the proposed Transfer; 2) send Us copies of the entity's charter documents, bylaws (or operating agreement), ownership interests of the owners, and similar documents, as We may request for Our review; and 3) own all equity and voting securities of the corporation or limited liability company. Additionally, You and the new entity must sign an assumption and assignment agreement in the form required by Us, whereby the transferee assumes all obligations of this Agreement, and all personal guarantors remain as personal guarantors after the Transfer. Furthermore, Your Authorized Representative must continue in the same capacities as before the Transfer.

## ARTICLE XV
## RELATIONSHIP OF THE PARTIES

15.1 Independent Contractors. In all matters, You are an independent contractor. Nothing in this Agreement or in the franchise relationship constitutes You as Our partner, agent, employee, joint employer, or joint venturer with Us, and this Agreement does not create a fiduciary relationship between You and Us. Neither party is liable for the debts, damages, losses, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, wages, negligence, errors or omissions of the other. You are solely responsible for the management and control of Your Egoscue® Facility, Including its daily operations, managing and directing employees, contractors, and salespersons, and paying all costs and expenses of Your Egoscue® Facility. The parties agree not to hold themselves out by action or inaction contrary to the foregoing and to indemnify each other for any liability, cost or expense, Including attorney's fees, incurred by either of them for any act, omission, finding or result to the contrary. None of Your employees will be deemed to be Our employee and each employee will be so notified by You. Neither party has the authority to act as agent for the other, and neither You nor We guaranty the obligations of the other or in any way become obligated for the debts or expenses

of the other unless agreed to in writing. You must post promptly and maintain any signs or notices specified by Us or by applicable law indicating the status of the parties as described above.

15.2 Indemnification. You shall defend, indemnify, and hold Us harmless from any and against any and all losses, liabilities, damages, costs and expenses whatsoever, Including reasonable attorney's fees, arising out of or related to, or in any way connected with You or Your acts, errors, negligence, or omissions in the operation of Your Egoscue® Facility or Your Egoscue® Facility generally, Including any allegation that You are Our employee, or that We are a joint employer or otherwise responsible for the acts or omissions relating to Your employees, and other laws regarding public accommodations for persons with disabilities. You agree not to file any crossclaim or ~~counter-claim~~counterclaim against Us for any action made by a third~~-~~ party or make any response that would infer or represent We are liable as a party or defendant to any action that is contrary to this Section. This Agreement and the terms in this Article and related terms in this Agreement is a bona fide defense to any claim You may contradictorily make against Us as to Our liability or proportion of fault. You shall bear all costs to defend Us from claims raised by a third~~-~~ party. If We incur any costs or liabilities to any third~~-~~ party, You shall reimburse Us for costs associated with Our defense to those claims. We have the right to defend any such claim against Us by employing counsel of Our choice, subject to full reimbursement of all legal fees by You. We will use Our reasonable efforts to cooperate with You in any litigation, judicial or administrative proceeding to avoid duplication of time, effort or expenditure to the greatest extent possible without compromising Our interest in such matter. You are not required to indemnify Us for liability caused by Our willful misconduct ~~or~~, gross negligence, strict liability, or fraud. This indemnity will continue in full force and effect subsequent to and notwithstanding the Termination of this Agreement.

## ARTICLE XVI
## COVENANT NOT TO COMPETE

16.1 In-Term Covenants. During the term of this Agreement and for any extensions or Successor Franchises hereof, You, Your Principals, and Your Immediate Family shall not, directly or indirectly, be a Participant, assist, or serve in any other capacity whatsoever or have any interest in a Competing Business in any capacity, territory, or location, except with Our prior written consent. Your Principals must each execute the standard Brand Protection Agreement for Principals attached as Exhibit "A-4," and Your personnel must execute Our Employee Brand Protection Agreement (see Exhibit "A-5"). (Although We provide You this form, You are responsible to conform it to the laws and regulations of Your state.) ~~A~~You shall promptly deliver a copy of all such agreements ~~must be promptly delivered~~ to Us within 10 days of hiring of the respective employee.

16.2 Confidentiality. During the term of this Agreement and any extensions or Successor Franchises hereof, and at any time after the Termination of this Agreement, You and those over whom You have control shall not make any unauthorized disclosure or use of Our Confidential Information or Intellectual Property other than as authorized by this Agreement. You shall adopt and implement all reasonable procedures to prevent unauthorized use or disclosure of the Confidential Information and Intellectual Property, which procedures may be prescribed from time to time by Us. You shall never contest the validity of Our exclusive ownership of and rights to Our Intellectual Property or Confidential Information. Without limiting the foregoing, any communication (email, paper, etc.) from Us to You cannot be forwarded to another email account You control or share, or forwarded to anyone, Including employees, without first receiving Our express written consent.

16.2.1 Prior Disclosures. You acknowledge and agree that prior to the execution of this

Agreement, You may have received information and met and corresponded with Our principals, agents and/or representatives, and that any such Confidential Information obtained or received is subject to the protection and restrictions of this Agreement.

16.2.2 Confidentiality of this Agreement. You agree that all terms of this Agreement that are not otherwise made public under franchise disclosure laws will remain confidential, and You will not make any public announcement, issue any press release, publicize, make any confirmation of statements made by third parties concerning the terms of this Agreement, or make any other disclosures without Our prior written consent. It is agreed and understood that You may disclose the confidential terms of this Agreement only to Your professional lenders ~~and,~~ advisors, and government authorities.

16.3 Post-Term Covenants. Upon Termination of this Agreement and for a continuous, uninterrupted period of two years thereafter, You, Your Principals, and Your Immediate Family shall not, directly or indirectly, be a Participant, assist, or serve in any other capacity whatsoever, or have any interest in a Competing Business in any capacity, within 25 miles of Your Egoscue® Facility or within 20 miles of any other Egoscue® ~~Facility~~facility at the time of Termination of this Agreement.

16.4 Non-Solicitation of Customers. During the term of this Agreement and for three years after the Termination of this Agreement, You, Your Principals, and Your Immediate Family shall not, directly or indirectly, contact any client serviced by the Egoscue® Facility, any prospective client, or any former or then-current client of Ours (with whom You had contact during the term of this Agreement) for the purpose of soliciting any such customer to a Competing Business. For clarity, a "prospective client" does not mean any possible client. It means a potential client who has been engaged in some way, or has provided some personal information, or has elected to receive some communication, but who has not yet done business to be considered an actual client.

16.5 Survival of Covenants; Tolling of Covenants. The foregoing covenants survive the Termination of this Agreement and apply regardless of whether this Agreement was Terminated by lapse of time, by default of either party, or for any other reason. In addition to other remedies available to Us, in the event You violate a non-competition and/or non-solicitation covenant, the applicable non-competition or non-solicitation period will be tolled for the period of Your violation.

16.6 Acknowledgement of Harm. You acknowledge that Your violation or breach of the covenants and provisions of this Article is likely to cause substantial and irreparable harm to Us and the System. ~~You agree that the restrictions contained in this Agreement are reasonable and necessary for Our protection and the protection of other franchisees in the System, and that the~~The existence of any claims You may have against Us, whether or not arising from this Agreement, will not constitute a defense to Our ability to enforce the covenants set forth in this Article.

16.7 Enforceability. It is the desire and intent of the parties to this Agreement that the provisions of this Article be enforced to the fullest extent permissible under applicable laws. If any of the restrictions of this Article are determined to be unenforceable because of duration, scope or coverage or otherwise, then We have the right in Our sole discretion to reduce the scope of any covenant set forth above or any portion thereof, without Your consent, effective immediately upon receipt by You of written notice thereof; which modified covenant will be fully enforceable notwithstanding any other provision of this Agreement.

16.8 Breach of Non-Competition. You and We recognize the difficulty of calculating damages caused by Your breach of Your non-competition obligations and agree that such damages could arise, and You and We hereby agree to the following as a compromise on the calculation of such damages. If You operate a Competing Business in violation of this Agreement, in addition to any other remedy We may have under this Agreement and under law, You shall pay Us the liquidated damages Fee listed on Exhibit "A-3."

16.9 Additional Equitable Remedies. The amount contemplated under Section 16.8 does not represent a price for the privilege of not performing nor does the payment represent an alternative manner of performance. Section 16.8 does not preclude recovery for damages for other breaches of this Agreement and is not inconsistent with a court granting Us specific performance or any other equitable remedies, such as an injunction, to prevent future breaches. Additionally, We have the right to automatically debit by EFT or other electronic withdrawal means, Your bank account for the amounts payable to Us under Section 16.8.

## ARTICLE XVII
## DISPUTE RESOLUTION

17.1 Quick Resolution. You and We understand that there is always a possibility of differences of opinion or other disagreements in any business relationship and agree that it is important to resolve any Disputes amicably, quickly, inexpensively, and professionally and to return to business as soon as possible.

17.2 Manner of Handling Disputes. In the event any Dispute arises between Us and You in connection with, arising from, or with respect to, any provision hereof, the relationship created herein, or the validity of this Agreement or any provision hereof, or the offer and sale to You, such Dispute will be:

17.2.1 Face-to-Face Meeting. First discussed in a face-to-face meeting between You and Us in Salt Lake City, Utah, or at Our then-current headquarters, within 30 days after either You or We give written notice to the other proposing such a meeting. We have the right, in Our sole discretion, to waive this requirement.

17.2.2 Mediation. If, in the opinion of either You or Us, the face-to-face meeting has not successfully resolved such Dispute, and if desired by either You or Us, the Dispute will be submitted to non-binding mediation before Franchise Arbitration and Mediation Services ("FAM") or as otherwise mutually agreed. The mediation will be conducted exclusively in Salt Lake City, Utah. On election by either party, arbitration as provided below may proceed forward at the same time as mediation. The mediator will be disqualified as a witness, consultant, expert, or counsel for any party with respect to the Dispute and any related matters.

17.2.3 Arbitration. If in the opinion of either You or Us the mediation has not successfully resolved such matters, at the request of either You or Us, the Dispute will be submitted for arbitration to the offices of American Arbitration Association in accordance with its commercial arbitration rules in effect. All arbitration hearings will be conducted exclusively in Salt Lake City, Utah. The arbitrator will have the power and jurisdiction to decide such dispute solely in accordance with the express provisions of this Agreement. The arbitrator will render a written opinion setting forth the facts found, law applied, and reasons for the decision.

(i) Arbitration Procedures. In any arbitration, the parties will be entitled to specific performance of the obligations under this Agreement. The arbitrator may award or otherwise provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and

other pre-judgment, equitable and/or interim relief as appropriate pending final resolution by binding arbitration of a Dispute, as well as in connection with any such final resolution, and may issue summary orders disposing of all or part of a Dispute at any point. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction. Offers and/or other communications made in connection with, or related in any way to, mediation, possible settlement or other resolution of a Dispute will not be admitted into evidence or otherwise used in connection with any arbitration or other proceeding, and any arbitration award in violation of this provision will be vacated by the arbitration appeal panel (described below) and/or any court having jurisdiction. The arbitrator will have the power to order compliance with such discovery procedures, as well as assess sanctions for non-compliance with any order. Discovery will be controlled by the arbitrator and will be permitted to the extent set out in this Paragraph. Each party may submit in writing to the other party, and the other party will respond, to a maximum of any combination of 25 (none of which may have subplots) of the following: interrogatories, demands to produce documents, and requests for admission. You and We are also entitled to take the oral deposition of one individual of the other party. Additional discovery may be permitted upon mutual agreement of the parties or at the discretion of the arbitrator if petitioned by either party. The arbitrator, and not a court, will decide any questions relating in any way to the parties' agreement or claimed agreement to arbitrate, Including a claim for fraud in the inducement or otherwise. Each participant must submit or file any Dispute that would constitute a compulsory counterclaim (as defined by the applicable rule under the Federal Rules of Civil Procedure) within the same proceedings as the Dispute to which it relates. Any such Dispute that is not submitted or filed in such proceedings will be forever barred. The award and findings of the arbitrator will be conclusive and binding upon all parties hereto and the judgment upon the award may be entered in any court of competent jurisdiction.

(ii) Individual Disputes. All Disputes must be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff or similar basis between You and Us and will not be consolidated with any other arbitration or court proceeding involving Us and any other party. You hereby fully waive any right You may have to any potential class action claim and agree that any legal action will only be on an individual party basis.

(iii) Agreed Limitations. Except for payments owed by one party to the other, claims attributable to Your underreporting of sales, indemnification under Article XV, or claims related to an act of Yours allowing Us to immediately terminate this Agreement, any legal action or arbitration proceeding (Including the offer and sale of a franchise to You) brought or instituted with respect to any Dispute hereunder must be brought or instituted within one year from the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; provided that no claim may be brought more than two years after the first act or omission giving rise to an alleged claim. The initiation of mediation or arbitration hereunder will toll the applicable statute of limitations for the duration of any such proceedings.

(iv) Limited Damages. You and We waive any right or claim of any consequential, punitive, or exemplary damages against each other and agree that in the event of a Dispute between You and Us, each will be limited to the recovery of actual damages sustained.

(v) Exceptions to Arbitration. You and We agree that nothing in this Agreement obligates Us to arbitrate or mediate Disputes or issues relating to: (a) the validity of the Marks, or any trademarks, service marks or other Intellectual Property; (b) rights to obtain a writ of attachment or other prejudgment remedies; (c) rights to receive and enforce a temporary restraining order, preliminary injunction, permanent injunction or other equitable

relief; or (d) Disputes solely for fees and other monies owed by one party to the other under this Agreement.

(vi) Appeals. If any party to an arbitration wishes to appeal any final award by an arbitrator (there will be no appeal of interim awards or other interim relief), that party can appeal, within 30 days of such final award, to a three-person arbitrator panel to be appointed by the same organization as conducted the arbitration to be held exclusively at the same location as specified above. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not Include any trial *de novo* or other fact-finding function. The party requesting such appeal must pay all costs and fees of the arbitrators and arbitration proceedings~~.~~, subject to reimbursement as set forth below.

(vii) Sharing of Fees. Except for an appeal, the parties to the Dispute or action will share the fees and expenses of the mediation and the arbitration equally during the mediation and arbitration. If a party is unable or unwilling to pay its share of the cost of the mediation or arbitration, the other party has the right to cover those costs; however, the prevailing party in arbitration, Including on appeal, will be awarded costs and attorney's fees as set forth in Section 19.3 below.

(viii) Federal Arbitration Act. You and We mutually agree that all issues relating to arbitrability are governed exclusively by the Federal Arbitration Act and the federal common law of arbitration to the exclusion of any state statutes or common law and will be decided by the arbitrator. All provisions of this Agreement pertaining to venue, choice-of-laws, dispute avoidance and resolution will be strictly enforced, and You and We will rely on federal preemption under the Federal Arbitration Act.

17.3 Continued Performance. During the pendency of any Dispute or any such interim relief proceeding, the parties shall continue to perform their respective obligations under this Agreement.

## ARTICLE XVIII
## NOTICES

18.1 Notices. All notices permitted or required under this Agreement must be in writing and delivered as follows with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; (iii) by facsimile transmission when confirmed by facsimile transmission, during normal business hours, Monday through Friday, holidays excepted; (iv) by sending an email to the email address below or other verified email address when confirmed by receipt verification, which verification will not be withheld or otherwise denied; or (v) by certified or registered mail, return receipt requested, addressed as follows:

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| | |

| | |
|---|---|
| Egoscue, Inc.<br>6300 N Sagewood Drive, Suite H 592<br>Park City, Utah 84098<br>(or Our then-current headquarters)<br>Email: admin@egoscue.com<br><br>With a courtesy copy to (which will not act as notice or service to Egoscue, Inc.):<br>The Franchise & Business Law Group<br>Attn: C. Christian Thompson<br>222 South Main Street, Suite 500<br>Salt Lake City, Utah 84101<br>Email: CTHOMPSON@FBLGLAW.COM | _____<br>_____<br>_____<br><br>Email:_____ |

18.2 Delivery. If You refuse or fail to accept any certified or overnight delivery, acceptance will be deemed to have occurred 48 hours after rejection or failure to accept such notice. Any notice delivered by mail in the manner herein specified will be deemed delivered and received three days after mailing.

18.3 Listed Addresses. The address specified herein for services of notices may be changed at any time by the party making the change by giving written notice to the other party by certified mail or as otherwise agreed by You and Us. Any notice to You may be delivered to the address set forth above or to the address of Your Egoscue® Facility or office.

## ARTICLE XIX
## CONSTRUCTION AND JURISDICTION

19.1 Governing Law. Except as provided in Section 19.5, this Agreement will be governed, construed and interpreted in accordance with the laws of the state of Utah without giving effect to its conflicts of law provisions. You and We agree that the provisions of this Agreement will control the state or provincial laws by which this Agreement will be governed and any provisions of state or provincial law to the contrary or any statements in Our franchise disclosure document or otherwise required as a condition of registration or otherwise. If the governing law requires terms other than or in addition to those in this Agreement, then such terms will be deemed incorporated herein but only to the extent necessary to prevent the invalidity of this Agreement or any of the provisions hereof or the imposition of civil or criminal penalties or liability. To the extent permitted by the laws of the state whose laws govern this Agreement, You hereby waive any provisions of law or regulations which render any portion of this Agreement invalid or unenforceable in any respect.

19.2 Jurisdiction. In order to facilitate our joint interests in having franchise issues determined in a consistent manner for application throughout the System, without in any way limiting or otherwise affecting Your and Our obligations regarding mediation and arbitration in accordance with the provisions of Article XVII, if there is any litigation between us, You and We hereby irrevocably consent to the exercise of general personal jurisdiction in the courts of record of the state of Utah even though it may be otherwise possible to obtain jurisdiction elsewhere, and You and We agree that Salt Lake City, Utah will be the exclusive venue for any litigation between Us and You. Each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Utah.

19.3 Costs and Attorney's Fees. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties are entitled to reasonable attorney's fees and other costs reasonably incurred in such action or arbitration or litigation proceeding. The costs of mediation will also be awarded to the prevailing party in arbitration or litigation, if applicable. For purposes of this Agreement, "prevailing party" Includes the party which obtains a judgment in their favor or agrees to dismiss an action or proceeding upon the other's payment of sums allegedly due or performance of the covenants allegedly breached, or which obtains substantially the relief sought. Reimbursement is due within 30 days of written notice after prevailing.

19.4 No Jury Trial. You and We waive, to the fullest extent permitted by law, all rights to trial by jury in any action or Dispute, whether at law or in equity, brought by either party.

19.5 Exception. Notwithstanding the foregoing, the Federal Arbitration Act (9 U.S.C. §§ 1 Et. Seq.) and the United States Trademark Act (Lanham Act, U.S.C § 1051 Et. Seq.) will apply to this Agreement and the relationship of the parties and preempt any state law to the contrary.

## ARTICLE XX
## MISCELLANEOUS

20.1 Headings. Headings used in this Agreement are for reference and convenience purposes only and are not to be used in construing the provisions of this Agreement. As used herein, the male or female gender will include the other and the neuter. The singular will include the plural and the plural will include the singular as appropriate.

20.2 No Third-Party Rights. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third parties will have any right or claims, benefit or right or a third-party beneficiary under this Agreement or any provision hereof. Similarly, You are not entitled to claim any rights or benefits, Including those of a third-party beneficiary, under any contract, understanding or agreement between Us and any other person or entity, unless that contract, understanding, or agreement specifically refers to You by name and specifically grant rights or benefits to You.

20.3 Authority. Where an entity is a party to this Agreement, the person or persons signing this Agreement on behalf of the entity warrant to Us that they have the requisite authority to sign this Agreement. At Our request, the concerned company signatory agrees to promptly provide Us with a certified copy of the resolution authorizing the execution of this Agreement and naming the officers, directors, members, or managers of the entity who are authorized to sign this Agreement on behalf of the entity. No field representative or salesperson has the right or authority to sign this Agreement or make oral representations or written modifications hereof on Our behalf.

20.4 No Partial Payments. No payment by You or receipt by Us of any amount less than that required to be paid under this Agreement, or otherwise, to Us or any person or entity affiliated with Us, will be deemed to be anything except payment on account, regardless of any endorsement to the contrary contained on any such payment or in any oral or written communication transmitted in connection therewith.

20.5 Joint and Several Liability. If more than one person, corporation, limited liability company, partnership or other entity, guarantor or any combination thereof, sign this Agreement on behalf of the franchisee, the liability of each will be joint and several. All members of a general partnership and all members of any association or other unincorporated

entity, which is part of the franchisee hereunder, are jointly and severally liable for Your performance hereunder.

20.6 No Off-Set or Withholdings. You shall not offset or withhold the payment of any Fees, payments or other amounts due to Us or Our affiliates or suppliers on grounds of the alleged non-performance by Us of any of Our covenants or obligations hereunder, any Dispute of any nature or otherwise.

20.7 Disclosure. We can disclose, in disclosure documents or otherwise, information relating to Your Egoscue® Facility, Including Your name, address, phone numbers, financial information, copies or reports, and other information.

20.8 Binding Agreement. This Agreement is binding upon the heirs, administrators, personal representatives, assigns and successors in interest to the parties hereto.

20.9 Force Majeure. Neither party will be liable by reason of any failure or delay in the performance of such applicable party's obligations hereunder on account of strikes, fires, flood, storm, explosion, government shutdown or mandate, or other similar causes which ~~is~~are beyond such party's reasonable control. This Section will not be interpreted to relieve You from Your obligation to pay Us when due all payments required to be made by You under this Agreement.

20.10 Entire Agreement. The parties intend this Agreement and all attached exhibits hereto to be the full and complete agreement between Us and You and the entire integration of all our understandings of every nature concerning the matters contained in this Agreement or in any way related thereto, whether oral or written, and whether occurring before or contemporaneously with the execution of this Agreement. You represent and acknowledge that no agreements, representations, negotiations, promises, commitments, inducements, assurances, terms, conditions, or covenants of any nature exist between You and Us except as specifically set forth in this Agreement, whether pertaining to this Agreement or to any future, further, or additional rights of either You or Us. Nothing in this Agreement, or in any related agreement, is intended to be a disclaimer of the representations We made to You in the franchise disclosure document. If any term of this Agreement is determined as void and unenforceable, the remaining terms and duties under this Agreement will still be considered enforceable and severable as if it was its own separate agreement from the voided term.

20.11 Amendments. No amendment, change, or variance from this Agreement will be binding on either party unless executed in writing and signed by both parties; however, the Manuals and policies and procedures may be modified by Us from time to time as set forth in this Agreement and are binding.

20.12 Effective Date. Delivery of a draft of this Agreement to You does not constitute an offer. This Agreement will become effective only when fully executed and accepted by Us.

20.13 No Course of Dealing. No course of dealing between You and Us will affect Your or Our rights under this Agreement or otherwise.

20.14 Variances. You understand and agree that: 1) We may have offered franchises in the past, may currently be offering franchises, or may offer franchises in the future, on economic or other terms, conditions and provisions which may significantly differ from those offered by this Agreement and any related documents; and 2) there may be instances where We have varied, or will approve exceptions to or changes in the uniform standards, or the terms on which We offer franchises, the charges We make, or otherwise deal with Our franchisees to

suit the circumstances of a particular transaction as We believe necessary or desirable under particular circumstances. You have no right to object to such variances or to obtain the same variances for Yourself.

20.15 No Misrepresentations. You further represent to Us, as an inducement to Our entry into this Agreement, that You have made no misrepresentations in obtaining the award of this franchise.

20.16 Representations of Non-Violation. You represent and warrant that You can enter into this Agreement and that the execution and performance of this Agreement will not be in violation or breach, or cause the violation or breach, of any agreement or covenant between any third-party, or the violation or breach of any order, decree or judgment of any court or administrative agency.

20.17 FDD Acknowledgement. You represent that You have had a copy of Our franchise disclosure document ("FDD") for at least 14 calendar days or 10 business days, whichever is applicable in Your state, prior to signing this Agreement or making any payment to Us.

20.18 Waiver. We may, in writing, unilaterally waive any of Your obligations or requirements under this Agreement. Waiver by Us of any particular default by or obligation of You does not affect or impair Our rights with respect to any subsequent default by You or any of Our other rights to declare the same or subsequent acts a breach or default. Unless otherwise agreed to by Us in writing, Our acceptance of any payments due from You does not waive any prior defaults.

20.19 Counterpart and Electronic Signatures. This Agreement and its exhibits may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature with full legal force and effect and may be used for all purposes as if it were an original.

20.20 Owners of the Franchise. You represent and We rely upon Your representations in entering into this Agreement that the individuals in Exhibit "A-2" are the owners of and sole holders of a legal and beneficial interest in the franchise entity and Your Egoscue® Facility.

20.21 Drafting. You acknowledge that You have read this Agreement, have had the opportunity to review it with an attorney of Your respective choice and have agreed to all ~~of~~ its terms. The rule of construction that a contract be construed against the drafter will not be applied in interpreting this Agreement.

## ARTICLE XXI
## DEFINITIONS

"Authorized Representative" is: a) You if You as the franchisee are an individual; or b) if You are an entity, an individual that owns at least 25% of the ownership and voting interests in the franchisee entity (unless You obtain Our written approval of a lower percentage), has authority over all business decisions related to the Egoscue® Facility, and has the power to bind You in all dealings with Us.

"Competing Business" means a musculoskeletal health or postural alignment business, at wholesale or retail or a business offering products or services the same as or substantially similar to those offered at Your Egoscue® Facility or as part of the System during the term hereof or at the time of Termination.

"Confidential Information" means any non-public information (through no fault of Yours) relating to Our products or services, or operation of an Egoscue® business, the System, or relating to the System as a whole, Including: (i) the Egoscue Method®, exercise or "menu" items, techniques, formats, specifications, procedures, and systems; (ii) ePete® and other software, proprietary technology, and equipment; (iii) sales and Marketing programs, sales techniques, pricing, bidding methods, etc.; (iv) the development and operation of Egoscue® Facilities; (v) knowledge of, specifications for, and suppliers of, certain Egoscue® products, materials, supplies, equipment, furnishings and fixtures; (vi) operating results, margins, expenses, and financial performance of Egoscue® Facilities; (vii) ~~Our~~ strategic plans and concepts for the development, operation, or expansion of Egoscue® Facilities; (viii) the contents of ~~Our~~the Manuals; (ix) all Customer Data; (xi) login, passwords, access information, etc., to ~~Our~~ email accounts, Social Media, Manuals or other internal sites or shared documents (xii) ~~Our~~ Intellectual Property that is generally deemed confidential; (xiii) all Innovations; and (xiv) any other information obtained from Us in confidence at any time by virtue of the franchise or license relationship.

"Copyright Materials" means all writings, video and audio recordings, photographs, images, materials, Manuals, drawings, artwork, websites, logos, Marketing materials, apps, and designs used with the Marks or in association with the System.

"Customer" and "Client" whether or not capitalized have interchangeable meanings in this Agreement.

"Customer Data" means any and all means any and all non-HIPAA protected information related to ~~Your~~ customers of Your Egoscue® Facility, and customer and prospective customer data and lists, Including phone numbers, emails, mailing addresses, name and contact information for key personnel of the customer, Social Media followers' information, etc., even if maintained by You or deemed to have arisen through Your activities. For clarity, a "prospective customer" does not mean any possible customer. It means a potential customer who has been engaged in some way, or has provided some personal information, or has elected to receive some communication, but who has not yet done business to be considered an actual customer.

"Dispute" means any claim, controversy, disagreement, or dispute of any type whatsoever.

"Egoscue Method®" is a postural corrective exercise program. The Egoscue Method® consists of postural, musculoskeletal, and mechanical evaluations and exercises personalized and sequentially administered with the intended effect of reducing pain and injury, while increasing anatomical function and movement by returning the client suffering from anatomical dysfunction to an active pain free life, regardless of age. An integral component of the Egoscue Method® and a key factor in its efficacy is the ePete® system.

"Fees" refers to those fees, payments, and costs that You are required to pay to Us, as more fully set forth on Exhibit "A-3."

"Gross Sales" Includes the total of all sales of all products, equipment, merchandise, goods and services sold, traded, bartered, or rendered by You and income of every kind and nature, Including the value of a trade or other bartering, arising from Your Egoscue® Facility and tangible property of every kind sold by You during the term of this Agreement. "Gross Sales" excludes bona fide credits or returns and excludes amounts paid by You for sales or use taxes on the sale of any products or services.

"Franchise Assets" means this Agreement, or any of ~~its~~ rights or privileges associated with this Agreement, or any shares or units in the ownership of Your entity, Your Egoscue® Facility, or substantially all ~~of~~ Your assets.

"Immediate Family" ~~refers to and Includes each of Your~~means spouses, domestic partners, parents, stepparents, children, stepchildren, sons-in-law, and daughters-in law.

"Innovation" means any idea conceived or developed, or any actual improvement, change, modification, enhancement, or addition to the System, Including to Your Egoscue® Facility, Copyrighted Materials, Manuals, Confidential Information, website, Social Media, Marketing materials, apps or any other documents or information pertaining to or relating to the System, or any Intellectual Property related to the System, or any creative concepts, Marketing ideas, or inventions related to the System, and all derivatives thereof, whether implemented in the System or not.

"Including" or "Includes" means "including but not limited to," "including, without limitation," and similar all-inclusive and non-exhaustive meanings.

"Intellectual Property" means all Marks, trade dress, names, Copyrighted Materials, systems, patents, patent applications, trade secrets, websites, Social Media, apps, and software.

"Interim Management Period" refers to the period of time during which We step in to manage Your Egoscue® Facility as allowed under this Agreement.

"Internet" means any present or future interactive system for electronic communications, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system of interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor; websites or similar remotely-accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use our trademarks; internet phone services; cellular or similar messaging; mobile applications; social networks or Social Media; or wikis, podcasts, online content sharing communities, or blogging.

"Lease" means a commercial lease or other document of occupancy of the Premises.

"Manuals" means one or more guides or manuals, Including Our Clinic Manual, brand standards manual, training manuals, operations manual, and/or policies and procedures manual, technical bulletins, online drives or portals, or other written materials as may be developed, modified and supplemented by Us periodically. The Manuals may be printed or in an electronic format.

"Marketing" or "Market" Includes advertising, brand development, promotion, public relations campaigns, content creation, influencer incentives or compensation, market research, and other related processes.

"Marks" means the federally registered and common law trademarks and service marks owned by Us or licensed to Us, whether now or later developed. "Marks" also Includes any and all names, trade names, trademarks, slogans, service marks, logos and/or other commercial property or symbols licensed to You pursuant to this Agreement or used in connection with the System or later added to the System.

-"Operating Account" means that account into which all receipts of Your Egoscue® Facility must be deposited and to which We shall have view-only access.

"Operating Assets" means Your assets, inventory, supplies, furniture, equipment, signs, service vehicles, accessories, and other personal property relating to Your Egoscue® Facility.

"Participant" means an owner, operator, shareholder, director, partner, member, manager, consultant, agent, employee~~,~~ (management-level or higher), contractor, advisor, officer, lessor, lessee, licensor, or licensee.

"Premises" means the approved location of Your Egoscue® Facility.

"Principal" means shareholders, owners, partners, directors, members, managers, officers, and principal employees and contractors.

"Shall" when used in this Agreement (even if not capitalized) means must or other similar affirmative obligation, as the context requires.

"Social Media" means any and all websites, apps and web or Internet pages for social interaction, business operation, Marketing, and other online information communications, whether now or later developed.

"System" Includes the Egoscue® Facility, specific Marks, interior design, décor, color schemes, Manuals, processes, services, know-how, operating procedures and Marketing concepts, business formats, specifications for and the use of certain equipment, and the use of proprietary and Confidential Information and other Intellectual Property.

"Termination" or "Terminate" Includes expiration, non-renewal, repurchase of Your rights, non-granting of a Successor Franchise, non-renewal, Transfer, or any other means by which this Agreement is no longer in effect, and You are no longer a franchisee of the Egoscue® System.

"Transfer" Includes any direct or indirect assignment, transfer, division, trade, sale, gift, pledge, sublicense, mortgage, granting of any security interest, or sale at judicial sale or under power of sale, conveyance or retention of collateral in satisfaction of debt, or other procedure to enforce the terms of any pledge, encumbrance, or security interest.

"Update" Includes renovations, remodeling, redecorating, redesigning, refixturing, upgrading, refurbishing, modernizing, etc.

"We," "Our(s)" or "Us" only as applied to Paragraphs 2.2.3, 10.1.1, 10.1.2, and 14.8.7, Sections 3.1, 3.5, 6.6, and 16.4, and Articles XI and XV Includes Our predecessors, parents, affiliates, subsidiaries, successors, and assigns and Our officers, directors, shareholders, members, managers, employees, agents, development agents, or others with whose conduct We are chargeable, as applicable.

"You" or "Your" Includes all signers of this Agreement, all current and subsequent guarantors, all subsequent and current members, Authorized Representatives, owners, partners, shareholders, managers, directors, officers, agents, affiliates, principal employees and with those whose conduct You are chargeable.

IN WITNESS WHEREOF, the parties have respectively signed this Franchise Agreement effective as of the day and year first written above.

**FRANCHISOR:** **FRANCHISEE:**

EGOSCUE, INC.

By: _____
(Signature)

Name: _____

Title: _____

_____

By: _____
(Signature)

Name: _____

Title: _____

If the franchisee is not an entity, each person must sign personally.

By: _____
(Signature)

Name: _____, personally

By: _____
(Signature)

Name: _____, personally

**EXHIBIT "A-1"**
**TO THE FRANCHISE AGREEMENT**

**SEARCH AREA AND APPROVED PREMISES:**
**(Map(s) may be attached)**

1. Your Search Area in which to ~~locate~~select Your Premises location is as follows:

_____

_____

_____
Franchisee Initial and Date

_____
Franchisor Initial and Date

2. ~~You~~Your approved Premises is to be located at *(~~this~~ may be filled in ~~after~~later if the approved Premises is not known at the time of signing the Franchise Agreement ~~is signed~~)*:

_____

_____

_____
Franchisee Initial and Date

_____
Franchisor Initial and Date

**EXHIBIT "A-2"**
**TO THE FRANCHISE AGREEMENT**

**COMPANY REPRESENTATIONS AND WARRANTIES**

You make the following additional warranties and representations:

You are a (check one):

▫ Partnership ▫ Corporation
▫ Sole Proprietorship ▫ Limited Liability Company

Name of your entity: _____
The state in which your entity was formed: _____
Date of formation: _____
EIN: _____

The names and addresses of each shareholder, partner, or member holding an ownership interest in the corporation, partnership or limited liability company (please print or type the information and add extra lines if necessary):

| Name | Address | Percentage of Ownership* |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

*Corporation: Percentage owned of outstanding voting stock.
*Partnership: Percentage owned in voting and in capital and profits.
*Limited Liability Company: Percentage owned in membership interest.

The names of the officers of the company (please print or type the information and add extra lines if necessary):

| Name | Title |
|---|---|
| | |
| | |
| | |
| | |

The address where Your corporate records are maintained is:
_____
_____

The name and address of the Authorized Representative who has been approved by Us and who will be directly responsible for supervising Your business operations and who has authority to work with Us and make decisions relating to the operations of the Egoscue® Facility:

Name: _____
Address: _____
Email: _____
Phone: _____

You must provide Us a copy of Your articles of organization and operating agreement or articles of incorporation and bylaws within one week of the date below.

Dated _____.

**FRANCHISEE:**

_____

By: _____
(Signature)

Name: _____

Title: _____

**EXHIBIT "A-3"**
**TO THE FRANCHISE AGREEMENT**

**FEE CHART[1]**

The following Fees are more fully described in the Franchise Agreement.

| Type of Fee | Amount | Notes |
|---|---|---|
| Successor Franchise Fee | $~~5~~10,000 | See Paragraph 2.2.4 |
| Relocation Fee | Reimbursement of our costs, including any legal fees. | See Section 4.5 |
| Initial Franchise Fee | $100,000 | See Section 5.1 |
| Royalty | A minimum royalty of the greater of $2,500 per month or the average minimum royalty due during the immediately preceding 12 months of Your previous franchise agreement; plus 6% of Gross Sales on monthly sales above $12,000. However, the monthly minimum royalty will be reduced by $500 per month for each month that We find You to be in full compliance with this Agreement, the Manuals, other operational standards, and procedures as instituted by Us from time to time. | See Section 5.2 |
| Brand Development Fund | 2% of Gross Sales of $500 per month, whichever is greater | See Paragraph 5.3.1 and Section ~~5.3~~10.1 |
| Late Fees[2] | $25 per late fee per day for each late fee or report up to $500 for each late fee | See Paragraph 5.4.4 |
| ~~NSF Fees~~[2]Non-Sufficient Funds Fee[2] | $50 per bounced check or draft, or the maximum allowed by state law | See Paragraph 5.4.4 |
| Interest Fees | 18% interest or maximum rate permitted by state law, whichever is less | See Paragraph 5.4.5 |
| Sales or Use Tax | Sum equal to tax imposed | See Paragraph 5.4.6 |
| Audit Charge | Cost of audit | See Paragraph 5.5.2 |
| System Non-Compliance Fines and Charges | ~~Amounts to be specified in Our Manuals, currently ranging between $50 and $500~~$250 per violation | See Section 5.9 |
| Technology Fee | Currently, $250 per month | See Section 5.10 |
| Transfer Visit Fee | Currently, $100 per visit fulfilled by another Egoscue® facility | See Section 5.11 |
| Additional Registrations for Certification and Training Course[1] | PAS: $2,749<br>AET: $3,795<br>ETS: $1,980<br>FO: $1,650 | See Paragraphs 6.1.4(ii) and 6.1.5 |
| Additional In-Person Training or | $300 per person, per day, plus expenses | See Paragraph 6.1.4(ii) and |

| | | |
|---|---|---|
| Assistance[2] | | Section 7.6 |
| ~~Additional Registrations for Certification and Training Course[1]~~ | ~~PAS: $2,749~~<br>~~AET: $3,795~~<br>~~ETS: $1,980~~<br>~~FO: $1,650~~ | ~~See Paragraph 6.1.5~~ |
| Rescheduling Fee[2] | $150 | See Paragraph 6.1.6 |
| ~~Interim Management Fee~~ | ~~$300 per person, per day, plus expenses~~ | ~~See Paragraph 6.2.3~~ |
| Insurance Reimbursement Fee[2] | Varies, plus an administration fee of $50 per man-hour | See Paragraph 6.1.11 |
| PCI and DSS Audit Reimbursement Fee | Reasonable costs of the audit | See Paragraph 6.1.13(iv) |
| Conference or Seminar Fee[2] | $500 to $1,500 per person | See Paragraph 6.1.14 |
| Interim Management Fee | $300 per person, per day, plus expenses | See Paragraph 6.2.3 |
| Fees on Default | Our costs associated with Your default | See Section 11.2 |
| Post-Termination Fees and Damages | Varies | See Section 12.1 |
| Unfulfilled Visit Liability | 50% of the outstanding visit liability existing at the time of termination | See Paragraph 12.1.10 |
| Early Termination Liquidated Damages | Average royalty from the previous 12 months multiplied by 24 months or the remaining term of the Franchise Agreement, whichever is less~~.~~ | See Section 12.5 |
| Transfer Fee | $10,000 | See Section 14.5 |
| Minority Interest Transfer Fee | Legal and corporate fees and costs incurred | See Section 14.6 |
| Transferee Training Fee | Our then-current registration fees for certification and training courses | See Paragraph 14.8.5 |
| Indemnification | Varies | See Section 15.2 |
| Non-Compete Violations[2] | $200 per day for each competing business~~, plus our then current royalty rate for all Gross Sales from the competing business(es)~~ | See Section 16.8 |
| Dispute Resolution Fees | Varies | See Section 17.2 and Section 19.3 |

[1] In no event will the formula for determining any fees change based on the volume or value of business or sales generated, and the formula for determining the brand development fund fees and discretion for any increase or allocation of the brand development fund will not be based on the volume or value of business or sales generated.

[2] We may increase this Fee by an amount equal to the Consumer Price Index for each year during the term of the Franchise Agreement~~.~~ to adjust to increased costs and other inflation-related factors. Costs charged by third parties are subject to change at any time and do not have an annual cap.

**EXHIBIT "A-4"**
**TO THE FRANCHISE AGREEMENT**

**BRAND PROTECTION AGREEMENT FOR PRINCIPALS**

This BRAND PROTECTION AGREEMENT FOR PRINCIPALS (the "Agreement") is entered into and made effective as of the effective date listed below by EGOSCUE, INC. ("Franchisor") and the undersigned ~~("~~(individually and collectively, the "Principals").

WHEREAS, Principals or his or her or their company entered into an agreement with Franchisor so as to be able to obtain the rights to operate an Egoscue® Facility using the System developed by Franchisor, Including certain Confidential Information of Franchisor ("Franchise Agreement"); and

~~WHEREAS, Principals will have access to certain parts of the Confidential Information; and~~

WHEREAS, Principals recognize the value of the System and the intangible property rights licensed under the Franchise Agreement, and the importance of maintaining the Confidential Information, and recognize that the Franchisor's entering into the Franchise Agreement is conditioned upon each Principal entering into this Agreement; and

WHEREAS, all capitalized terms used, but not defined, herein will have the respective meanings assigned to them pursuant to the Franchise Agreement.

NOW THEREFORE, in consideration of Franchisor entering into the Franchise Agreement with Principals or his or her or their company, the recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Acknowledgment. Principals individually acknowledge that he or she has obtained or may obtain access to Confidential Information and made available to Principals that is necessary and essential to the operation of the Egoscue® Facility, without which information the Egoscue® Facility could not efficiently, effectively, and profitably operate. Principals further acknowledge that such Confidential Information was not known to him or her prior to the association with Franchisor.

2. Non-Disclosure and Non-Use. Except as may be required or allowed under the Franchise Agreement, Principals and any of a Principal's Immediate Family, shall not during the term of the Franchise Agreement and any ~~Successor Franchise or Successor Franchise Agreement or any~~ time thereafter, in perpetuity, directly or indirectly, use, or disclose to any third-party, or authorize any third-party to use, any information relating to the Egoscue® Facility or interest of Franchisor, Confidential Information, the System, or other information or materials that he or she knows, or reasonably should know, is regarded as confidential to Franchisor. Principals shall also adopt and implement all reasonable procedures prescribed by Franchisor, from time to time, to prevent unauthorized use and/or disclosure of the Confidential Information, ~~including~~Including restrictions on disclosure to employees and other third parties. ~~The parties intend that the information disclosed by Franchisor prior to the actual execution of this Agreement constitutes Confidential Information and is subject to all the terms and conditions of this Agreement (Including the covenants protecting against disclosures) as if such information had been disclosed following the execution of this Agreement.~~

2.1 Duty to Notify. Principals agree to notify Franchisor of any reasonably suspected attempts to violate the terms or purposes of this Agreement and further agree to require all personnel to report to it any reasonably suspected attempts to violate this Agreement. In the event it is discovered that Principals knew or had reason to know of any suspected attempts to violate this Agreement, Principals agree to indemnify Franchisor for all costs and fees associated with enforcement, and to reimburse Franchisor for those losses sustained due to such violation.

2.2 No Reverse Engineering. Principals shall not, either personally, in concert with others, or through other authorization, reverse engineer, decompile or deconstruct or attempt to reverse engineer, decompile or deconstruct any portion of the Confidential Information, and shall not allow, encourage or permit any partner, owner, director, member, manager, agent, employee or other person to do so.

2.3 Limited Use. Principals shall limit their use of the Confidential Information, Including, their recollection of any part of the Confidential Information, to the performance of their duties as described in the Franchise Agreement, the Manuals, and any policies and procedures implemented by Franchisor and shall not use the Confidential Information for any personal use or gain.

3. Non-Competition; Non-Solicitation. The following covenants will be enforced during and after the term of the Franchise Agreement:

3.1 In-Term Covenant. During the term of the Franchise Agreement and for any extensions or Successor Franchises thereof, except as permitted under the Franchise Agreement, Principals and each Principal's Immediate Family, shall not be a Participant, assist, or serve in any other capacity whatsoever, or have any interest in a Competing Business in any capacity or location except with Franchisor's prior written consent.

3.2 Post-Term Covenant. Upon Termination for any reason of the Franchise Agreement, and any extensions or Successor Franchisor Agreements thereof, or upon any Transfer or repurchase of a Principal's rights under the Franchise Agreement or the franchise entity, or a Principal's dissociation from the Egoscue® Facility, and for a continuous, uninterrupted period of two years thereafter, Principals, and Principal's Immediate Family, shall not, directly or indirectly, be a Participant, assist, or serve in any other capacity whatsoever, or have any interest in a Competing Business in any capacity, within 25 miles of your Egoscue® Facility or within 20 miles of any other Egoscue® Facility at the time of such Termination ~~of the Franchise Agreement~~or Transfer. The ownership of not more than 2% of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision.

3.3 Non-Solicitation of Customers. During the term of the Franchise Agreement and for three years after the Termination of the Franchise Agreement, Principal and each of Principal's Immediate Family shall not, directly or indirectly, contact any former or then-current customer of the Egoscue® Facility, or any former, then-current customer of Franchisor or an affiliate of the Franchisor (with whom the Principal had contact during the term of the Franchise Agreement), or prospective customer for the purpose of soliciting such customer to a Competing Business. All non-HIPPA portions of Customer Data belongs to Franchisor. For clarity, a "prospective customer" does not mean any possible customer. It means a potential customer who has been engaged in some way, or has provided some personal information, or has elected to receive some communication, but who has not yet done business to be considered an actual customer.

~~4. Survival of Covenants; Tolling of Covenants. The foregoing covenants survive the~~

~~Termination of this Agreement and apply regardless of whether this Agreement was Terminated by lapse of time, by default of either party, or for any other reason.~~4. Violation of Non-Competition, Non-Solicitation Provisions; Tolling of Covenants. In addition to other remedies available to Franchisor, in the event a Principal violates a non-competition and/or non-solicitation covenant, the applicable non-competition or non-solicitation period will be tolled for the period of that Principal's violation. Principal shall also pay Franchisor liquidated damages of $200 per day for each Competing Business for violation of Sec. 3.1 or 3.2. These liquidated damages do not represent a price for the privilege of not performing nor does the payment represent an alternative manner of performance. This Section does not preclude and is not inconsistent with a court granting Franchisor specific performance or any other equitable remedies, such as an injunction, to prevent future breaches.

5. Return of Materials. Upon the Termination of the Franchise Agreement, or a Principal's disassociation from the Egoscue® Facility, each Principal agrees to deliver to Franchisor (and shall not keep a copy in his or her possession or deliver to anyone else) the Egoscue® Manuals and any and all Confidential Information.

~~6~~6. Non-Disparagement. Principals shall not make any negative, disparaging, false or misleading statements, published or made orally, in any medium about Franchisor, the brand, or Franchisor's officers, owners, partners, directors, members, managers, representatives, agents or employees, the System, products and services, or other franchisees.

7. Irreparable Harm. Principals hereby acknowledge and agree that any breach by him or her of any portion of Sections 1 through ~~5~~6 above, inclusive, will cause damage to Franchisor in an amount difficult to ascertain. Accordingly, in addition to any other relief to which Franchisor may be entitled, Franchisor will be entitled to temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by any Principal of any of the terms of Section 1 through ~~5~~6 above, inclusive, without proof of actual damages that have been or may be caused to Franchisor by such breach and without the requirement of posting bond. Additionally, Principals agree that the existence of any claims a Principal may have against Franchisor, whether or not arising from this Agreement or the Franchise Agreement, will not constitute a defense to Franchisor's ability to enforce the covenants set forth in this Agreement.

~~7~~8. Reasonableness and Enforceability. Principals agree that the terms of this Agreement are fair and reasonable in light of the circumstances and were in part, based on the perceived or potential value of the System and the business relationship that Principals and/or his or her or their company have and will have with Franchisor. If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held invalid or inoperative. Whenever the context so requires, the masculine will Include the feminine and neuter and the singular will Include the plural and conversely. Principals understand that a separate action may be brought or prosecuted against a Principal whether or not the action is brought or prosecuted against any other Principal or against the franchisee, or any or all of them, or whether any other Principal or the franchisee is or are joined in the action.

~~8~~9. Governing Law and Jurisdiction. The validity, enforcement, construction, rights and liabilities of the parties and provisions of this Agreement will be governed by and interpreted in accordance with the laws of the state of Utah without giving effect to its conflicts of law provisions. If for any reason court action is filed, Principals individually consent to the jurisdiction of the courts of record in the state of Utah, and unless the enforcement of this

Agreement is brought in connection with a Dispute under the Franchise Agreement (in which case this matter may be handled through arbitration as set forth in the Franchise Agreement), each Principal agrees that proper jurisdiction and venue for all Dispute resolution will be exclusively in the state and federal courts of Salt Lake City, Utah.

~~9~~10. Attorney's Fees and Costs. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding.

~~10~~11. Binding Agreement. This Agreement will bind ~~the~~each parties' respective heirs, personal representatives, successors, and assigns ~~of a Principal and his or her heirs, personal representative, successors and assigns.~~. No rights under this Agreement are assignable by any Principal without Franchisor's written approval, and any purported assignment will be null and void and of no force or effect.

~~11~~12. Survival of Covenants. All covenants made in this Agreement by Principals survive the Termination of this Agreement or the Franchise Agreement or Principal's disassociation with the Egoscue® Facility or the System in any way.

~~12~~13. Modification of Agreement. This Agreement may be amended in whole or in part only by an agreement in writing signed by the parties.

~~13~~14. Counterpart and Electronic Signatures. This Agreement may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original.

15. Prior Disclosures. The parties intend that the information disclosed by Franchisor prior to the actual execution of this Agreement constitutes Confidential Information and is subject to all the terms and conditions of this Agreement as if such information had been disclosed following the execution of this Agreement.

[Signatures on the Following Page]

**PRINCIPALS INDIVIDUALLY ACKNOWLEDGE THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS.**

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date below.

DATED _____.

**FRANCHISOR:**

EGOSCUE, INC.

By: _____
~~(Signature)~~
Name: _____

Title: _____

**PRINCIPALS:**

By: _____
~~(Signature)~~
Name: _____

~~Title: _____~~

~~By: _____~~
~~(Signature)~~
~~By: _____~~
Name: _____

~~Title: _____~~

By: _____
~~(Signature)~~
Name: _____

~~Title: _____~~

By: _____
~~(Signature)~~
Name: _____

~~Title: _____~~

~~[Continuation of~~ [Brand Protection Agreement for Principals Signature Page]

**EXHIBIT "A-5"**
**TO THE FRANCHISE AGREEMENT**

**EMPLOYEE BRAND PROTECTION AGREEMENT**

This EMPLOYEE BRAND PROTECTION AGREEMENT ("Agreement") is entered into as of _____, between _____ ("Franchisee") and _____ ("Employee"), residing at _____.

A. Franchisee is the holder of an Egoscue® franchise developed by Egoscue, Inc. ("Franchisor").

B. Franchisor has developed certain confidential and proprietary information for the operation of an Egoscue® franchise, including without limitation, processes, methods, exercises and menus, trade secrets, systems, software, pricing, financial information, customer data and lists, manuals, marketing techniques, and procedures ("Proprietary Information").

NOW, THEREFORE, in consideration of the employment of Employee by Franchisee, the parties hereto agree as follows:

1. Acknowledgement. Employee acknowledges that during the course of his or her employment by Franchisee he or she has obtained or may obtain knowledge of the Proprietary Information and other confidential matters and procedures developed, licensed to or owned by Franchisor and made available to Franchisee, which are necessary and essential to the operation of the business of Franchisee, which without such information, Franchisee could not efficiently, effectively and profitably operate its Egoscue® franchise. Employee further acknowledges that such Proprietary Information was not known to him or her prior to the association with Franchisee or its Egoscue® franchise.

2. Non-Use, Non-Disclosure. Except as may be required in the performance of duties for Franchisee, Employee shall not, during the course of his or her employment or at any time thereafter, directly or indirectly, use, or disclose to any third-party, or authorize any third-party to use any portion of the Proprietary Information, and agrees not to copy, transmit, recreate or otherwise reproduce all of any part of the Proprietary Information at any time.

3. Limited Use. Employee shall not use the Proprietary Information at any time, place, or circumstance, except as directed by Franchisee or its authorized representatives. In no event shall Employee use the Proprietary Information, whether in part or in whole, outside of Employee's specific employment duties.

4. Duty to Notify. Employee agrees to notify Franchisor or Franchisee or Employee's immediate superiors of any reasonably suspected attempts to violate the terms or purposes of this Agreement or to otherwise disclose, copy, or reproduce any part of the Proprietary Information. In the event it is discovered that Employee knew or had reason to know of any suspected attempts to violate this Agreement and fails to report such knowledge, Employee agrees to indemnify Franchisor and Franchisee for all costs and fees associated with enforcement, and to reimburse Franchisor and Franchisee for those losses sustained due to such violation. Employee agrees to cooperate with Franchisor and Franchisee in its or their attempts to enforce the terms of this Agreement and to otherwise protect the Proprietary Information, and to cooperate with Franchisee and Franchisor to the extent Franchisee is obligated to cooperate with Franchisor's attempts to enforce its rights in and to the Proprietary

Information.

5. Return of Materials. Immediately upon the termination of employment, Employee agrees to deliver to Franchisee (and shall not keep in his or her possession or deliver to anyone else whether in hard or electronic soft copy) any and all records, data, photographs, notes, manuals, lists, correspondence, specifications, materials, other documents or property, or reproductions relating to, directly or indirectly, to the Proprietary Information.

6. Management and Supervisor Employees. This Section ~~6~~5 shall only apply if Employee is a management employee and/or acts in a supervisory role over other employees.

6.1 Non-Competition. Employee shall not, during the course of his or her employment by Franchisee, and for 12 months thereafter, directly or indirectly in any capacity, without Franchisee's prior written consent, engage in a business, or plan for or organize a business, or have any financial interest in, or become and owner, officer, director, shareholder, partner, associate, employee~~,~~ (management-level or higher), contractor, agent, representative or consultant in any offering or selling products or services the same or substantially similar to an Egoscue® business. Without limiting the generality of the foregoing, the minimum area of competitive nature will be that area within a 20-mile radius of Franchisee's place of business. The ownership of not more than 2% of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision.

6.2 Non-Solicitation of Customers. Employee shall not, during the course of his or her employment and for two years thereafter, directly or indirectly, contact any customer or former customer of Franchisee for the purpose of soliciting such customer to be a customer of a business that is the same as or similar to an Egoscue® business.

~~7. Irreparable Harm.~~7. Non-Disparagement. Employee shall not make any negative, disparaging, false or misleading statements, published or made orally, in any public forum or public medium about Franchisee and/or Franchisor (including their respective owners, officers, and employees), or the Egoscue® brand.

8. Irreparable Harm. In addition to other remedies available to Franchisee and/or Franchisor, in the event Employee violates a non-competition and/or non-solicitation covenant, the applicable non-competition or non-solicitation period will be tolled for the period of Employee's violation. Additionally, Employee hereby acknowledges and agrees that any breach by him or her of any portion of Sections 1 through 6 above, inclusive, will cause damage to Franchisee and Franchisor in an amount difficult to ascertain. Accordingly, in addition to any other relief to which Franchisee and/or Franchisor may be entitled, either Franchisee and/or Franchisor will be entitled to enforce this Agreement and to seek temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by Employee of any of the terms of Section 1 through 6 above, inclusive, without proof of actual damages that have been or may be caused to Franchisee or Franchisor by such breach, and without the requirement of posting bond. The existence of a claim against Franchisee or Franchisor will not constitute a defense to enforce the covenants of this Agreement.

~~8~~9. Modification. Employee hereby agrees that, without limitation, any modifications, alterations, changes, or improvements conceived, designed, devised, developed, perfected or made by Employee, whether alone or in conjunction with others, and related in any manner to the actual or anticipated operation of the Franchisee, or the Egoscue® system, or to any area of research and development related to the operation of the business, must be promptly disclosed to the Franchisee and will become the property of

Franchisor, and Employee hereby irrevocably assigns, transfers, and conveys any such to Franchisor.

~~9~~10. Enforceability. If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held invalid or inoperative.

~~10~~11. Survival of Covenants. All covenants made in this Agreement by Employee survive the termination of Employee's employment with Franchisee or the expiration, transfer, or termination of this Agreement.

~~11~~12. Modification of Agreement. This Agreement may be amended in whole or in part only by an agreement in writing signed by both parties.

~~12~~13. Attorneys' Fees. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding.

~~13~~14. Counterpart and Electronic Signatures. This Agreement may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original.

~~14~~15. Third-party Beneficiary. It is agreed and acknowledged that Franchisor is a third-party beneficiary to this Agreement.

16. Prior Disclosures. Employee acknowledges and agrees that prior to the execution of this Agreement, Employee may have received information Franchisee, Franchisor and/or their representatives, and that any such Proprietary Information obtained or received is subject to the protection and restrictions of this Agreement.

**EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS.**

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first herein above written.

| | |
|---|---|
| FRANCHISEE: | EMPLOYEE (if a minor, see next page): |
| _____ | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |
| | Age: _____ |

~~[See the next page if the employee is under 18]~~

**For persons under 18 years of age, a parent or legal guardian must sign and complete the section below.**

I, _____ (Parent/Guardian), the undersigned and the parent and natural guardian of _____ (minor's name), hereby acknowledge that I have executed the foregoing Employee Brand Protection Agreement for and on behalf of the minor named herein. I represent that I have legal capacity and authority to act for and on behalf of the minor named herein. As the natural or legal guardian of such minor, I hereby bind myself, the minor, and our successors and assigns to the obligations and liabilities of the foregoing Employee Brand Protection Agreement.

DATED:_____ _____.___.

Signature of Parent/Guardian: _____

Name of Parent/Guardian:
_____

Address: _____

_____
_____

_____

Phone: _____

[Continuation of Employee Brand Protection Agreement Signature Page]

**EXHIBIT "A-6"**
**TO THE**
**FRANCHISE AGREEMENT**

**LANDLORD'S CONSENT TO ASSIGNMENT**

_____ ("Landlord") hereby consents to an assignment of the lease agreement ("Lease Agreement") to Egoscue, Inc. ("Franchisor") for the purpose of securing the obligations of _____ ("Lessee" and Franchisor's franchisee) to Franchisor. In the event of Lessee's breach of the Lease Agreement, Landlord agrees to provide Franchisor with written notice of any breach of the Lease Agreement that Landlord is required to provide to Lessee. Further, Landlord agrees it will not take any action to terminate said Lease Agreement without first giving Franchisor an opportunity, but not the obligation, to cure said breach for an additional 10 days beyond the applicable cure period granted to the Lessee under the Lease Agreement.

Landlord agrees to provide Franchisor with all information relating to amounts owing, settlement agreements, and all matters related to the Lease Agreement within five days of written request from Franchisor.

Landlord agrees that if the Lease Agreement or franchise agreement is terminated, Franchisor will have the right, but not the obligation, within 45 days after termination of the Lease Agreement or franchise agreement, to take possession of the premises, and to assume or reassign the Lease Agreement, or sublet the premises to another franchisee for the remaining term of the Lease Agreement; provided that Landlord will have the right to reasonably approve such reassignment or subletting.

Landlord further covenants that so long as Franchisor has not entered into possession of the leased premises, Franchisor will not be liable for rent or any other obligation under the Lease Agreement, but that Landlord will look to Lessee for all obligations under the Lease Agreement.

Notices to Franchisor will be sent to: 6300 N Sagewood Drive, Suite H 592, Park City, Utah 84098.

Landlord Contact Information:

Contact Person: _____
Mailing Address: _____
_____
Email: _____
Phone: _____

LANDLORD:

By: _____
Title: _____
Name: _____

Date: _____

**SCHEDULE "A-6.1"**
**To the Landlord's Consent to Assignment**
**Lease Rider**

Notwithstanding anything in the lease to the contrary, the Landlord and Tenant agree as follows (capitalized terms not defined herein having the meanings set forth in the Franchise Agreement between Tenant and EGOSCUE, INC. ("Franchisor"), Tenant's franchisor):

1. The initial term of the lease plus renewal options will be for a period of not less than five years from the time Tenant opens for business.

2. Landlord consents to Tenant's use and display of the Egoscue® Marks and signage as Franchisor may require from time to time for the ~~Franchised~~Franchise Business, subject only to the provisions of applicable law. Landlord shall also provide Tenant and Tenant's customers with a non-exclusive, mutual cross access easement for purposes of vehicular and pedestrian ingress and egress to access Tenant's Egoscue® Facility.

3. Tenant will have the right to alter, renovate, add, remodel, modify, and/or change the Premises and/or other improvements upon the Premises as Tenant may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the Premises and/or improvements upon the Premises affect the exterior, structural elements or foundation of the Premises, Tenant must first obtain the consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed.

4. The Premises will be used solely for the operation of an Egoscue® facility, which operates using the Egoscue® Marks and System while the Franchise Agreement is in effect and Tenant is in lawful possession of the Premises.

5. Landlord acknowledges that, in the event the Franchise Agreement expires or is terminated: (a) Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as an Egoscue® business; and (b) Landlord shall cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement, including allowing Franchisor, its employees and agents to enter and remove signs, décor, and materials bearing or displaying any Marks, designs, or logos, provided that Landlord will not be required to bear any expense thereof.

6. If Franchisor so requests, Landlord shall provide Franchisor with all sales and other information that Landlord may have related to the operation of the Egoscue® Facility.

7. Tenant is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Egoscue® Facilities by Tenant, Franchisor, or any other person or entity.

8. Landlord agrees that Tenant may not assign the lease or sublease all or any part of Tenant's occupancy rights thereunder without Franchisor's prior written consent.

9. Landlord's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting to Franchisor, or any parent, subsidiary or affiliate of Franchisor or Tenant, or another operator that Franchisor has approved to be the franchisee and operate at the Premises.

10. Landlord shall not sell or lease or allow the sublease of, space in the building, or on the

property, to any person or entity for a musculoskeletal health or postural alignment business or similar business. Additionally, Landlord shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to the offer and sale of products and services similar to those offered by an Egoscue® Facility. In the event Landlord does not comply with these restrictions, Tenant will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant, as the case may be.

11. Landlord shall, upon reasonable request from Tenant's lender, subordinate any interests it may have in Tenant's equipment or other leasehold improvements to Tenant's lender's interests.

12. No amendment may be made to the lease without Franchisor's prior written consent (which Franchisor will not unreasonably withhold or delay), and Franchisor may elect not to be bound by the terms of any amendment to the lease executed without obtaining Franchisor's prior written approval to such amendment.

IN WITNESS WHEREOF, the parties have executed this Lease Rider effective as of the date of the lease agreement.

| **LANDLORD:** | **TENANT:** |
|---|---|
| _____ | _____ |
| By: _____ | By: _____ |
| (Signature) | (Signature) |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**EXHIBIT "A-7"**
**TO THE FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)**

Business Name: _____

I hereby authorize Egoscue, Inc. hereinafter called ("Company"), to initiate debit entries to my checking account or savings account as indicated below at the depository financial institution named below, hereinafter called ("Depository"), and to debit the same to such account. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of United States law.

Depository Name: _____ Branch: _____

City: _____ State: _____ Zip Code: _____

Phone:_____

Routing Number: _____ Account Number: _____

Type of Account: Checking/Savings: _____

This authorization is to remain in full force and effect until the Company has received written notification from me of its termination in such time and in such manner as to afford the Company and Depository a reasonable opportunity to act on it.

Name: _____
(please print)

Title: _____

Signature: _____ Date: _____

**NOTE: ALL WRITTEN DEBIT AUTHORIZATIONS MUST PROVIDE THAT THE RECEIVER MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE ORIGINATOR IN THE MANNER SPECIFIED IN THE AUTHORIZATION.**

**EXHIBIT "A-8"**
**TO THE FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

This GUARANTY AND ASSUMPTION OF OBLIGATIONS ("Guaranty") is entered into and made effective as of _____ by and between EGOSCUE, INC. ("We," "Us" or "Our") and the undersigned Guarantor(s) ("Guarantor(s)") who are the owners of _____ (the "Business Entity") and their spouses or legal domestic partner (collectively and individually referred to as "spouse").

**1. Scope of Guaranty**. In consideration of and as an inducement to Our signing and delivering the Franchise Agreement dated _____ (the "Franchise Agreement"), each Guarantor(s) signing this Guaranty personally and unconditionally: (a) guarantees to Us and Our successors and assigns that the Business Entity will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Franchise Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, any provision in the Franchise Agreement, Including confidentiality and the non-competition provisions. Each Guarantor acknowledges and agrees that no subsequent amendment, modification, and/or extension of the Franchise Agreement by and between ~~Franchisor~~Us and the ~~franchisee thereunder will~~Business Entity affect the enforcement or validity of this Guaranty.

**2. Waivers**. Each Guarantor waives: (a) acceptance and notice of acceptance by Us of Guarantor(s) obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by Guarantor(s); (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by Guarantor(s); (d) any right Guarantor(s) may have to require that an action be brought against the Business Entity or any other person as a condition of Guarantor(s) liability; (e) all rights to payments and claims for reimbursement or subrogation which Guarantor(s) may have against the Business Entity arising as a result of Guarantor(s)' execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which Guarantor(s) may be entitled in Guarantor(s)' capacity as guarantors.

**3. Consents and Agreements**. Each Guarantor consents and agrees that: (a) Guarantor(s)' direct and immediate liability under this Guaranty are joint and several; (b) Guarantor(s) must render any payment or performance required under the Franchise Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) Guarantor(s)' liability will not be contingent or conditioned upon Our pursuit of any remedies against the Business Entity or any other person; (d) Guarantor(s)' 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 Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance of the compromise or release of any claims (including the release of other guarantors) and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Franchise Agreement and, where required by the Franchise Agreement, after its termination or expiration.

**4. Enforcement Costs**. If We must enforce this Guaranty in any judicial or arbitration proceeding or any appeals, Guarantor(s) must reimburse Us for Our enforcement costs. Enforcement costs include reasonable fees from accountants, attorneys, attorney's assistants, arbitrators, and expert witness fees, costs of investigation and proof of facts, court costs,

arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred before, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

**5. Disputes**. Guarantor(s) and its spouse acknowledge and represent that Guarantor(s) and its spouse have had an opportunity to review the Franchise Agreement and agree that the provisions of Article XVII (disputes and arbitration) of the Franchise Agreement have been reviewed by Guarantor(s) and its spouse and by reference are incorporated herein and will govern this Guaranty and any disputes between Guarantor(s) and/or its spouse and Us. Each Guarantor(s) and its spouse irrevocably submits to the exclusive jurisdiction and venue of said arbitration and listed courts. Nevertheless, Guarantor(s) agree that We may also enforce this Guaranty and awards in the courts of the state or states in which a Guarantor(s) or a spouse is domiciled. Each Guarantor will be held personally, jointly, and severally liable. Any settlement made between Us and the Business Entity, or between Us and another Guarantor, or any other determination made pursuant to this Agreement will be binding upon the Guarantor(s).

**6. Spouse's Signature**. By signing below, the undersigned spouse acknowledges and consents to Guarantor(s) execution and performance under this Guaranty and the undersigned spouse also consents to his or her personal and marital assets securing the Business Entity's performance under the Franchise Agreement and Guarantor(s)' performance under this Guaranty.

**7. Counterparts**. This Guaranty may be signed in counterparts including by electronic signatures and other electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original.

IN WITNESS WHEREOF, the Guarantor(s) and its spouse have respectively signed this Guaranty effective as of the day and year first written above.

| **Guarantor(s)'s Signature** | **Spouse Signature** | **Contact Information for Notice** |
|---|---|---|
| By: _____ | By: _____ | _____ |
| Name: _____ | Name: _____ | _____ |
| By: _____ | By: _____ | _____ |
| Name: _____ | Name: _____ | _____ |
| By: _____ | By: _____ | _____ |
| Name: _____ | Name: _____ | _____ |
| By: _____ | By: _____ | _____ |
| Name: _____ | Name: _____ | _____ |

**EXHIBIT "A-9"**
**TO THE FRANCHISE AGREEMENT**

**DIGITAL AND SOCIAL MEDIA AUTHORIZATION FOR ASSIGNMENT**

This DIGITAL AND SOCIAL MEDIA ASSIGNMENT AUTHORIZATION ("Assignment") is made and entered into as of the Effective Date (defined below), by and between the undersigned Franchisee and Egoscue, Inc. ("Franchisor").

RECITALS

WHEREAS, Franchisee has entered into a franchise agreement with ("Franchise Agreement"); and

WHEREAS, as part of the Franchise Agreement, Franchisee is granted limited rights to use the Egoscue® ~~trademark~~trademarks, trade names, trade dress, and other associated intellectual property (collectively, the "Marks") in conjunction with Franchisee's Egoscue® Facility; and

WHEREAS, all capitalized terms used, but not defined, herein will have the respective meanings assigned to them pursuant to the Franchise Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, recitals, obligations, terms and conditions herein contained, and the acts to be performed by the respective parties hereto, the parties hereto agree as follows:

1. Franchisee hereby assigns and transfers all rights and interest, Including all associated goodwill, in the Social Media and other digital media accounts used in the Egoscue® Facility or used or created in any way by Franchisee or third parties to promote or use the Marks, Including, Franchisee's Facebook, Instagram, Tik-Tok, Pinterest, Google listings, Twitter, LinkedIn, Tumblr, email accounts, and the like (collectively the "Social Media Accounts"). Franchisee shall take all action necessary to grant exclusive access of the Social Media Accounts to Franchisor, Including providing all passwords and administrative access to such Social Media Accounts.

2. Franchisee hereby assigns and transfers, (or in Franchisor's sole discretion disconnects) all telephone listings, telephone numbers, Including the telephone number(s) listed on Marketing and Social Media Accounts, URL's, Internet sites, and web pages used in the Egoscue® Facility or used or created in any way by Franchisee or third parties to promote or use the Marks to Franchisor (individually a "Listing" and collectively ~~"Telephone~~ the "Listings").

3. Franchisee represents, warrants, and covenants the following with regard to the Social Media Accounts and ~~Telephone~~ Listings:

   a. Franchisee has the right to assign the Social Media Accounts and ~~Telephone~~ Listings, and they are free and clear of all liens and encumbrances.

   b. Franchisee shall not, after Termination of the Franchise Agreements attempt to access, control, interfere with, or obstruct the Social Media Accounts and ~~Telephone~~/or Listings.

   c. Franchisee shall not prevent or hinder Franchisor from enforcing its rights in or to the assigned Social Media Accounts and/or ~~Telephone~~ Listings.

d. Franchisee has not taken, or permitted, and shall not take or permit any action that would prevent Franchisor from enjoying the full benefits of assignment of the Social Media Accounts and/or ~~Telephone~~ Listings to Franchisor hereunder whether during the term or after the Termination of the Franchise Agreement.

4. Franchisee hereby directs and authorizes each company associated with, or in control of, the Social Media Accounts and/or ~~Telephone~~ Listings to assign, transfer, set over and otherwise authorize Franchisor to take over and control the Social Media Accounts and ~~Telephone~~ Listings. If necessary, Franchisee shall execute all documents required by Franchisor to give effect to the assignment of the Social Media Accounts and ~~Telephone~~ Listings to Franchisor hereunder.

5. This Assignment applies to all Social Media Accounts and ~~Telephone~~ Listings regardless of whether Franchisee is allowed to manage under the Franchise Agreement or was allowed to create, use, manage, or even own Social Media Accounts and/or ~~Telephone~~ Listings in the past. To the extent Franchisor does not currently have administrative access to a Social Media Account or ~~Telephone~~ Listing of Franchisee, Franchisee shall immediately grant Franchisor such access.

6. Franchisor hereby appoints Franchisor as its attorney-in-fact for the above transfers, which appointment is coupled with an interest.

7. This Assignment is binding upon the heirs, administrators, personal representatives, assigns and successors in interest to the parties hereto.

8. This Assignment is governed, construed and interpreted in accordance with the laws of the state of Utah without giving effect to its conflicts of law provisions.

9. This Assignment may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| Egoscue, Inc. | _____ |
| By: _____ (Signature) | By: _____ (Signature) |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**EXHIBIT "A-10"**
**TO THE FRANCHISE AGREEMENT**

**STATE SPECIFIC ADDENDA**

**ADDENDUM TO THE FRANCHISE AGREEMENT**
**FOR THE STATE OF CALIFORNIA**

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

1. The California Franchise Relations Act, Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with California law, California law controls.

2. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)

3. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be ~~fully~~ enforceable under California law.

4. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. The franchise agreement requires binding arbitration. The arbitration will occur at Salt Lake City, Utah with the costs being borne by you for travel to, and lodging in, Salt Lake City, Utah, and other costs associated with arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (this or these as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 128a, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

6. The franchise agreement requires application of the laws of Utah, but the California franchise laws may prevail in some instances. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California laws.

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

8. The franchise agreement provides for waiver of a jury trial. This may not be enforceable in California.

9. **Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy.** Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.

(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

10. Franchisees owning 10% or greater must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

11. Late Fees in Exhibit "A-3" is amended to include the following: "The highest interest rate allowed in California is 10% annually."

12. Paragraph 4.1 is amended to remove the following language, "Although We must approve of Your site, We do not warrant or guarantee the success of the site."

13. Paragraph 20.10 is amended to remove the following language, "You represent and acknowledge that no agreements, representations, negotiations, promises, commitments, inducements, assurances, terms, conditions, or covenants of any nature exist between You and Us except as specifically set forth in this Agreement, whether pertaining to this Agreement or to any future, further or additional rights of either You or Us."

14. Paragraphs 20.14 and 20.18 are not enforceable in the state of California.

15. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

~~10.~~

## ADDENDUM TO THE FRANCHISE AGREEMENT FOR THE COMMONWEALTH OF VIRGINIA

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 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 ADDENDUM TO THE FRANCHISE AGREEMENT, STATEMENT OF PROSPECTIVE FRANCHISEE, AND RELATED AGREEMENTS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting the transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
Article XIII of the franchise agreement will be interpreted in accordance with RCW 19.100.180.

Section 14.12 of the franchise agreement empowers the franchisor to purchase the franchise before the termination of the franchise agreement. This is inconsistent with RCW 19.100.180(2)(j) and does not apply to Washington franchisees.

The time limitations to initiate a claim as set forth in Section 17.2.3(iii) of the franchise agreement are hereby amended and extended to the time limits allowed under RCW 19.100.

Section 17.2.3(viii) of the franchise agreement is here by amended as follows:

> Federal Arbitration Act. You and We mutually agree that all issues relating to arbitrability are governed exclusively by the Federal Arbitration Act and the federal common law of arbitration to the exclusion of any state statutes or common law and will be decided by the arbitrator. All provisions of this Agreement pertaining to venue, choice-of-laws, dispute avoidance and resolution will be strictly enforced (subject to state law).

Section 2 of the Form General Release Agreement (Exhibit "G" to the franchise disclosure document) is hereby omitted and not applicable in the state of Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____, 20___.

FRANCHISOR:
**EGOSCUE, INC.**

By: _____
_____(Signature)

Name: _____
_____
Title: _____

FRANCHISEE:
_____

By: _____
_____(Signature)

Name: _____
Title: _____

INDIVIDUALS:

Signature: _____
Print Name: _____

Signature: _____
Print Name: _____

~~Late Fees in Exhibit "A-3" is amended to include the following: "The highest interest rate allowed in California is 10% annually."~~

**EXHIBIT "B"**
~~**TO THE FDD**~~

~~**STATEMENT OF PROSPECTIVE FRANCHISEE**~~

~~**EXHIBIT "C"**~~
**TO THE FDD**

**FINANCIAL STATEMENTS**
**(Attached)**

Audited Financial Statements for the Year Ending September 30, 2023
Audited Financial Statements for the Year Ending September 30, 2022
Audited Financial Statements for the Year Ending September 30, 2021
~~Audited Financial Statements for the Year Ending September 30, 2020~~

# EGOSCUE, INC.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

AS OF SEPTEMBER 30, 2023

# EGOSCUE, INC.

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KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

***Independent Auditor's Report***

To the Stockholders
Egoscue, Inc.
Del Mar, California

***Opinion***

We have audited the accompanying financial statements of Egoscue, Inc., which comprise the balance sheet as of September 30, 2023, and the related statement of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Egoscue, Inc. as of September 30, 2023, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

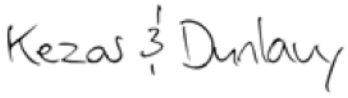
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.
- 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 of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Restrictions on Use***

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.



St. George, Utah
January 18, 2024

# EGOSCUE, INC.
## BALANCE SHEET
## As of September 30, 2023

| | 2023 |
|---|---|
| **Assets** | |
| Current assets | |
| Cash and cash equivalents | $ 1,928,391 |
| Accounts receivable, net | 119,751 |
| Prepaid expenses and other current assets | 27,600 |
| Settlement receivable | 90,000 |
| Interest receivable | 8,062 |
| Total current assets | 2,173,804 |
| Non-current assets | |
| Property and equipment, net of accumulated depreciation | 20,196 |
| Operating lease assets | 402,461 |
| Total non-current assets | 422,657 |
| Other assets | |
| Note receivable, related party | 49,801 |
| Due from related party | 4,560 |
| Deferred income taxes | 129,800 |
| Cash surrender value of life insurance | 107,700 |
| Deposits | 33,845 |
| Intangible assets, net | 26,883 |
| Total other assets | 352,589 |
| Total assets | $ 2,949,050 |
| **Liabilities and Stockholders' Equity** | |
| Current liabilities | |
| Accounts payable | $ 171,589 |
| Accrued expenses | 33,597 |
| Deferred customer deposits | 477,386 |
| Deferred franchise revenue | 50,000 |
| Operating lease liabilities, current | 145,562 |
| Total current liabilities | 878,134 |
| Operating lease liabilities, non-current | 346,099 |
| Stockholders' equity | |
| Common stock | 1,135 |
| Retained earnings | 1,723,682 |
| Total stockholders' equity | 1,724,817 |
| Total liabilities and stockholders' equity | $ 2,949,050 |

The accompanying notes are an integral part of these financial statements

# EGOSCUE, INC.
## STATEMENT OF OPERATIONS
## For the Year Ended September 30, 2023

| | 2023 |
|---|---|
| Operating revenues | |
| Clinic fees | $ 1,272,460 |
| Royalty fees | 702,181 |
| Institute fees | 584,142 |
| Events fees | 492,564 |
| Other fees | 109,055 |
| Total operating revenues | 3,160,402 |
| Operating expenses | |
| Payroll and related costs | 1,226,036 |
| General and administrative | 814,368 |
| Consulting fees | 562,191 |
| Rent | 252,465 |
| Professional fees | 158,295 |
| Total operating expenses | 3,013,355 |
| Income from operations | 147,047 |
| Other income | |
| Other | 123,003 |
| Interest income | 56,503 |
| Total other income | 179,506 |
| Income before income tax expense | 326,553 |
| Income tax expense | |
| Current | (45,900) |
| Deferred | (23,900) |
| Total income tax expense | (69,800) |
| Net income | $ 256,753 |

The accompanying notes are an integral part of these financial statements

# EGOSCUE, INC.
## STATEMENT OF STOCKHOLDERS' EQUITY
For the Year Ended September 30, 2023

| | Common Stock (a) | | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|
| | Shares | Par Value | | |
| Balance, September 30, 2022 | 113,500 | $ 1,135 | $ 1,466,929 | $ 1,468,064 |
| Net income | - | - | 256,753 | 256,753 |
| Balance, September 30, 2023 | 113,500 | $ 1,135 | $ 1,723,682 | $ 1,724,817 |

(a) $0.01 par value, 1,000,000 shares authorized, 113,500 shares issued and outstanding at September 30, 2023.

The accompanying notes are an integral part of these financial statements

# EGOSCUE, INC.
## STATEMENT OF CASH FLOWS
## For the Year Ended September 30, 2023

| | 2023 |
|---|---|
| Cash flows used in operating activities: | |
| Net income | $ 256,753 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | |
| Depreciation and amortization | 33,771 |
| Other income | (123,003) |
| Deferred incomes taxes | 23,900 |
| Change in operating assets and liabilities: | |
| Accounts receivable | (21,140) |
| Prepaid expenses and other current assets | 36,900 |
| Interest receivable | (8,062) |
| Operating lease assets | (402,461) |
| Due from related party | (4,560) |
| Deposits | (6,398) |
| Accounts payable | 94,664 |
| Accrued expenses | (78,445) |
| Deferred customer deposits | 70,665 |
| Deferred franchise revenue | 50,000 |
| Deferred rent | (21,319) |
| Operating lease liabilities | 491,661 |
| Net cash provided by operating activities | 392,926 |
| Cash flows from investing activities: | |
| Issuance of note receivable - related party | (1,125) |
| Investment in cash surrender value of life insurance | (12,566) |
| Net cashed used in investing activities | (13,691) |
| Net change in cash and cash equivalents | 379,235 |
| Cash and cash equivalents at beginning of period | 1,549,156 |
| Cash and cash equivalents at end of period | $ 1,928,391 |
| Supplemental disclosures of cash flow | |
| Cash paid for interest | $ - |
| Cash paid for taxes | $ - |

The accompanying notes are an integral part of these financial statements

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

Egoscue, Inc. (the "Company") was incorporated on April 30, 1986, in the state of California. On May 1, 2023, the stockholders and Board of Directors of the Company approved the Company entering an IRC §368(a)(1)F reorganization in which Egoscue, Inc. merged into an Egoscue, Inc., a Utah corporation. The Articles of Merger were approved by the state of Utah on June 16, 2023, and the state of California on August 2, 2023.

The Company is a personal service company that offers one-on-one therapy sessions with its clients to promote proper alignment resulting in reduced pain and increased mobility. The Company offers single-unit location franchises as well as agreements to develop franchises' business model and philosophy of postural alignment. The Company owns two clinic locations, one in Del Mar, California and one in San Francisco, California.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending September 30 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary significantly from estimates that were used. Significant estimates consist of the allowance for doubtful accounts, variables used to calculate deferred revenue and breakage under the redemption pattern method and estimated useful lives of property and equipment. It is at least reasonably possible that the estimates used will change in the near term and the changes could be significant to the financial statements.

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments, including treasury bills, with maturities of three months or less at the date of purchase. As of September 30, 2023, the Company had cash and cash equivalents of $1,894,525. Treasury Bills with terms ranging from four weeks to thirteen weeks included in cash and cash equivalents totaled $1,726,511 at September 30, 2023.

*(e) Accounts Receivable*

Accounts receivable are stated net of an allowance for doubtful accounts of $35,000 at September 30, 2023. The Company estimates the allowance for doubtful accounts based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. Accounts receivable are written off against the allowance when management determines it is probable the receivable is worthless. Customer account balances with invoices dated over 90 days old are considered delinquent and considered in the allowance assessment. The Company performs credit evaluations of its customers and generally requires no collateral.

*(f) Property and Equipment*

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|---|---|
| Capitalized internal-use software | 3 years |
| Computer equipment | 5 years |
| Furniture and fixtures | 5-10 years |
| Equipment | 5-7 years |
| Fitness equipment | 5 years |

Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the respective assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

In accordance with the "Internal-Use Software" subtopic of the Codification, costs to develop software for the Company's internal use are capitalized once the preliminary research stage is completed. Capitalized internal-use software costs primarily include third party consultant costs directly related to the development of the software.

Research and development costs incurred prior to meeting the criteria for capitalization, and costs incurred for training and maintenance are expensed as incurred. Major upgrades and enhancements to software that result in additional functionality are capitalized. Capitalized internal-use software costs are amortized using the straight-line method over their expected useful lives, generally three years.

*(g) Impairment of Long-Lived Assets*

The Company regularly evaluates its long-lived assets for indicators of possible impairment. Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business, or a significant change in the operations of an acquired business. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to result from its use and eventual disposition. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying value of the asset exceeds its fair value. If a readily determinable market price does not exist, fair value is estimated using discounted expected cash flows attributable to the assets. Management believes that there is no impairment as of September 30, 2023.

*(h) Goodwill and Intangible Assets*

The Company accounts for goodwill in accordance with the "Intangibles - Goodwill and Other" topic of the Codification. Intangible assets consist of goodwill and domain name. Initial goodwill is recorded as the excess of the purchase price over the estimated fair value of the tangible assets acquired and liabilities assumed of the business acquired. The Company amortizes acquired goodwill on a straight-line basis over its estimated useful life of 5 years. Management determined that there is no impairment of the carry value of goodwill at September 30, 2023.

In September 2020, the Company purchased a domain name for $67,209. The domain name is being amortized over its estimated useful life of 10 years and is stated net of accumulated amortization of $40,326 at September 30, 2023. Amortization expense totaled $13,442 during the year ended September 30, 2023.

*(i) Revenue Recognition*

The Company's primary revenues consist of initial franchise fees, royalties based on a percentage of franchisee's gross revenues, clinic revenue, and institute and events revenue.

On October 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*. On October 1, 2022, the Company adopted the practical expedient outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial franchise fee, ongoing royalties, advertising fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties and advertising which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. ASC 952-606 identifies the following general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services.
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of the specific pre-opening services provided exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

The Company also owns and operates two locations (Del Mar and San Francisco, California). The Company has agreements with its customers to provide services (i.e., its performance obligation) based upon an agreed transaction price prior to the delivery of services. Revenues are recognized in the period services are delivered for these locations.

The Company holds therapy and educational events for its customers based on event pricing. Revenues from events are recognized at the conclusion of the event once the services of the event have been provided. The Company also has ePete software that it licenses for use to franchisees. The franchisees have access to the ePete software through their franchise agreement. The Company also has an ePete software version with less functionality that it is accessible by its affiliates for a monthly fee. Revenues are recognized monthly as earned. Substantially all revenues are from contracts with customers and recognized over time as services are provided.

*(j) Income Taxes*

Deferred income taxes are recognized for temporary differences in the basis of assets and liabilities for financial statement and income tax reporting that arises from using different methods and periods to calculate such basis. The Company uses the cash basis of accounting for income tax reporting purposes.

Provisions have been made for income taxes due on taxable income and for the deferred taxes on the temporary differences. The components of the net deferred tax assets and liabilities are classified as non-current in the accompanying balance sheet. Significant temporary differences between book and taxable income include deferred revenue, accounts payable and accrued expenses, state tax liability, allowance for doubtful accounts, deferred rent, accumulated depreciation and amortization, prepaid expenses, and accounts receivable. Significant permanent differences include meals and entertainment, officer's life insurance premiums, PPP loan forgiveness and employee retention credits, and the change in cash surrender values of life insurance.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates on the date of enactment.

As required by the "Income Tax" topic of the Codification, the Company must address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company files income tax returns in the U.S. federal jurisdiction and in the states of California, Florida, and Massachusetts. The Company is no longer subject to income tax examinations for the years prior to 2019 for U.S. federal jurisdiction examinations and for the years before 2018 for the state of California. Management has evaluated tax positions taken during tax years open to examination, and has determined that no adjustments are necessary, and that all tax positions are more likely than not to be sustained upon examination and does not expect this to change significantly over the next 12 months.

*(k) Leasing*

The Company adopted ASC 842, *Leases* as of October 1, 2022, using the modified retrospective method. The Company has an operating lease for a clinic in Del Mar, California under a long-term, non-cancelable operating lease expiring in September 2026. This lease required adjustments to record the right-of-use assets and lease liabilities as of the date of implementation. Upon adoption, the Company recorded right-of-use assets of $516,534 and lease liabilities of $537,853 while removing deferred rent of $21,319. There was no effect on the Company’s equity on October 1, 2022. The lease liabilities reflect the present value of the Company’s estimated future minimum lease payments over the lease terms, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company’s cash flows.

The Company also leases clinic locations in San Francisco and Denver under membership contracts that are month to month and short term (6 month) contracts. The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, will be recognized on a straight-line basis over the lease term. The Company had expenses of approximately $70,000 relating to these short-term contracts for the year ended September 30, 2023. If these contracts are renewed, an incremental increase can be expected.

*(l) Advertising Costs*

The Company expenses advertising and promotion costs as incurred. Advertising costs totaled $22,532 during the year ended September 30, 2023.

*(m) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, the carrying amounts approximate fair value due to their short maturities.

*(n) Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Bank accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per bank. At September 30, 2023, there were no bank balances in excess of FDIC limit. Treasury Bills are backed by the full faith and credit of the United States government. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Other Income - Legal Settlement and Forgiveness of Legal Debt

During the year ended September 30, 2023, the Company was awarded $90,000 of other income as part of a legal settlement with a firm who previously represented them in litigation and arbitration. As part of this settlement, the Company was released from the obligation of any remaining amounts owed to the firm. These amounts totaled $33,003 as of September 30, 2023. The settlement was finalized and paid in full in October 2023. The Company recognized the settlement income and the forgiveness of legal debt as other income in the statement of operations for the year ended September 30, 2023.

(3) Property and Equipment, net

As of September 30, 2023, the Company's property and equipment consisted of the following:

| | | |
|---|---|---|
| Capitalized internal-use software | $ | 547,315 |
| Computer equipment | | 120,082 |
| Furniture and fixtures | | 54,411 |
| Equipment | | 49,724 |
| Leasehold improvements | | 4,826 |
| Fitness equipment | | 3,580 |
| | | 779,938 |
| Less: accumulated depreciation | | (759,742) |
| | $ | 20,196 |

Depreciation expense for the year ended September 30, 2023 was $19,868. Capitalized internal-use software costs consist of internally developed software called "ePete software." Accumulated amortization for this software totaled $531,583 at September 30, 2023, and amortization expense (included in depreciation) for the year ended September 30, 2023 totaled $16,667.

(4) Intangible Assets, net

Intangible assets, net, consists of the following at September 30, 2023:

| | | |
|---|---|---|
| Domain name | $ | 67,209 |
| Goodwill | | 9,190 |
| | | 76,399 |
| Less: accumulated amortization | | (49,516) |
| | $ | 26,883 |

Amortization of intangible assets for the year ended September 30, 2023 was $13,901.

(5) Cash Surrender Value of Life Insurance

The Company is the beneficiary and owner of insurance policies on the lives of various stockholders and/or officers of the Company. Premiums are paid by the Company and additional amounts are invested in cash equivalents and will be paid to the Company along with any death benefits. The cash surrender value of these policies totaled $107,700 at September 30, 2023.

(6) Line of Credit

The Company has a line of credit agreement with a commercial bank with a limit of $250,000 that expires in December 2024. Advances are made at the bank's discretion and bear interest at the Wall Street Journal's prime rate plus 1.75% per annum (10.25% at September 30, 2023). The line is secured by substantially all of the Company's assets and is guaranteed by the majority stockholder of the Company. There was no balance outstanding under this agreement at September 30, 2023.

(7) Accrued Expenses

Accrued expenses consist of the following at September 30,2023:

| | | |
|---|---|---|
| Accrued vacation | $ | 20,679 |
| Accrued bonus | | 12,918 |
| | $ | 33,597 |

(8) Deferred Revenue

*(a) Deferred Customer Deposits*

As detailed in Footnote 1, the Company has agreements with its customers to provide services (i.e., its performance obligation) based upon an agreed transaction price prior to the delivery of services. Revenues are recognized in the period services are delivered for these locations. For clinic visit packages sold, the Company recognizes revenue under the redemption pattern method, which recognizes revenue on a pro-rated basis determined by the redemption pattern of unused package visits. The Company, as such, will recognize a portion of unused package visits as clients fulfill their package-subscription. The Company determines the breakage rate, which is a component of the redemption pattern method, based on historical data, and updates this data annually. The weighted average breakage rate used during the year ended September 30, 2023 was approximately 49% (58% in the prior year). Deferred revenue is recorded as a result of unused visits included in packages and is classified as a current liability based on management's package-subscription policy, which expires after one year from the date of purchase. The Company can honor expired packages at its discretion but based on historical data these have been insignificant. As of September 30, 2023, the Company had deferred customer deposits of $477,386.

*(b) Deferred Franchise Revenue*

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties, technology fees, and marketing fees to the Company based on a percentage of sales. Under the Company's revenue recognition policy, the Company allocates the initial franchise fee to initial training, opening assistance, use of website, and operations manual, which is recognized when the franchisee begins operations. In the event revenue recognition criteria is not met, the associated initial franchise fees and any corresponding commissions are deferred. As of September 30, 2023, the Company had deferred franchise revenue of $50,000.

(9) Operating Leases

The Company is the lessee in an operating lease with an expiration date in 2026. As of September 30, 2023, the Company recorded a right of use asset of $402,461. As of September 30, 20223 the Company had the following current and non-current portion of operating lease liabilities:

| | | |
|---|---|---|
| Operating lease liability, current | $ | 145,562 |
| Operating lease liability, non-current | | 346,099 |
| | $ | 491,661 |

As of September 30, 2032, the maturities of the Company's lease liabilities are as follows:

| | | |
|---|---|---|
| For the year ended September 30, | | |
| 2024 | $ | 145,562 |
| 2025 | | 163.336 |
| 2026 | | 182,763 |
| | $ | 491,661 |

(10) Related Party Transactions

*(a) Due to Related Party*

The Company and Mount10, Inc. ("Mount10") are under common control and ownership. Mount10 is 100% owned by Phillip P. Egoscue, the majority stockholder of the Company. During the year ended September 30, 2023, the Company incurred expenses for book purchases and travel expense reimbursements to Mount10 totaling $2,356. At September 30, 2023, the Company did not have any outstanding payables to Mount10.

*(b) Note Receivable, Related Party*

The Company has a note receivable from an officer/stockholder of the Company which totaled $49,801 at September 30, 2023. The note is due on demand, non-interest bearing, and secured by the cash surrender value and face value of insurance policies owned by the officer/stockholder. The Company does not expect to demand payment within the next year, therefore, it has been reflected as long-term in the accompanying balance sheet.

*(c) Due from Related Party*

During the year ended September 30, 2023, the Company paid for certain expenses of a related party. The Company has recorded an amount due from the related party for these expenses. As of September 30, 2023, the balance of the due from related party was $4,560. This amount is due on demand, bears no interest, and has no repayment terms.

(11) Income Taxes

Income tax benefit (expense) consists of the following for the year ended September 30, 2023:

| | | |
|---|---|---|
| Current | | |
| Federal | $ | (22,900) |
| State | | (23,000) |
| Total current | | (45,900) |
| | | |
| Deferred | | |
| Federal | | (18,400) |
| State | | (5,500) |
| Total deferred | | (23,900) |
| Income tax expense | $ | (69,800) |

Deferred tax assets (liabilities) consist of the following at September 30, 2023:

| | | |
|---|---|---|
| Deferred tax asset (liability), net | | |
| Deferred customer deposits | $ | 133,600 |
| Accounts payable and accrued expenses | | 34,300 |
| Deferred franchise revenue | | 14,000 |
| Allowance for doubtful accounts | | 9,800 |
| State tax liability | | 4,800 |
| Accumulated depreciation & amortization | | 4,000 |
| Other receivables | | (27,400) |
| Accounts receivable | | (43,300) |
| Total deferred tax asset, net | $ | 129,800 |

There is no valuation allowance on deferred tax assets as management believes there is a greater than 50% likelihood that these assets will be used in the future.

(12) Pension Plan

The Company has a 401 (k) profit sharing plan (the "Plan") for the benefit of its employees. Employees are eligible to participate in the Plan after one year of credited service. Under the Plan, employees can contribute and defer taxes on compensation contributed. The Company also has the option to make discretionary profit sharing or matching contributions to the Plan each year. The Company did not make any discretionary contributions to the Plan during the year ended September 30, 2023.

(13) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed. Legal settlements are included in legal and professional fees in operating expenses.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(14) Subsequent Events

Management has reviewed and evaluated subsequent events through January 18, 2024, the date on which the financial statements were issued.

EGOSCUE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED
SEPTEMBER 30, 2022

# EGOSCUE, INC.

Year Ended September 30, 2022

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# INDEPENDENT AUDITOR'S REPORT

To the Stockholders
Egoscue, Inc.
Del Mar, California

## Opinion

We have audited the accompanying financial statements of Egoscue, Inc. ("the Company"), which comprise the balance sheet as of September 30, 2022, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Egoscue, Inc. as of September 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.
- 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 of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Gatto, Pope & Walwick, LLP*

January 17, 2023

# EGOSCUE, INC.

## BALANCE SHEET

September 30, 2022

### ASSETS

| | |
|---|---|
| Current assets | |
| Cash and cash equivalents | $ 1,549,156 |
| Accounts receivable, net | 98,611 |
| Prepaid expenses and other current assets | 64,500 |
| Total current assets | 1,712,267 |
| Property and equipment, net | 40,066 |
| Other assets | |
| Note receivable - related party | 48,676 |
| Deferred income taxes | 153,700 |
| Cash surrender value of life insurance | 95,134 |
| Deposits | 27,447 |
| Intangible assets, net | 40,784 |
| Total other assets | 365,741 |
| Total assets | $ 2,118,074 |

### LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|---|
| Current liabilities | |
| Accounts payable | $ 109,928 |
| Accrued expenses | 112,042 |
| Deferred revenue | 406,721 |
| Total current liabilities | 628,691 |
| Long-term liabilities | |
| Deferred rent | 21,319 |
| Total liabilities | 650,010 |
| Stockholders' equity | |
| Common stock | 1,135 |
| Retained earnings | 1,466,929 |
| Total stockholders' equity | 1,468,064 |
| Total liabilities and stockholders' equity | $ 2,118,074 |

The accompanying notes are an integral part of these financial statements.

# EGOSCUE, INC.

## STATEMENT OF OPERATIONS

Year Ended September 30, 2022

| | |
|---|---|
| Revenues, net | $ 3,050,633 |
| Operating expenses | 2,688,202 |
| Income from operations | 362,431 |
| Other income | |
| Forgiveness of debt income - SBA Paycheck Protection Program Loan II | 206,842 |
| Employee retention credit income | 35,639 |
| Interest income | 3,360 |
| Total other income | 245,841 |
| Income before income tax expense | 608,272 |
| Income tax expense | |
| Current | (190,000) |
| Deferred | 88,200 |
| Total income tax expense | (101,800) |
| Net income | $ 506,472 |

The accompanying notes are an integral part of these financial statements.

# EGOSCUE, INC.

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended September 30, 2022

| | Common Stock (a) | | Retained | Total Stockholders' |
|---|---|---|---|---|
| | Shares | Par Value | Earnings | Equity |
| Balance, September 30, 2021 | 113,500 | $ 1,135 | $ 960,457 | $ 961,592 |
| Net income | - | - | 506,472 | 506,472 |
| Balance, September 30, 2022 | 113,500 | $ 1,135 | $ 1,466,929 | $ 1,468,064 |

(a) $0.01 par value, 1,000,000 share authorized, 113,500 shares issued and outstanding at September 30, 2022.

The accompanying notes are an integral part of these financial statements.

# EGOSCUE, INC.

## STATEMENT OF CASH FLOWS

Year Ended September 30, 2022

| | |
|---|---|
| **Cash flows from operating activities** | |
| Net income | $ 506,472 |
| Adjustments to reconcile net income to cash flows from operating activities: | |
| Depreciation and amortization | 53,958 |
| Forgiveness of debt income - SBA Paycheck Protection Program Loan II | (206,842) |
| Deferred income taxes | (88,200) |
| Increase in allowance for doubtful accounts | 22,500 |
| Change in operating assets and liabilities: | |
| (Increase) decrease in: | |
| Accounts receivable | 8,644 |
| Prepaid expenses and other current assets | 101,031 |
| Deposits | 6,600 |
| Increase (decrease) in: | |
| Accounts payable | 1,499 |
| Accrued expenses | (164,557) |
| Deferred revenue | 213,398 |
| Deferred rent | 21,319 |
| Cash flows from operating activities | 475,822 |
| **Cash flows from investing activities** | |
| Issuance of note receivable - related party | (1,609) |
| Investment in cash surrender value of life insurance | (13,534) |
| Cash flows from investing activities | (15,143) |
| Net change in cash and cash equivalents | 460,679 |
| Cash and cash equivalents, beginning of year | 1,088,477 |
| Cash and cash equivalents, end of year | $ 1,549,156 |

The accompanying notes are an integral part of these financial statements.

# EGOSCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Description of Business

Egoscue, Inc. (the "Company") was incorporated on April 30, 1986 in the state of California. The Company is a personal service company that offers one-on-one therapy sessions with its clients to promote proper alignment resulting in reduced pain and increased mobility. The Company offers single-unit location franchises as well as agreements to develop franchises' business model and philosophy of postural alignment. The Company owns two clinic locations, one in Del Mar, California and one in San Francisco, California.

### Franchise Locations

As of September 30, 2022, the Company has franchise agreements with third parties covering 18 domestic and 4 international locations. During the year ended September 30, 2022, there were six locations that closed and there were no new locations opened or franchise agreements executed.

### Accounting Standards Codification

The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("Codification") is the official source of authoritative, nongovernmental accounting principles generally accepted in the United States of America. The Codification is organized by overall topic which is at times referenced in the accompanying notes to the financial statements.

### Accounting Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary significantly from estimates that were used. Significant estimates consist of the allowance for doubtful accounts, variables used to calculate deferred revenue and breakage under the redemption pattern method and estimated useful lives of property and equipment. It is at least reasonably possible that the estimates used will change in the near term and the changes could be significant to the financial statements.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments, including treasury bills, to be cash equivalents. Treasury Bills with terms ranging from four weeks to thirteen weeks included in cash and cash equivalents totaled $746,139 at September 30, 2022.

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts of $35,000 at September 30, 2022. The Company estimates the allowance for doubtful accounts based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. Accounts receivable are written off against the allowance when management determines it is probable the receivable is worthless. Customer account balances with invoices dated over 90 days old are considered delinquent and considered in the allowance assessment. The Company performs credit evaluations of its customers and generally requires no collateral.

### Property and Equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|---|---|
| Capitalized internal-use software | 3 years |
| Computer equipment | 5 years |
| Furniture and fixtures | 5-10 years |
| Equipment | 5-7 years |
| Fitness equipment | 5 years |

Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the respective assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

In accordance with the "Internal-Use Software" subtopic of the Codification, costs to develop software for the Company's internal use are capitalized once the preliminary research stage is completed. Capitalized internal-use software costs primarily include third party consultant costs directly related to the development of the software.

Research and development costs incurred prior to meeting the criteria for capitalization, and costs incurred for training and maintenance are expensed as incurred. Major upgrades and enhancements to software that result in additional functionality are capitalized. Capitalized internal-use software costs are amortized using the straight-line method over their expected useful lives, generally three years.

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of Long-Lived Assets

The Company regularly evaluates its long-lived assets for indicators of possible impairment. Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business, or a significant change in the operations of an acquired business. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to result from its use and eventual disposition. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying value of the asset exceeds its fair value. If a readily determinable market price does not exist, fair value is estimated using discounted expected cash flows attributable to the assets. Management believes that there is no impairment as of September 30, 2022.

### Goodwill and Intangible Assets

The Company accounts for goodwill in accordance with the “Intangibles – Goodwill and Other” topic of the Codification. Intangible assets consist of goodwill and domain name. Initial goodwill is recorded as the excess of the purchase price over the estimated fair value of the tangible assets acquired and liabilities assumed of the business acquired. The Company amortizes acquired goodwill on a straight-line basis over its estimated useful life of 5 years. Management determined that there is no impairment of the carry value of goodwill at September 30, 2022.

In September 2020, the Company purchased a domain name for $67,209. The domain name is being amortized over its estimated useful life of 10 years and is stated net of accumulated amortization of $26,884 at September 30, 2022. Amortization expense totaled $13,442 during the year ended September 30, 2022.

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income Taxes

Deferred income taxes are recognized for temporary differences in the basis of assets and liabilities for financial statement and income tax reporting that arises from using different methods and periods to calculate such basis. The Company uses the cash basis of accounting for income tax reporting purposes.

Provisions have been made for income taxes due on taxable income and for the deferred taxes on the temporary differences. The components of the net deferred tax assets and liabilities are classified as non-current in the accompanying balance sheet. Significant temporary differences between book and taxable income include deferred revenue, accounts payable and accrued expenses, state tax liability, allowance for doubtful accounts, deferred rent, accumulated depreciation and amortization, prepaid expenses, and accounts receivable. Significant permanent differences include meals and entertainment, officer's life insurance premiums, PPP loan forgiveness and employee retention credits, and the change in cash surrender values of life insurance.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates on the date of enactment.

As required by the "Income Tax" topic of the Codification, the Company must address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company files income tax returns in the U.S. federal jurisdiction and in the states of California, Florida, and Massachusetts. The Company is no longer subject to income tax examinations for the years prior to 2018 for U.S. federal jurisdiction examinations and for the years before 2017 for the state of California. Management has evaluated tax positions taken during tax years open to examination, and has determined that no adjustments are necessary, and that all tax positions are more likely than not to be sustained upon examination and does not expect this to change significantly over the next 12 months.

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Advertising and Promotion Costs

The Company expenses advertising and promotion costs as incurred. Advertising and promotion costs totaled $10,385 during the year ended September 30, 2022.

### Deferred Rent

The Company has an operating lease agreement which contain provisions for future rent increases, periods in which rent payments are reduced, or funds for tenant improvements are partially reimbursed. In accordance with accounting principles generally accepted in the United States of America, the Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is included as a long-term liability in the accompanying balance sheet. The current portion of deferred rent was not significant as of September 30, 2022, so the entire liability has been reflected as long-term in the accompanying balance sheet.

### Upcoming Accounting Standard

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for nonpublic entities for fiscal years beginning after December 15, 2021 (i.e., January 1, 2022 for a calendar year entity). The Company is currently evaluating the impact of the new standard on the financial statements.

### Subsequent Events

The Company has evaluated subsequent events through January 17, 2023, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

## NOTE 2 – REVENUE FROM CONTRACTS WITH CUSTOMERS

**Revenue from Contracts with Customers**

The Company follows Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). ASC 606 aligns revenue recognition with the timing of when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five steps in accordance with ASC 606:

(1) Identify the contract with a customer.
(2) Identify the performance obligations in the contract.
(3) Determine the transaction price.
(4) Allocate the transaction price to performance obligations in the contract.
(5) Recognize revenue as performance obligations are satisfied.

The Company recognizes royalties from franchisees in the period earned based on the terms of the agreement. Franchise agreements generally require the franchisee to pay a percentage of monthly revenues or a flat monthly amount. Royalty income from franchisees totaled $800,833 during the year ended September 30, 2022. The Company also owns and operates two locations (Del Mar and San Francisco, California). The Company has agreements with its customers to provide services (i.e., its performance obligation) based upon an agreed transaction price prior to the delivery of services. Revenues are recognized in the period services are delivered for these locations. For clinic visit packages sold, the Company recognizes revenue under the redemption pattern method, which recognizes revenue on a pro-rated basis determined by the redemption pattern of unused package visits. The Company, as such, will recognize a portion of unused package visits as clients fulfill their package-subscription. The Company determines the breakage rate, which is a component of the redemption pattern method, based on historical data, and updates this data annually. The weighted average breakage rate used during the year ended September 30, 2022 was approximately 58% (48% in the prior year). Deferred revenue is recorded as a result of unused visits included in packages and is classified as a current liability based on management's package-subscription policy, which expires after one year from the date of purchase. The Company can honor expired packages at its discretion but based on historical data these have been insignificant.

The Company holds therapy and educational events for its customers based on event pricing. Revenues from events are recognized at the conclusion of the event once the services of the event have been provided. The Company also has ePete software that it licenses for use to franchisees. The franchisees have access to the ePete software through their franchise agreement. The Company also has an Epete software version with less functionality that it is accessible by its affiliates for a monthly fee. Revenues are recognized monthly as earned. Substantially all revenues are from contracts with customers and recognized over time as services are provided.

## NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at September 30, 2022:

| | | |
|---|---|---|
| Capitalized internal-use software | $ | 547,315 |
| Computer equipment | | 120,082 |
| Furniture and fixtures | | 54,411 |
| Equipment | | 49,724 |
| Leasehold improvements | | 4,826 |
| Fitness equipment | | 3,580 |
| | | 779,938 |
| Less: Accumulated depreciation | | (739,872) |
| | $ | 40,066 |

Depreciation expense for the year ended September 30, 2022 was $38,678. Capitalized internal-use software costs consist of internally developed software called “ePete software” which was placed in service in July 2018. Accumulated amortization for this software totaled $514,916 at September 30, 2022, and amortization expense (included in depreciation) for the year ended September 30, 2022 totaled $33,775.

## NOTE 4 – INTANGIBLE ASSETS, NET

Intangible assets, net, consists of the following at September 30, 2022:

| | | |
|---|---|---|
| Domain name | $ | 67,209 |
| Goodwill | | 9,190 |
| | | 76,399 |
| Less: Accumulated amortization | | (35,615) |
| | $ | 40,784 |

Amortization of intangible assets for the year ended September 30, 2022 was $15,280.

## NOTE 5 – CASH SURRENDER VALUE OF LIFE INSURANCE

The Company is the beneficiary and owner of insurance policies on the lives of various stockholders and/or officers of the Company. Premiums are paid by the Company and additional amounts are invested in cash equivalents and will be paid to the Company along with any death benefits. The cash surrender value of these policies totaled $95,134 at September 30, 2022.

## NOTE 6 – SBA PAYCHECK PROTECTION PROGRAM LOANS AND EMPLOYEE RETENTION CREDIT

On May 4, 2020, the Company received loan proceeds in the amount of $286,400 under the Small Business Administration ("SBA") Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of their average monthly payroll and certain other expenses. The loans and accrued interest are forgivable after eight to twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and meets certain other requirements of the program. The amount of the loan forgiveness can be reduced if the borrower terminates employees or reduces salaries during covered five months. The unforgiven portion of the PPP loan is payable over two years (or up to 5 years) at an interest rate of 1%, with a deferral of payments for up to ten months after the end of the covered five months. In December 2020, the Company was notified by the SBA that the loan was formally forgiven and it was reflected as forgiveness of debt income in the prior year financial statements.

On December 27, 2020, the President of the United States signed into law The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, as part of the Consolidated Appropriations Act, which permits second draw PPP loans to be made through March 31, 2021, for certain eligible borrowers with the same general loan terms as the first PPP loans. A borrower is generally eligible if they received a first draw PPP loan, used the full amount for authorized uses, has no more than 300 employees, and can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. The maximum loan amount is 2.5 times (3.5 times for borrowers in the accommodation and food sector services) average monthly payroll costs up to $2,000,000. In February 2021, the Company received their second PPP loan proceeds totaling $206,842. In June 2022, the Company was notified by the SBA that the loan was formally forgiven. Therefore, the loan has been reflected as forgiveness of debt income in the accompanying statement of operations for the year ended September 30, 2022

The Company received $35,639 from the United States Treasury under the CARES Act Employee Retention Credit program ("ERC") during the year ended September 30, 2022. The ERC allows small businesses to claim a fully refundable tax credit equal to 50% of qualified wages up to certain maximums if the business meets certain criteria including be fully or partially suspended operations due to COVID-19 or a significant decline in revenues. These amounts are recorded as other income in the accompanying statement of operations.

## NOTE 7 – LINE OF CREDIT

The Company has a line of credit agreement with a commercial bank with a limit of $250,000 that expires in December 2024. Advances are made at the bank's discretion and bear interest at the Wall Street Journal's prime rate plus 1.75% per annum (8.00% at September 30, 2022). The line is secured by substantially all of the Company's assets and is guaranteed by the majority stockholder of the Company. There was no balance outstanding under this agreement at September 30, 2022.

## NOTE 8 – ACCRUED EXPENSES

Accrued expenses consist of the following at September 30, 2022:

| | | |
|---|---|---|
| Accrued legal settlement | $ | 92,000 |
| Accrued vacation | | 19,970 |
| Sales taxes and other | | 72 |
| | $ | 112,042 |

## NOTE 9 – RELATED PARTY TRANSACTIONS

The Company and Mount10, Inc. ("Mount10") are under common control and ownership. Mount10 is 100% owned by Phillip P. Egoscue, the majority stockholder of the Company. During the year ended September 30, 2022, the Company incurred expenses for book purchases and travel expense reimbursements to Mount10 totaling $16,288. At September 30, 2022, the Company did not have any outstanding payables to Mount10.

The Company has a note receivable from an officer/stockholder of the Company which totaled $48,676 at September 30, 2022. The note is due on demand, non-interest bearing, and secured by the cash surrender value and face value of insurance policies owned by the officer/stockholder. The Company does not expect to demand payment within the next year, therefore, it has been reflected as long-term in the accompanying balance sheet.

## NOTE 10 – INCOME TAXES

Income tax benefit (expense) consists of the following for the year ended September 30, 2022:

| | |
|---|---|
| Current | |
| Federal | $ (127,000) |
| State | (63,000) |
| | (190,000) |
| Deferred | |
| Federal | 63,100 |
| State | 25,100 |
| | 88,200 |
| Total income tax expense | $ (101,800) |

Deferred tax assets (liabilities) consist of the following at September 30, 2022:

| | |
|---|---|
| Deferred revenue | $ 113,800 |
| Accounts payable and accrued expenses | 60,500 |
| State tax liability | 13,200 |
| Allowance for doubtful accounts | 9,800 |
| Deferred rent | 6,000 |
| Accumulated depreciation and amortization | (3,800) |
| Prepaid Expenses | (8,400) |
| Accounts receivable | (37,400) |
| Net deferred tax asset | $ 153,700 |

There is no valuation allowance on deferred tax assets as management believes there is greater than 50% likelihood that these assets will be used in the future.

## NOTE 11 – LEASE COMMITMENTS

The Company leases a clinic location in Del Mar, California under a long-term, non-cancelable operating lease expiring in September 2026. The lease agreement also includes options to extend the lease periods. The lease generally requires the Company to pay utilities and other operating costs as defined by the lease agreement.

The Company also leases clinic locations in San Francisco and Denver under membership contracts that are month to month and short term (6 month) contracts. Total rent expense for the year ended September 30, 2022 was $230,441.

The following is a schedule by year of future commitments required under the Del Mar long-term operating lease agreement:

| Year Ending September 30, | |
|---|---|
| 2023 | $ 87,542 |
| 2024 | 179,712 |
| 2025 | 185,103 |
| 2026 | 190,656 |
| Total | $ 643,013 |

## NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year ended September 30, 2022 for:

| | |
|---|---|
| Income taxes | $ 391,000 |

## NOTE 13 – CONCENTRATIONS

**Cash and Cash Equivalents**

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. Bank accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000 per bank. At September 30, 2022, uninsured bank balances in excess of FDIC limit totaled approximately $509,000. Treasury Bills are backed by the full faith and credit of the United States government. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

## NOTE 14 – PENSION PLAN

The Company has a 401(k) profit sharing plan (the "Plan") for the benefit of its employees. Employees are eligible to participate in the Plan after one year of credited service. Under the Plan, employees can contribute and defer taxes on compensation contributed. The Company also has the option to make discretionary profit sharing or matching contributions to the Plan each year. The Company did not make any discretionary contributions to the Plan during the year ended September 30, 2022.

## NOTE 15 – CONTINGENCIES

### Claims, Complaints and Settlements

Certain claims and complaints arising in the ordinary course of business have been asserted against the Company. In the opinion of management, all such matters are without merit or are of such kind, or involve such amounts, which would not have a significant effect on the financial position or results of operations of the Company if disposed of unfavorably. The Company accrues for estimated legal settlements when it is reasonably possible a settlement will occur. Legal settlements are included in legal and professional fees in operating expenses. At September 30, 2022, the Company has accrued for a legal settlement totaling $92,000 that is required to be paid during the year ended September 30, 2023.

### Pandemic

As of the date of this report, the Centers for Disease Control and Prevention ("CDC") is still responding to an outbreak of respiratory disease caused by a novel coronavirus that has been detected in countries around the world, including in the United States. The virus has been named "SARS-CoV-2" and the disease it causes has been named "coronavirus disease 2019" (abbreviated "COVID-19"). The Company is continually assessing the impact of COVID-19 risks to its business and the Company's financial condition and operations are dependent on the ability to successfully manage these risks. If the Company is unable to successfully manage these risks, it is reasonably possible these factors could have a severe near-term negative impact on the Company's financial position and operations.

EGOSCUE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED
SEPTEMBER 30, 2021

# EGOSCUE, INC.

Year Ended September 30, 2021

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GPW
CERTIFIED PUBLIC ACCOUNTANTS

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# INDEPENDENT AUDITOR'S REPORT

To the Stockholders
Egoscue, Inc.
Del Mar, California

**Report on the Financial Statements**
We have audited the accompanying financial statements of Egoscue, Inc., which comprise the balance sheet as of September 30, 2021, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

**Auditor's Responsibility**
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 controls. 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 statements.

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

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Egoscue, Inc. as of September 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Uncertainties**
As discussed in Note 15 to the financial statement, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

**New Accounting Standard Adopted**
The Company adopted Accounting Standards Codification Topic 606, “Revenue from Contracts with Customers” (“ASC 606”) on October 1, 2020, using the modified retrospective approach. As further discussed in Note 2 to the financial statements, the adoption of ASC 606 represents a change in accounting principles that aligns revenue recognition with the timing of when promised goods and services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

*Gatto, Pope & Walwick, LLP*

December 21, 2021

# EGOSCUE, INC.

## BALANCE SHEET

September 30, 2021

### ASSETS

| | |
|---|---|
| Current assets | |
| Cash and cash equivalents | $ 1,088,477 |
| Accounts receivable, net | 129,755 |
| Prepaid expenses and other current assets | 165,531 |
| Total current assets | 1,383,763 |
| Property and equipment, net | 78,744 |
| Other assets | |
| Note receivable - related party | 47,067 |
| Deferred income taxes | 65,500 |
| Cash surrender value of life insurance | 81,600 |
| Deposits | 34,047 |
| Intangible assets, net | 56,064 |
| Total other assets | 284,278 |
| Total assets | $ 1,746,785 |

### LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|---|
| Current liabilities | |
| Current portion of SBA Paycheck Protection Program loan | $ 18,804 |
| Accounts payable | 108,429 |
| Accrued expenses | 276,599 |
| Deferred revenue | 193,323 |
| Total current liabilities | 597,155 |
| Long-term liabilities | |
| SBA Paycheck Protection Program loan, net of current portion | 188,038 |
| Total liabilities | 785,193 |
| Stockholders' equity | |
| Common stock | 1,135 |
| Retained earnings | 960,457 |
| Total stockholders' equity | 961,592 |
| Total liabilities and stockholders' equity | $ 1,746,785 |

The accompanying notes are an integral part of these financial statements.

# EGOSCUE, INC.

## STATEMENT OF OPERATIONS

Year Ended September 30, 2021

| | |
|---|---|
| Revenues, net | $ 3,115,259 |
| Operating expenses | 2,664,469 |
| Income from operations | 450,790 |
| Other income | |
| Forgiveness of debt income - SBA Paycheck Protection Program loan | 286,400 |
| Employee retention credit income | 165,531 |
| Interest income | 6 |
| Total other income | 451,937 |
| Income before income taxes | 902,727 |
| Income tax expense | |
| Current | (119,100) |
| Deferred | (36,500) |
| Total income tax expense | (155,600) |
| Net income | $ 747,127 |

The accompanying notes are an integral part of these financial statements.

# EGOSCUE, INC.

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended September 30, 2021

| | Common Stock (a) | | Retained | Total Stockholders' |
|---|---|---|---|---|
| | Shares | Par Value | Earnings | Equity |
| Balance, September 30, 2020 | 113,500 | $ 1,135 | $ 213,330 | $ 214,465 |
| Net income | - | - | 747,127 | 747,127 |
| Balance, September 30, 2021 | 113,500 | $ 1,135 | $ 960,457 | $ 961,592 |

(a) $0.01 par value, 1,000,000 share authorized, 113,500 shares issued and outstanding at September 30, 2021.

The accompanying notes are an integral part of these financial statements.

# EGOSCUE, INC.

## STATEMENT OF CASH FLOWS

Year Ended September 30, 2021

| | |
|---|---|
| **Cash flows from operating activities** | |
| Net income | $ 747,127 |
| Adjustments to reconcile net income to cash flows from operating activities: | |
| Depreciation and amortization | 171,858 |
| Forgiveness of debt income - SBA Paycheck Protection Program loan | (286,400) |
| Deferred income taxes | 36,500 |
| Decrease in allowance for doubtful accounts | (2,500) |
| Change in operating assets and liabilities: | |
| (Increase) decrease in: | |
| Accounts receivable | (4,459) |
| Prepaid expenses and other current assets | (142,039) |
| Deposits | (575) |
| Increase (decrease) in: | |
| Accounts payable | 68,678 |
| Accrued expenses | 64,123 |
| Deferred revenue | (151,127) |
| Deferred rent | (11,423) |
| Cash flows from operating activities | 489,763 |
| **Cash flows from investing activities** | |
| Purchases of property and equipment | (50,000) |
| Issuance of note receivable - related party | (2,914) |
| Investment in cash surrender value of life insurance | (15,052) |
| Cash flows from investing activities | (67,966) |
| **Cash flows from financing activities** | |
| Proceeds from SBA Paycheck Protection Program loan | 206,842 |
| Cash flows from financing activities | 206,842 |
| Net change in cash and cash equivalents | 628,639 |
| Cash and cash equivalents, beginning of year | 459,838 |
| Cash and cash equivalents, end of year | $ 1,088,477 |

The accompanying notes are an integral part of these financial statements.

# EGOSCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2021

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Description of Business

Egoscue, Inc. (the "Company") was incorporated on April 30, 1986 in the state of California. The Company is a personal service company that offers one-on-one therapy sessions with its clients to promote proper alignment resulting in reduced pain and increased mobility. The Company offers single-unit location franchises as well as agreements to develop franchises' business model and philosophy of postural alignment. The Company owns two clinic locations, one in Del Mar, California and one in San Francisco, California.

### Franchise Locations

As of September 30, 2021, the Company has franchise agreements with third parties covering 25 domestic and 4 international locations. During the year ended September 30, 2021, there was one location that closed and there were no new locations opened or franchise agreements executed.

### Accounting Standards Codification

The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("Codification") is the official source of authoritative, nongovernmental accounting principles generally accepted in the United States of America. The Codification is organized by overall topic which is at times referenced in the accompanying notes to the financial statements.

### Accounting Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary significantly from estimates that were used. Significant estimates consist of the allowance for doubtful accounts, variables used to calculate deferred revenue and breakage under the redemption pattern method and estimated useful lives of property and equipment. It is at least reasonably possible that the estimates used will change in the near term and the changes could be significant to the financial statements.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with an initial maturity of 90 days or less to be cash equivalents.

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts of $12,500 at September 30, 2021. The Company estimates the allowance for doubtful accounts based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. Accounts receivable are written off against the allowance when management determines it is probable the receivable is worthless. Customer account balances with invoices dated over 90 days old are considered delinquent and considered in the allowance assessment. The Company performs credit evaluations of its customers and generally requires no collateral.

### Property and Equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|---|---|
| Capitalized internal-use software | 3 years |
| Computer equipment | 5 years |
| Furniture and fixtures | 5 -10 years |
| Equipment | 5 - 7 years |
| Fitness equipment | 5 years |

Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the respective assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

In accordance with the "Internal-Use Software" subtopic of the Codification, costs to develop software for the Company's internal uses are capitalized once the preliminary research stage is completed. Capitalized internal-use software costs primarily include third party consultant costs directly related to development of the software.

Research and development costs incurred prior to meeting the criteria for capitalization, and costs incurred for training and maintenance are expensed as incurred. Major upgrades and enhancements to software that result in additional functionality are capitalized. Capitalized internal-use software costs are amortized using the straight-line method over their expected useful lives, generally three years.

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of Long-Lived Assets

The Company regularly evaluates its long-lived assets for indicators of possible impairment. Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business, or a significant change in the operations of an acquired business. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to result from its use and eventual disposition. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying value of the asset exceeds its fair value. If a readily determinable market price does not exist, fair value is estimated using discounted expected cash flows attributable to the assets. Management believes that there is no impairment as of September 30, 2021.

### Goodwill and Intangible Assets

The Company accounts for goodwill in accordance with the “Intangibles – Goodwill and Other” topic of the Codification. Intangible assets consist of goodwill and domain name. Initial goodwill is recorded as the excess of the purchase price over the estimated fair value of the tangible assets acquired and liabilities assumed of the business acquired. The Company amortizes acquired goodwill on a straight-line basis over its estimated useful life of 5 years. Management determined that there is no impairment of the carry value of goodwill at September 30, 2021.

In September 2020, the Company purchased a domain name for $67,209. The domain name is being amortized over its estimated useful life of 10 years and is stated net of accumulated amortization of $13,442 at September 30, 2021. Amortization expense totaled $13,442 during the year ended September 30, 2021.

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income Taxes

Deferred income taxes are recognized for temporary differences in the bases of assets and liabilities for financial statement and income tax reporting that arises from using different methods and periods to calculate such bases. The Company uses the cash basis of accounting for income tax reporting purposes.

Provisions have been made for income taxes due on taxable income and for the deferred taxes on the temporary differences. The components of the net deferred tax assets and liabilities are classified as non-current in the accompanying balance sheet. Significant temporary differences between book and taxable income include accounts payable and accrued expenses, deferred revenue, state tax liability, allowance for doubtful accounts, accumulated depreciation and amortization, and accounts receivable. Significant permanent differences include meals and entertainment, officer's life insurance premiums, PPP loan forgiveness and employee retention credits, and change in cash surrender values.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates on the date of enactment.

As required by the "Income Tax" topic of the Codification, the Company must address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company files income tax returns in the U.S. federal jurisdiction and in the states of California, Florida, and Massachusetts. The Company is no longer subject to income tax examinations for the years prior to 2017 for U.S. federal jurisdiction examinations and for the years before 2016 for the state of California. Management has evaluated tax positions taken during tax years open to examination, and has determined that no adjustments are necessary, and that all tax positions are more likely than not to be sustained upon examination and does not expect this to change significantly over the next 12 months.

### Advertising and Promotion Costs

The Company expenses advertising and promotion costs as incurred. Advertising and promotion costs totaled $6,039 during the year ended September 30, 2021.

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New Accounting Pronouncement Adopted

On October 1, 2020, the Company adopted the accounting pronouncement issued by FASB to clarify existing guidance on revenue recognition. This guidance includes the required steps to achieve the core principle that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company adopted this pronouncement on a modified retrospective basis, and its impact on our balance sheet and statements of operation, as well as required additional disclosures, are included in Note 2 - Revenue from Contracts with Customers.

### Upcoming Accounting Standard

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for nonpublic entities for fiscal years beginning after December 15, 2021 (i.e., January 1, 2022 for a calendar year entity). The Company is currently evaluating the impact of the new standard on the financial statements.

### Subsequent Events

The Company has evaluated subsequent events through December 21, 2021, which is the date these financial statements were available to be issued. All other subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

## NOTE 2 – REVENUE FROM CONTRACTS WITH CUSTOMERS

**Revenue from Contracts with Customers**

The Company adopted Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("ASC 606") on October 1, 2020. The adoption of ASC 606 represents a change in accounting principle that aligns revenue recognition with the timing of when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five steps in accordance with ASC 606:

(1) Identify the contract with a customer.
(2) Identify the performance obligations in the contract.
(3) Determine the transaction price.
(4) Allocate the transaction price to performance obligations in the contract.
(5) Recognize revenue as performance obligations are satisfied.

The Company recognizes royalties from franchisees in the period earned based on the terms of the agreement. Franchise agreements generally require the franchisee to pay a percentage of monthly revenues or a flat monthly amount. The Company also owns and operates two locations (Del Mar and San Francisco, California). The Company has agreements with its customers to provide services (i.e., its performance obligation) based upon an agreed transaction price prior to the delivery of services. Revenues are recognized in the period services are delivered for these locations. For clinic visit packages sold, the Company recognizes revenue under the redemption pattern method, which recognizes revenue on a pro-rated basis determined by the redemption pattern of unused package visits. The Company, as such, will recognize a portion of unused package visits as clients fulfill their package-subscription. The Company determines the breakage rate, which is a component of the redemption pattern method, based on historical data, and updates this data annually. The weighted average breakage rate used during the year ended September 30, 2021 was approximately 48% (56% in the prior year). Deferred revenue is recorded as a result of unused visits included in packages and is classified as a current liability based on management's package-subscription policy, which expires after one year from the date of purchase. The Company can honor expired packages at its discretion but based on historical data these have been insignificant.

The Company holds therapy and educational events for its customers based on event pricing. Revenues from events are recognized at the conclusion of the event once the services of the event have been provided. The Company also has ePete software that it licenses for use to franchisees. Franchisees pay a monthly fee to access and use the software and revenues are recognized monthly as earned. Substantially all revenues are from contracts with customers and recognized over time as services are provided.

## NOTE 2 – REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

**Impact of the Adoption of ASC 606 on the Financial Statements**
The Company adopted ASC 606 on October 1, 2020 on the modified retrospective basis. As part of such adoption, the new standard was applied only to those contracts which were not completed as of the date of adoption. Additionally, the Company has not retrospectively restated contract positions for contract modifications made prior to the adoption of ASC 606. The Company believes there are no significant performance obligations required in its franchise agreements after a franchisee has opened, therefore, there are no deferred revenues under franchise agreements still in effect on the adoption date. The Company has also historically used the redemption pattern method to recognize revenues from clinic packages and has recognized revenues from services over the period the services were provided which is consistent with ASC 606. The Company, therefore, believes the cumulative effect of applying the new guidance was not material, and, therefore, no adjustment is reflected to opening retained earnings in the accompanying statement of changes in stockholders' equity.

## NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at September 30, 2021:

| | |
|---|---|
| Capitalized internal-use software | $ 547,315 |
| Computer equipment | 120,082 |
| Furniture and fixtures | 54,411 |
| Equipment | 49,724 |
| Leasehold improvements | 4,826 |
| Fitness equipment | 3,580 |
| | 779,938 |
| Less: Accumulated depreciation | (701,194) |
| | $ 78,744 |

Depreciation expense for the year ended September 30, 2021 was $156,578. Capitalized internal-use software costs consist of internally developed software called "ePete software" which was placed in service in July 2018. Accumulated amortization for this software totaled $481,136 at September 30, 2021, and amortization expense for the year ended September 30, 2021 totaled $149,358.

## NOTE 4 – INTANGIBLE ASSETS, NET

Intangible assets, net, consists of the following at September 30, 2021:

| | | |
|---|---|---|
| Domain name | $ | 67,209 |
| Goodwill | | 9,190 |
| | | 76,399 |
| Less: Accumulated amortization | | (20,335) |
| | $ | 56,064 |

Amortization of intangible assets for the year ended September 30, 2021 was $15,280.

## NOTE 5 – CASH SURRENDER VALUE OF LIFE INSURANCE

The Company is the beneficiary and owner of insurance policies on the lives of various stockholders and/or officers of the Company. Premiums are paid by the Company and additional amounts are invested in cash equivalents and will be paid to the Company along with any death benefits. The cash surrender value of these policies totaled $81,600 at September 30, 2021.

## NOTE 6 – SBA PAYCHECK PROTECTION PROGRAM LOANS AND EMPLOYEE RETENTION CREDITS

On May 4, 2020, the Company received loan proceeds in the amount of $286,400 under the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of their average monthly payroll and certain other expenses. The loans and accrued interest are forgivable after eight to twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and meets certain other requirements of the program. The amount of the loan forgiveness can be reduced if the borrower terminates employees or reduces salaries during covered five months. The unforgiven portion of the PPP loan is payable over two years (or up to 5 years) at an interest rate of 1%, with a deferral of payments for up to ten months after the end of the covered five months. In December 2020, the Company was notified by the SBA that the loan was formally forgiven. Therefore, the loan has been reflected as forgiveness of debt income in the accompanying statement of operations for the year ended September 30, 2021.

## NOTE 6 – SBA PAYCHECK PROTECTION PROGRAM LOANS AND EMPLOYEE RETENTION CREDITS (CONTINUED)

On December 27, 2020, the President of the United States signed into law The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, as part of the Consolidated Appropriations Act, which permits second draw PPP loans to be made through March 31, 2021, for certain eligible borrowers with the same general loan terms as the first PPP loans. A borrower is generally eligible if they received a first draw PPP loan, used the full amount for authorized uses, has no more than 300 employees, and can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. The maximum loan amount is 2.5 times (3.5 times for borrowers in the accommodation and food sector services) average monthly payroll costs up to $2,000,000. In February 2021, the Company received their second PPP loan proceeds totaling $206,842.

The terms of the second PPP loan agreement require payments to begin at the earlier of ten months after the end of the covered period or the month after the SBA has made a decision on loan forgiveness. If the loan is not forgiven, the Company estimates principal payments on the loan to be as follows:

| Year Ending September 30, | |
|---|---|
| 2022 | $ 18,804 |
| 2023 | 56,412 |
| 2024 | 56,412 |
| 2025 | 56,412 |
| 2026 | 18,802 |
| Total | $ 206,842 |

The Company has applied and been approved for $165,531 from the United States Treasury under the CARES Act Employee Retention Credit program (“ERC”). The ERC allows small businesses to claim a fully refundable tax credit equal to 50% of qualified wages up to certain maximums if the business meets certain criteria including be fully or partially suspended operations due to COVID-19 or a significant decline in revenues. These amounts are recorded as other income in the accompanying statement of operations and are included in prepaid expenses and other current assets in the accompanying balance sheet.

## NOTE 7 – LINE OF CREDIT

The Company has a line of credit agreement with a commercial bank with a limit of $250,000 that expires in December 2021. Advances are made at the bank's discretion and bear interest at the Wall Street Journal's prime rate plus 1.00% per annum (4.25% at September 30, 2021). The line is secured by substantially all of the Company's assets and is guaranteed by the majority stockholder of the Company. There was no balance outstanding under this agreement at September 30, 2021.

## NOTE 8 – ACCRUED EXPENSES

Accrued expenses consist of the following at September 30, 2021:

| | |
|---|---|
| Income taxes | $ 167,000 |
| Accrued legal settlement | 85,000 |
| Accrued vacation | 24,565 |
| Sales taxes | 34 |
| | $ 276,599 |

## NOTE 9 – RELATED PARTY TRANSACTIONS

The Company and Mount10, Inc. ("Mount10") are under common control and ownership. Mount10 is 100% owned by Phillip P. Egoscue, the majority stockholder of the Company. At September 30, 2021, the Company owed Mount10 $18,972 for expense reimbursements which is included in accounts payable in the accompanying balance sheet.

The Company has a note receivable from an officer/stockholder of the Company which totaled $47,067 at September 30, 2021. The note is due on demand, non-interest bearing, and secured by the cash surrender value and face value of insurance policies owned by the officer/stockholder. The Company does not expect to demand payment within the next year, therefore, it has been reflected as long-term in the accompanying balance sheet.

## NOTE 10 – INCOME TAXES

Income tax benefit (expense) consists of the following for the year ended September 30, 2021:

| | |
|---|---|
| Current | |
| Federal | $ (82,100) |
| State | (37,000) |
| | (119,100) |
| Deferred | |
| Federal | (39,200) |
| State | 2,700 |
| | (36,500) |
| Total income tax expense | $ (155,600) |

Deferred tax assets (liabilities) consist of the following at September 30, 2021:

| | |
|---|---|
| Accounts payable and accrued expenses | $ 57,200 |
| Deferred revenue | 54,100 |
| State tax liability | 7,800 |
| Allowance for doubtful accounts | 3,500 |
| Accumulated depreciation and amortization | (17,300) |
| Accounts receivable | (39,800) |
| Net deferred tax asset | $ 65,500 |

There is no valuation allowance on deferred tax assets as management believes there is greater than 50% likelihood that these assets will be used in the future.

## NOTE 11 – LEASE COMMITMENTS

The Company leases clinic locations in Del Mar, California and San Francisco, California under long-term, non-cancelable operating leases expiring at various dates through September 2026. The lease agreements also include options to extend the lease periods. The leases generally require the Company to pay utilities and other operating costs as defined by the lease agreements. Total rent expense for the year ended September 30, 2021 was $248,528.

The following is a schedule by year of future commitments required under these long-term operating lease agreements:

| Year Ending September 30, | |
|---|---|
| 2022 | $ 235,476 |
| 2023 | 174,477 |
| 2024 | 179,712 |
| 2025 | 185,103 |
| 2026 | 190,656 |
| Total | $ 965,424 |

## NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year ended September 30, 2021 for:

| | |
|---|---|
| Interest | $ - |
| Income taxes | $ 17,000 |

## NOTE 13 – CONCENTRATIONS

**Cash and Cash Equivalents**

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. Bank accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per bank. At September 30, 2021, uninsured bank balances in excess of FDIC limit totaled approximately $879,000. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

## NOTE 14 – PENSION PLAN

The Company has a 401(k) profit sharing plan (the "Plan") for the benefit of its employees. Employees are eligible to participate in the Plan after one year of credited service. Under the Plan, employees can contribute and defer taxes on compensation contributed. The Company also has the option to make discretionary profit sharing or matching contributions to the Plan each year. The Company did not make any discretionary contributions to the Plan during the year ended September 30, 2021.

## NOTE 15 – CONTINGENCIES

### Claims and Complaints

Certain claims and complaints arising in the ordinary course of business have been asserted against the Company. In the opinion of management, all such matters are without merit or are of such kind, or involve such amounts, which would not have a significant effect on the financial position or results of operations of the Company if disposed of unfavorably. The Company accrues for estimated legal settlements when it is reasonably possible a settlement will occur. At September 30, 2021, the Company has accrued for a possible legal settlement totaling $85,000 that is expected to be finalized within the next year.

### Pandemic

As of the date of this report, the Centers for Disease Control and Prevention ("CDC") is still responding to an outbreak of respiratory disease caused by a novel (new) coronavirus that was first detected in China and which has been detected in most locations internationally, including in the United States. The virus has been named "SARS-CoV-2" and the disease it causes has been named "coronavirus disease 2019" (abbreviated "COVID-19"). On March 13, 2020, the President of the United States declared the COVID-19 outbreak a national emergency. The Company is currently assessing the impact of COVID-19 risks to its business and the Company's financial condition and operations are dependent on the ability to successfully manage these risks. If the Company is unable to successfully manage these risks, it is reasonably possible these factors could have a severe near-term negative impact on the Company's financial position and operations.

**Continuation of EXHIBIT "B"**
**TO THE FDD**

**FINANCIAL STATEMENTS**
**(Attached)**

Unaudited Interim Financials Dated December 31, ~~2022~~2023

# Egoscue, Inc.

## Balance Sheet

As of December 31, 2023

| | TOTAL |
|---|---|
| ASSETS | |
| Current Assets | |
| Bank Accounts | |
| 1000 Checking- Egoscue, Inc | 485,337.53 |
| 1005 Savings - Egoscue, Inc. | 78,612.36 |
| 1010 Treasury Bills | 1,576,511.11 |
| **Total Bank Accounts** | **$2,140,461.00** |
| Accounts Receivable | |
| 1100 Accounts Receivable | 176,505.35 |
| 1103 Allowance for doubtful AR | (35,000.00) |
| **Total Accounts Receivable** | **$141,505.35** |
| Other Current Assets | |
| 1400 Prepaid Expenses | 29,999.52 |
| 1410 Prepaid State Income Tax | 13,000.00 |
| 1420 Prepaid Federal Income Tax | 43,500.00 |
| 1435 Interest Receivable | 4,706.59 |
| **Total Other Current Assets** | **$91,206.11** |
| **Total Current Assets** | **$2,373,172.46** |
| Fixed Assets | |
| 1500 Computer Equipment | 120,954.06 |
| 1510 EPete Software | 497,315.00 |
| 1515 ePete IP | 50,000.00 |
| 1520 Equipment | 49,723.59 |
| 1540 Fitness Equipment | 3,580.28 |
| 1560 Furniture & Fixtures | 54,411.24 |
| 1580 Leasehold Improvements | 4,826.00 |
| 1600 Accumulated Depreciation | (762,139.87) |
| 1605 Accumulated Amortization | (35,615.00) |
| **Total Fixed Assets** | **$ (16,944.70)** |
| Other Assets | |
| 1257 Due from Officer - Bradley | 48,676.00 |
| 1710 Goodwill | 9,190.00 |
| 1711 Domain Name | 67,209.17 |
| 1800 Deposits | 33,845.18 |
| 1802 Due from Foundation | 9,267.06 |
| 1809 Life Insurance Cash Value | 95,134.00 |
| 1900 Deferred Tax Asset | 153,700.00 |
| **Total Other Assets** | **$417,021.41** |
| **TOTAL ASSETS** | **$2,773,249.17** |

# Egoscue, Inc.

## Balance Sheet

As of December 31, 2023

| | TOTAL |
|---|---|
| LIABILITIES AND EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | |
| 2000 Accounts Payable | 79,627.01 |
| **Total Accounts Payable** | **$79,627.01** |
| Credit Cards | |
| 2115 Visa (2917) H. Huffer | 12,248.47 |
| 2135 Visa (2909) B. Bradley | 1,580.66 |
| 2140 Visa (3423) M. Haley | 975.80 |
| **Total Credit Cards** | **$14,804.93** |
| Other Current Liabilities | |
| 2210 Sales Tax Payable-CA | 737.17 |
| 2231 Accrued Vacation | 19,970.00 |
| 2233 Other Current Liabilities | 92,000.00 |
| 2300 Customer Deposits | 406,721.00 |
| 2301 Deferred Rent | 21,319.00 |
| **Total Other Current Liabilities** | **$540,747.17** |
| **Total Current Liabilities** | **$635,179.11** |
| **Total Liabilities** | **$635,179.11** |
| Equity | |
| 3010 Common Stock | 1,135.00 |
| 32000 Retained Earnings | 1,775,350.98 |
| Net Income | 361,584.08 |
| **Total Equity** | **$2,138,070.06** |
| **TOTAL LIABILITIES AND EQUITY** | **$2,773,249.17** |

# Egoscue, Inc.

## Profit and Loss

October - December, 2023

| | TOTAL |
|---|---|
| Income | |
| 4000 Revenue - Del Mar Clinic | 151,263.01 |
| 4001 Revenue - Events | 166,197.96 |
| 4002 Revenue - Travel Clinics | 35,238.50 |
| 4008 Revenue - San Francisco | 184,949.25 |
| 4010 Revenue - Education | 82,343.30 |
| 4020 Revenue - ePete | 70,287.50 |
| 4030 Revenue - Royalty | 178,840.61 |
| 4035 Revenue - Licensing/Partnerships | 10,000.00 |
| 4040 Revenue - Product | 23,471.95 |
| 4090 Revenue - Interest | 4.33 |
| **Total Income** | **$902,596.41** |
| Cost of Goods Sold | |
| 5010 COGS - Product | 8,577.15 |
| 5011 COGS - Product Freight | 6,176.33 |
| 5030 COGS - EPete Royalty | 6,225.00 |
| 5085 COGS - Robbins Royalty | 2,061.00 |
| **Total Cost of Goods Sold** | **$23,039.48** |
| GROSS PROFIT | **$879,556.93** |
| Expenses | |
| 6000 Accounting & Legal | 20,099.46 |
| 6005 Advertising/Marketing/Promotion | 5,671.85 |
| 6006 Amortization Expense | 1,120.14 |
| 6010 Bank Charge | 439.48 |
| 6020 Business Meals | 701.43 |
| 6030 Consulting | 131,057.83 |
| 6040 Credit Card Merchant Fees | 27,020.12 |
| 6045 Digital Services | 27,895.03 |
| 6075 Employee Development | 1,200.00 |
| 6092 Filing fees, licenses and permi | 199.00 |
| 6110 Insurance - Health | 13,626.81 |
| 6120 Insurance - Life | 1,913.91 |
| 6125 Insurance - Officers Life | 4,045.86 |
| 6130 Insurance - Workers Comp | 1,456.76 |
| 6160 Office Expense | 7,888.14 |
| 6180 Payroll Tax Expense | 14,834.76 |
| 6182 Payroll Processing Expense | 2,446.45 |
| 6200 Postage & Shipping | 572.36 |
| 6220 Rent | 62,651.26 |
| 6230 Salary Expense | 267,682.77 |
| 6235 Settlement | (90,000.00) |
| 6250 Telephone and Internet | 6,849.52 |

# Egoscue, Inc.

## Profit and Loss

October - December, 2023

| | TOTAL |
|---|---|
| 6260 Travel Expense | 1,813.07 |
| 6261 Airline Tickets | 6,731.35 |
| 6262 Travel-Business Meals | 4,534.34 |
| 6263 Travel - Hotels | 5,834.73 |
| 6264 Meeting Room Rental | 904.26 |
| 6265 Travel Expense-Parking and Toll | 217.35 |
| 6266 Travel-Transport, Rental Cars | 3,857.37 |
| **Total 6260 Travel Expense** | **23,892.47** |
| 6300 Utilities | 2,679.32 |
| **Total Expenses** | **$535,944.73** |
| NET OPERATING INCOME | **$343,612.20** |
| Other Income | |
| 7000 Interest Income | 17,971.88 |
| **Total Other Income** | **$17,971.88** |
| NET OTHER INCOME | **$17,971.88** |
| NET INCOME | **$361,584.08** |

**EXHIBIT "~~DC~~"**
**TO THE FDD**

**SCHEDULE OF FRANCHISEES:**
As of September 30, ~~2022~~2023

| State | Location | Address | Phone |
|---|---|---|---|
| Arizona | Phoenix | 7325 N. 16th St, #140<br>Phoenix, AZ 85020 | (602) 443-6818 |
| Arizona | Scottsdale | 6970 E Chauncy Ln #110<br>Scottsdale, AZ 85354 | (480) 999-5171 |
| California | Newport Beach | 369 San Miguel Dr., Ste 350<br>Newport Beach, CA 92660 | (949) 706-5699 |
| California | Orange County | 27071 Cabot Rd, #107<br>Laguna Hills, CA 92653 | (949) 716-7817 |
| California | San Diego – South | 409 Camino del Rio S., Ste #203<br>San Diego, CA 92108 | (619) 294-3259 |
| California | Walnut Creek | 1777 Oakland Blvd., #111<br>Walnut Creek, CA 94596 | (925) 954-6260 |
| Florida | Palm Beach Gardens | 2401 PGA Blvd., Ste 134<br>Palm Beach Gardens, FL 33410 | (561) 202-6741 |
| Florida | Tampa | 300 S. Hyde Park Ave. #110<br>Tampa, FL 33606 | (813) 443-0916 |
| Georgia | Atlanta | 5775 Glenridge Dr., NE Ste B260<br>Atlanta, GA 30328 | (888) 394-2833 |
| Illinois | Chicago | 1811 W. North Ave., Ste 302<br>Chicago, IL 60622 | (773) 772-1194 |
| Massachusetts | Boston | robertmboyko@gmail.com | |
| Nevada | Las Vegas | 5980 S Rainbow Blvd, Ste #300<br>Las Vegas, NV 89118 | (702) 333-8416 |
| Nevada | Reno | 609 Sierra Rose Dr., Ste. 2<br>Reno, NV 89511 | (775) 737-4630 |
| New York | New York City | 6 E 39th St., Ste #1202<br>New York, NY 10016 | (917) 388-3154 |
| New York | Westchester | 3010 Westchester Ave., Ste. 204<br>Purchase, NY 10577 | (914) 509-5972 |
| Oregon | Portland | 1675 SW Marlow Ave., Ste. 310<br>Portland, OR 97225 | (503) 350-0888 |
| Pennsylvania | Philadelphia | 501 Office Center Dr., #205<br>Fort Washington, PA 19034 | (267) 460-8889 |
| Virginia | Arlington | 4820 S. 31st Street<br>Arlington, VA 22206 | (888) 676-0416 |
| Washington | Seattle | 10700 Meridian Ave. N., #506<br>Seattle, WA 98133 | (206) 695-2947 |

| | | | |
|---|---|---|---|
| **Country** | **Location** | **Address** | **Phone** |
| Japan | Nagoya | Stork Bldg Hisaya 3rd Floor, 1-22-29 Izumi Higashi-ku, Magoya-shi Aichi, 461-0001 Japan | 052-961-3150 |
| Japan | Tokyo | 3-13-5-1206, Shibuya, Shibuya-ku Tokyo 150-0002 Japan | 03-6419-3055 |
| Mexico | Mexico City | Seneca 429-1 Polanco 11560 Mexico City, Mexico | 5255-2580-0617 |
| Mexico | Monterrey | 112 Col Real de San Agustin CP 66278 San Pedro Garza Garcia, Nuevo Leon | |

**FRANCHISEES THAT WERE TERMINATED, TRANSFERRED, DID NOT RENEW, OR CLOSED THEIR FRANCHISE ~~IN 2022~~**
**DURING OUR FISCAL YEAR THAT ENDED SEPTEMBER 30, 2023**

Franchisees who have had an outlet transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year.

| State | Location | Address | Phone |
|---|---|---|---|
| Arkansas | Little Rock | 14001 Chanel Pkwy Ste 2 Little Rock, AR 72211 | (501) 503-5919 |
| California | Beverly Hills | 640 S. San Vicente Blvd. #479 Los Angeles, CA 90048 | (323) 951-0203 |
| California | Santa Monica | 2901 Ocean Park Blvd., Ste. 209 Santa Monica, CA 90405 | (310) 450-2549 |
| Massachusetts | Boston | 46 Austin Street, Ste. 201 Newton, MA 02460 | (617) 916-5331 |
| Texas | Austin | 11211 Taylor Draper, #201 Austin, TX 78759 | (512) 527-0030 |
| Texas | Houston | 601 Sawyer Street, #105 Houston, TX 77007 | (713) 590-3990 |

**FRANCHISES THAT HAVE NOT CONTACTED US WITHIN 10 WEEKS**

None

**EXHIBIT "~~E~~D"**
**TO THE FDD**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

| STATE | CONTACT | DEPARTMENT | ADDRESS | PHONE NUMBER |
|---|---|---|---|---|
| California | Commissioner of Financial Protection and Innovation | Department of Financial Protection and Innovation | 2101 Arena Blvd., Sacramento, CA 95834 | (916) 445-7205<br>(866) 275-2677<br>www.dfpi.ca.gov<br>ask.DFPI@dfpi.ca.gov |
| Georgia | Secretary of State of Georgia | Corporations Division | 2 Martin Luther King Jr. Dr., SE, Suite 315, West Tower, Atlanta, GA 30334 | |
| Hawaii | Commissioner of Securities | Department of Commerce and Consumer Affairs Business Registration Division, Securities Compliance Branch | 335 Merchant Street, Room 203, Honolulu, HI 96813 | (808) 586-2722 |
| Illinois | Chief, Franchise Division | Office of Attorney General | 500 South Second Street, Springfield, IL 62706 | (217) 782-4465 |
| Indiana | Indiana Secretary of State | | 210 State House, Indianapolis, IN 46204 | |
| Maryland | Maryland Securities Commissioner | Division of Securities; Office of Attorney General | 200 St. Paul Place, 20th Floor, Baltimore, MD 21202-2020 | (410) 576-6360 |
| Michigan | Antitrust and Egoscue® facility | Michigan Department of the Attorney General's Office; | 6546 Mercantile Way, Lansing, MI 48910 | (517) 373-7117 |

| | | | | |
|---|---|---|---|---|
| | | Franchise Administrator; Consumer Protection Division | | |
| Minnesota | Commissioner of Commerce | Minnesota Department of Commerce | 85 7th Place East, Suite 280, St. Paul, MN 55101 | (651) 539-1500 |
| New York | Secretary of State | | 99 Washington Avenue, Albany, NY 12231 | (518) 473-2492 |
| North Dakota | ~~North Dakota~~ Securities ~~Department~~Commissioner | | 600 East Boulevard Ave., State ~~Capital Fifth~~Capitol Fourteenth Floor, Dept. 414, Bismarck, ND 58505-0510 | (701) 328-4712 |
| Oregon | Director of Insurance & Finance | Business Service Division of Finance and Corporate Securities Labor and Industries Building | Salem, OR 97310 | (503) 378-4387 |
| Rhode Island | Chief Securities Examiner of Business Regulation | Department of Business Regulation Securities Division | 1511 Pontiac Avenue, John O. Pastore Complex – Building 69-1, Cranston, RI 02920 | (401) 462-9527 |
| South Dakota | Division of Insurance | Securities Regulation | 124 South Euclid Avenue, 2nd Floor, Pierre, SD 57501-3185 | (605) 773-3563 |
| Virginia | Clerk of the State Corporation Commission | | 1300 East Main Street, 1st Floor, | |

| | | | | |
|---|---|---|---|---|
| | | | Richmond, VA 23219 | |
| Washington | Director of Financial Institutions | | ~~150 Israel Road SW, Tumwater~~PO Box 41200, Olympia, WA ~~98501~~98504-1200 | (360) 902-8760 |
| Wisconsin | Wisconsin Commissioner of Securities | Franchise Investment Division | 101 East Wilson Street, Fourth Floor, Madison, WI 53702 | |

If a state is not listed, Egoscue, Inc. has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which Egoscue, Inc. has appointed an agent for service of process.

**EXHIBIT "~~F~~E"**
**TO THE FDD**

**LIST OF STATE AGENCIES RESPONSIBLE FOR FRANCHISE DISCLOSURE/REGISTRATION LAWS**

| STATE | CONTACT | DEPARTMENT | ADDRESS | PHONE NUMBER |
|---|---|---|---|---|
| California | Commissioner of Financial Protection and Innovation<br>www.dfpi.ca.gov<br>ask.DFPI@dfpi.ca.gov | Department of Financial Protection and Innovation | Sacramento:<br>2101 Arena Blvd., Sacramento, CA 95834<br>San Diego:<br>1455 Frazee Road Suite 315, San Diego, CA 92108<br>San Francisco:<br>One Sansome Street, Ste. 600, San Francisco, CA 94101<br>Los Angeles:<br>320 West 4th Street, Ste. 750, Los Angeles, CA 90013-2344 | Sacramento:<br>(916) 445-7205<br><br>San Diego:<br>(619) 525-4233<br><br>San Francisco:<br>(415) 972-8559<br><br>Los Angeles:<br>(213) 576-7500<br><br>Toll Free:<br>(866) 275-2677 |
| Connecticut | Securities and Business Investment Division | Connecticut Department of Banking | 260 Constitution Plaza, Hartford, CT 06103-1800 | (860) 240-8233 |
| Florida | Division of Consumer Services | Department of Agriculture and Consumer Services | P.O. Box 6700, Tallahassee, FL 23214-6700 | (805) 488-2221<br>Fax: (805) 410-3804 |
| Georgia | Secretary of State of Georgia | Corporations Division | 2 Martin Luther King Jr. Dr., SE, Ste. 315, West Tower, Atlanta, GA 30334 | |
| Hawaii | Business Registration Division, Commissioner of Securities | Department of Commerce and Consumer Affairs | P.O. Box 40, Honolulu, HI 96810 | (808) 586-2744 |
| Illinois | Franchise Bureau | Office of Attorney General | 500 South Second Street, Springfield, IL 62706 | (217) 782-4436 |
| Indiana | Franchise Section | Indiana Securities Division, Secretary of State | 302 West Washington Street, Room E-111, Indianapolis, IN 46204 | (317) 232-6681 |

| | | | | |
|---|---|---|---|---|
| Iowa | Iowa Securities Bureau | | 340 Maple, Des Moines, Iowa 50319-0066 | (515) 287-4441 |
| Maryland | Office of the Attorney General | Division of Securities | 200 St. Paul Place, 20th Floor, Baltimore Maryland 21202-2020 | (410) 576-6360 |
| Michigan | Michigan Attorney General's Office | Consumer Protection Division; Attn: Franchise Section | 525 West Ottawa Street, Williams Building, 6th Floor, Lansing, MI 48933 | (517) 373-7117 |
| Minnesota | Minnesota Department of Commerce | Securities – Franchise Registration | 85 7th Place East, Suite 280, St. Paul, Minnesota 55101-2198 | (651) 539-1600 |
| Nebraska | Bureau of Securities/Financial Institutions Division | Department of Banking and Finance | 1526 K Street, Suite 300, Lincoln, NE 68508-2732 | (402) 471-3445 |
| New York | NYS Department of Law | Investor Protection Bureau | 28 Liberty St. 21st Floor, New York, NY 10005 | (212) 416-8222 Fax: (212) 416-6042 |
| North Dakota | Franchise Examiner | North Dakota Securities Department | 600 East Boulevard Avenue, State ~~Capital 5th~~Capitol Fourteenth Floor, Dpt 414, Bismarck, ND 58505-0510 | (701) 328-4712 |
| Oregon | Division of Finance and Corporate Securities | Department of Consumer and Business Services | Labor and Industries Building | (503) 378-4140 Fax: (503) 947-7862 |
| Rhode Island | Securities Division | Department of Business Regulation | 1511 Pontiac Avenue, John O. Pastore Complex 69-1, Cranston, RI 02920-4407 | (401) 462-9527 |
| South Dakota | Division of Insurance | Securities Regulation | 124 S. Euclid 2nd Floor, Pierre, SD 57501-3185 | (605) 773-3563 Fax: (605) 773-5953 |
| Texas | Secretary of State | Registration Division | P.O. Box 13193, Austin, TX 78711-3193<br>1719 Brazos, Austin, TX 78707 | (512) 475-1769 |
| Utah | Division of Consumer Protection | Utah Department of Commerce | 160 East 300 South, SM Box 146704, Salt Lake | (801) 530-6601 Fax: (801) 530-6001 |

| | | | | |
|---|---|---|---|---|
| | | | City, UT 84114-6704 | |
| Virginia | State Corporation Commission | Division of Securities and Retail Franchising | 1300 East Main Street, 9th Floor, Richmond, VA 23219 | (804) 371-9051 |
| Washington | Securities Division | Department of Financial Institutions | P.O. Box 9033, Olympia, WA 98507-9033 | (360) 902-8760 |
| Wisconsin | Division of Securities | Department of Financial Institutions | P.O. Box 1768, Madison, WI 53701 | (608) 266-2801 |
| Federal Trade Commission | Division of Marketing Practices | Bureau of Consumer Protection | Pennsylvania Avenue at 6th Street, NW, Washington DC 20580 | (202) 326-3128 |

**EXHIBIT "~~G~~F"**
**TO THE FDD**

**TABLE OF CONTENTS FOR CLINIC MANUAL**

**Egoscue® Clinic Manual—Table of Contents**


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**EXHIBIT "~~H~~G"**
**TO THE FDD**

**RELEASE AGREEMENT (FORM)**

**RELEASE AGREEMENT**
**(Form)**

This RELEASE AGREEMENT ("Agreement") is made and entered into as of _____ by and between **EGOSCUE, INC.** ("Franchisor") and _____**, LLC/INC.,** _____**, AND** _____ (jointly and severally "Franchisee"). The above will collectively at times be referred to as "Parties" and individually as "Party." Capitalized terms used herein will have the meanings set forth in the Franchise Agreement, unless defined otherwise herein.

RECITALS

WHEREAS, Franchisee entered into an Egoscue® franchise agreement on _____ with Franchisor ("Franchise Agreement"); and

WHEREAS, the Franchise Agreement was personally guaranteed by _____ and _____ ("Personal Guarantor(s)"); and

WHEREAS, the Franchise Agreement has been terminated effective as of _____.

NOW THEREFORE, in consideration of the recitals, premises and other provisions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Franchisor, Franchisee and Personal Guarantor(s) hereby agree as follows:

1. Franchisee and Personal Guarantor(s) hereby, fully and irrevocably, release, acquit and forever discharge Franchisor and its successors, affiliates, directors, officers, members, managers, employees, shareholders, representatives and agents and each of them, individually and collectively, of and from any and all claims, demands, obligations, causes of action, suits or liabilities of any kind and nature, whatsoever, whether known or unknown, suspected or unsuspected, and in whatever legal theory or form which Franchisee and Personal Guarantor(s) have or claim to have, or at any time heretofore, had or claimed to have had, or which may hereafter accrue or arise, against Franchisor, its successors, affiliates, directors, officers, members, managers, shareholders, employees and agents, and each of them, by reason of, or in any way connected with the Franchise Agreement, the relationship described therein and any business transaction, agreement or occurrence, act or omission relating thereto prior to the date hereof. Franchisee and Personal Guarantor(s) further waive any and all state law provisions limiting the effect of a general release.

2. Franchisee and Personal Guarantor(s) hereby covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court agency, or other forum, either affirmatively or by way of crossclaim, defense, or counterclaim against any person or entity released under Section 1 above with respect to any claim released under Section 1.

3. Franchisee and Personal Guarantor(s) represent that each of them fully understands the broad coverage of the release provisions of this Agreement, and that they execute the same with respect to all claims, causes of action and demands, as set forth above, they have or may have against the Franchisor, fully intending that the provisions hereof be

given the broadest interpretation permitted by law or the English language. Franchisee and Personal Guarantor(s) acknowledge and expressly agree that they will make no claim, and hereby waive any right they may now have, or may hereafter have, based upon any alleged oral or written alteration, amendment, or modification of this Agreement, fully waiving any right they may have to refer to extrinsic matters in the interpretation hereof, whether to establish fraud, duress, mistake, undue influence, or for any other purpose.

For franchisees located in California, these releases are intended to waive, release and discharge all claims, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The parties, with the advice of their respective counsel, waive the benefit of both statute and other legal doctrine or principle of similar effect in any jurisdiction.

4. This Agreement may be pleaded as a full and complete defense to, and may be used as the basis for, an injunction against any action, suit or other proceeding which may be instituted, prosecuted or maintained in breach of this Agreement.

5. ~~Nothing in this Agreement releases~~ Franchisee and Personal Guarantor(s) ~~or Franchisee from~~are reminded of their ongoing obligations under the non-competition clauses of the Franchise Agreement ~~or their Non-Competition Agreements~~and the Brand Protection Agreement for Principals signed with Franchisor.

6. Miscellaneous.

6.1 Cooperation. Franchisee and Personal Guarantor(s) will make, execute and deliver to Franchisor, promptly upon request and without additional consideration, any document or instrument necessary to carry out and effectuate the purposes of this Agreement.

6.2 Choice of Law and Jurisdiction. This Agreement will be construed in accordance with and all disputes hereunder will be governed by the laws of the state of Utah without giving effect to its conflicts of law provisions. Franchisee, Personal Guarantor(s), and Franchisor hereby irrevocably consent to the exercise of general personal jurisdiction in the courts of record of the state of Utah even though it may be otherwise possible to obtain jurisdiction elsewhere, and we both agree that Salt Lake City, Utah will be the exclusive venue for any litigation between us. Each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Utah.

6.3 Arbitration. In the event any controversy or dispute arises between the Parties hereto in connection with, arising from or with respect to the provisions hereof, the relationship of the Parties hereto, or the validity of this Agreement or any provision hereof, such dispute or controversy will, on the request of any Party hereto be submitted for arbitration to

the American Arbitration Association in accordance with its commercial arbitration rules. All arbitration hearings will be conducted exclusively in Salt Lake City, Utah, and the laws of the state of Utah will govern, without giving effect to its conflicts of law provisions. The arbitrator will have the power and jurisdiction to decide such controversy or dispute solely in accordance with the express provisions of this Agreement. The prevailing Party in any arbitration suit or action to enforce this Agreement, will be entitled to recover the administrative costs of the arbitration proceeding and the fee for the arbitrator. The Parties agree that any claim hereunder will result in an award not more than 120 days from the date of the statement of claim filed with the American Arbitration Association, unless otherwise waived by the Parties. The award and findings of the arbitrators will be conclusive and binding upon all Parties hereto and the judgment upon the award may be entered in any Court of competent jurisdiction.

6.4 Attorneys' Fees and Costs. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding.

6.5 Amendment. This Agreement may be amended, modified or changed only by a written instrument signed by duly authorized representatives of both Parties.

6.6 Company Authority. The persons signing below warrant that they are authorized to enter into this Agreement on behalf of their respective principals identified below and that by their signatures they bind such principals to this Agreement.

6.7 Binding Agreement. This Agreement and all its terms, conditions and stipulations will be binding upon and will inure to the benefit of the Parties hereto and their respective legal representatives, heirs, successors and permitted assigns.

6.8 Confidentiality. Franchisee and Personal Guarantor(s) agree to maintain this Agreement, the terms hereof, and any and all information obtained or provided by either Party in order to initiate a contractual relationship, in the strictest of confidence.

6.9 Counterparts. This Agreement, and those contemplated herein, may be executed in counterparts, including by means of telefaxed, emailed pdf or other electronically delivered signature page, each of which will be deemed an original, but all of which together will constitute one and the same document.

6.10 Entire Agreement. This Agreement contains the entire agreement and only understanding between the Parties with respect to the subject matter hereof and supersedes all previous negotiations, agreements and understandings between the Parties and affiliates of the Parties, in connection with the subject matter covered herein, whether oral or written, and any warranty, representation, promise or condition in connection therewith not incorporated herein will not be binding upon either Party. The Parties hereby agree that all prior agreements with between the Parties regarding the subject matter hereof are hereby terminated with no continuing duties or obligations on the part of the other Party.

6.11 Paragraph Headings. The paragraph headings appearing in this Agreement are inserted only as a matter of convenience and reference and in no way define, limit, construe or describe the scope, interpretations or extent of such paragraph or in any way

affect such paragraph or this Agreement. Words in the masculine gender include the feminine and neuter. Use of the singular will include the appropriate plural numbers.

6.12 Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, not be effective to the extent of such prohibition, but such prohibition will not invalidate the remaining provisions hereof or affect the validity or enforceability of such provisions in any other jurisdiction.

7. This Agreement will be effective when all the parties have signed it. The date of this Agreement will be the date this Agreement is signed by the last party to sign it as provided in the signature block below.

8. The Franchisee and Personal Guarantor(s) acknowledge that they have carefully read the foregoing Agreement and know and understand the contents of this Agreement, have been represented by counsel, or had the opportunity to be represented by counsel, and sign this Agreement as their own free act, fully intending to be legally bound thereby.

9. For franchisees located in Washington, this Agreement does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and any rule or order adopted thereunder.

[Signatures on the Following Page]

**IN WITNESS WHEREOF**, and by their signatures below, the Parties hereto acknowledge that they have read, understand and agree to all of the terms and provisions of this Agreement and have caused this Agreement to be executed as of the date provided below written with the full authority of the company principal they represent.

| FRANCHISOR: | FRANCHISEE: |
|---|---|
| **EGOSCUE, INC.** | _____ |
| By: _____ (Signature) | By: _____ (Signature) |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

PERSONAL GUARANTOR(S):

| | |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Date: _____ | Date: _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Date: _____ | Date: _____ |

**EXHIBIT "~~I~~H"**
**TO THE FDD**

**SIGNING CHECKLIST**

THE EGOSCUE METHOD®

**Franchise Documents Signing Checklist**
**The following items need to be filled out, signed, or dated by the party indicated**

**1. When you receive the FDD.**

| DOCUMENT | PAGE OR SECTION NUMBER | INSTRUCTIONS | CHECK WHEN COMPLETED |
|---|---|---|---|
| FDD Receipt Pages | (last 2 pages of the entire FDD packet) | There are two receipt pages at the very end of the FDD. You must sign and date both copies. You will keep the copy labeled "Franchisee Copy" and return the other copy ("Franchisor Copy") to the franchisor ("Egoscue"). | ____ |

**2. ~~Before you sign the Franchise Agreement or other documents, but after the 14-day FDD review period.~~**

| ~~DOCUMENT~~ | ~~PAGE OR SECTION NUMBER~~ | ~~INSTRUCTIONS~~ | ~~CHECK WHEN COMPLETED~~ |
|---|---|---|---|
| ~~Statement of Prospective Franchisee~~ | ~~Exhibit B~~ | ~~The franchisee must fill in, initial, sign, and date where indicated.~~ | ____ |

**~~3.~~ When you sign the Franchise Agreement and other documents.**

| DOCUMENT | PAGE OR SECTION NUMBER | INSTRUCTIONS | CHECK WHEN COMPLETED |
|---|---|---|---|
| Franchise Agreement | (page 1) | Fill in the franchisee name | ____ |
| Franchise Agreement | (page 3) | In first paragraph fill in date and franchisee name. | ____ |
| Franchise Agreement | (page 41) | Fill in the franchisee name, address, and email | ____ |

| | | | |
|---|---|---|---|
| Franchise Agreement | (page 48) | 1. If the franchisee is an entity, (1) fill in the entity name on the line before LLC/INC., and have the president, manager, etc. sign on behalf of the entity.<br>2. If there is no entity, the franchisee will sign on the lower lines and print his or her name on the line before "personally." | _____ |
| Search Area and Approved Premises | Exhibit A-1 (page 49) | If the premises is not already known, this will be filled out and initialed later. | _____ |
| Company Reps. and Warranties | Exhibit A-2 (page 50-51) | The franchisee must fill in the appropriate fields, date, and sign. | _____ |
| Brand Protection Agreement for Principals | Exhibit A-4 (page 54-58) | Each owner and principal officer of the franchisee must fill out and sign this agreement. | _____ |
| Employee Brand Protection Agreement | Exhibit A-5 (page 59-62) | To be filled out and signed by each one of franchisee's employees. | _____ |
| Landlord's Consent to Assignment | Exhibit A-6 (page 63) | Landlord fills in the blanks, dates, and signs.<br><br>Landlord and franchisee (tenant) must sign the lease rider. | _____ |
| ACH Agreement | Exhibit A-7 (page 66) | This must be filled out with all the appropriate bank information and signed. | _____ |
| Guaranty of Assumption of Obligations | Exhibit A-8 (page 67-68) | Franchisee must fill in the date, the name of its entity and the date of the franchise agreement on the first page. ~~The owners~~Each owner owning at least 10% of the ~~franchisee~~franchise (and their spouse or domestic partner) must sign and fill out the signature page. | _____ |
| Digital and Social Media Authorization for Assignment | Exhibit A-9 (page 69-70) | Franchisee and franchisor must sign this. | _____ |
| State Addenda | Exhibit A-10 | Depending on your state, you may be required to fill out and sign a state specific addendum. | _____ |

**4. Exhibits to the FDD.**

| DOCUMENT | PAGE OR SECTION NUMBER | INSTRUCTIONS | CHECK WHEN COMPLETED |
|---|---|---|---|
| Form Release Agreement | Exhibit – ~~H~~G | This does not get signed at the time of signing the franchise agreement. This agreement or a form thereof will only be | _____ |

| | | | |
|---|---|---|---|
| | | signed upon the termination, non-renewal or transfer of the franchise. | |

**5. Items to complete after you sign the franchise agreement.**

| DOCUMENT | INSTRUCTIONS | CHECK WHEN COMPLETED |
|---|---|---|
| Proof of insurance | The franchisee must get and maintain insurance and provide proof of insurance that lists the franchisor as an additional insured.<br>The franchisee must provide this **annually**. | _____ |
| Franchisee's d.b.a. | In the state where your franchise is located, you need to file for a dba or "doing business as" under the name "Egoscue _____." The blank line will be the city or neighborhood where your franchise is located or as assigned by the franchisor. For example, if your franchise is located in Irvine, California, your filed dba could be "Egoscue – Irvine." The franchisor must approve your dba before you file it. You must send a copy of the dba filing to the franchisor after it is filed. Please note that a dba is different from your company name if you have a company that is the franchisee. Please note that also you cannot use the name "Egoscue" as part of your company name. | _____ |
| Franchisee's certificate of occupancy | Franchisee must provide a certificate of occupancy before you schedule on-site opening assistance/training | _____ |
| Franchisee's entity documents | Articles of incorporation/organization along with bylaws or operating agreement sent to franchisor. | _____ |
| Copy of lease agreement | The franchisee must provide a copy of the lease agreement to the franchisor. | _____ |

## State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| State | Effective Date |
|---|---|
| California | ~~April 14, 2023~~Pending |
| Hawaii | _____ |
| Illinois | _____ |
| Indiana | _____ |
| Maryland | _____ |
| Michigan | _____ |
| Minnesota | _____ |
| New York | _____ |
| North Dakota | _____ |
| Rhode Island | _____ |
| South Dakota | _____ |
| Virginia | _____ |
| Washington | _____ |
| Wisconsin | _____ |

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.

**RECEIPT**
(Franchisee's 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 Egoscue, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Egoscue, Inc. 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 state administrator listed in Exhibit "~~F~~E." Egoscue, Inc. authorizes the respective state agencies identified on Exhibit "~~E~~D" to receive service of process for it in the particular state.

The issuance date of this disclosure document is January 18, 2024~~2023~~.

Egoscue, Inc., is located at 6300 N Sagewood Drive, Suite H 592, Park City, Utah 84098. Its telephone number is (858) ~~775~~755-1075. The names, business addresses, and phone numbers of each franchise seller offering this franchise is as follows:

| Name | Address | Phone Number |
|---|---|---|
| Meta Haley | 6300 N Sagewood Drive, Suite H 592<br>Park City, Utah 84098 | (858) 755-1075 |
| Brian Bradley | 6300 N Sagewood Drive, Suite H 592<br>Park City, Utah 84098 | (858) 755-1075 |
| ~~John Elder~~ | ~~6300 N Sagewood Drive, Suite H 592<br>Park City, Utah 84098~~ | ~~(858) 755-1075~~ |

If your franchise seller's name and contact information is not listed above, please list the name, address, and phone number of the franchise seller below:

_____

_____

I received a disclosure document dated January 18, 2024~~2023~~ that included the following Exhibits:

A. Franchise Agreement and Its Exhibits
B. Financial Statements~~Statement of Prospective Franchisee~~
C. Schedule of Franchisees~~Financial Statements~~
D. List of Agents for Service of Process ~~Schedule of Franchisees~~
~~E. List of Agents for Service of Process~~
~~F~~E. List of State Agencies Responsible for Franchise Disclosure and Registration Laws
~~G~~F. Table of Contents for the Clinic Manual
~~H~~G. Release Agreement
~~I~~H. Signing Checklist

Date: _____ By: _____
(Do not leave blank) (Signature)

Title: _____ Name: _____
(Print name)

Please keep this copy for your records.

**RECEIPT**
(Franchisor's 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 Egoscue, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Egoscue, Inc. 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 state administrator listed in Exhibit "~~F~~E." Egoscue, Inc. authorizes the respective state agencies identified on Exhibit "~~E~~D" to receive service of process for it in the particular state.

The issuance date of this disclosure document is January 18, 2024~~2023~~.

Egoscue, Inc., is located at 6300 N Sagewood Drive, Suite H 592, Park City, Utah 84098. Its telephone number is (858) ~~775~~755-1075. The names, business addresses, and phone numbers of each franchise seller offering this franchise is as follows:

| Name | Address | Phone Number |
|---|---|---|
| Meta Haley | 6300 N Sagewood Drive, Suite H 592<br>Park City, Utah 84098 | (858) 755-1075 |
| Brian Bradley | 6300 N Sagewood Drive, Suite H 592<br>Park City, Utah 84098 | (858) 755-1075 |
| ~~John Elder~~ | ~~6300 N Sagewood Drive, Suite H 592~~<br>~~Park City, Utah 84098~~ | ~~(858) 755-1075~~ |

If your franchise seller's name and contact information is not listed above, please list the name, address, and phone number of the franchise seller below:

_____

_____

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~~I~~H. Signing Checklist

Date: _____ By: _____
(Do not leave blank) (Signature)

Title: _____ Name: _____

(Print name)

If you do not sign this receipt via our electronic signature platform, then you need to send us a signed and dated copy. You may return the signed and dated receipt by mailing it to admin@egoscue.com.