



FRANCHISE DISCLOSURE DOCUMENT

Apex Franchise Holdings, LLC
A Missouri limited liability company
3322 S. National Avenue
Springfield, MO 65807
Telephone (618) 651-0444
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akordelewski@apexnetworkpt.com

The franchise offered by Apex Franchise Holdings, LLC is for the operation of a physical therapy business operating according to our System and under our Proprietary Marks (each, a “**Facility**”).

The total investment necessary to begin operation of an Apex Franchise Holdings, LLC franchise is between \$192,900 and \$447,950. This includes \$36,300 to \$36,700 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Andrew Kordelewski at Apex Franchise Holdings, LLC, 3322 S. National Avenue, Springfield, MO 65807, 618-651-0444 or via e-mail at akordelewski@apexnetworkpt.com.

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

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

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

Issuance Date: April 24, 2025

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 F
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G 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 ApexNetwork Physical Therapy 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 an ApexNetwork Physical Therapy franchisee?	Item 20 or Exhibit F 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 FRANCHISE GENERALLY

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

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

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

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

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

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

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

SOME STATES REQUIRE REGISTRATION

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contacts 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 Missouri. 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, arbitration or litigate with the franchisor in Missouri than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes 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.
3. **Mandatory Minimum Payments.** If you are in a state which prohibits fee splitting, 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 risk to be highlighted. Check the "State Specific Addenda" (if any") to see whether your state requires other risks to be highlighted.

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

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

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

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

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

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

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

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 1ST FLOOR, LANSING, MICHIGAN 48913, (517) 373-71171.

APEX FRANCHISE HOLDINGS, LLC
FRANCHISE DISCLOSURE DOCUMENT
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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor is Apex Franchise Holdings, LLC, a Missouri limited liability company. For ease of reference, Apex Franchise Holdings, LLC will be referred to as “us,” “we,” “our”, or the “Company”. When we use “you” or “your” in this Disclosure Document, it means the person, partnership, limited liability company, corporation or other entity that buys the franchise. If you are a corporation, partnership, limited liability company or other entity, “you” or “your” shall also refer to the shareholders, partners, members and owners of the entity, and their spouses. If you are an individual, you or your shall also apply to your spouse.

The Company was formed on April 17, 2007 as a Missouri limited liability company and only does business under the name “Apex Franchise Holdings, LLC.” The Company has no parent or predecessor. The Company’s principal business address is 3322 S. National Avenue, Springfield, MO 65807, and its agents for service of process are listed in Exhibit B to this Disclosure Document.

Apex Physical Therapy, L.L.C. (“**APT**”) is an affiliate of ours which currently operates Facilities similar to those that will be operated by franchisees of ours. APT is an Illinois limited liability company. APT does not have any predecessors. APT does not grant any franchises. APT’s principal business address is 15 Apex Drive, Highland, Illinois 62249. APT owns the "Proprietary Marks" (as defined in Item 13) and the System (as defined below). APT granted a world-wide, non-exclusive, perpetual license to us to sublicense the Proprietary Marks and System to our franchisees.

Apex Billing, LLC is a Missouri limited liability company which provides billing and collection services. Its principal place of business is 3322 S. National Avenue, Springfield, MO 65807. It does not conduct a business of the type you will be operating. Apex Billing, LLC provides billing and collection services to you.

We are in the business of franchising a physical therapy business to be operated under our System and identified by the Proprietary Marks ("Facility" or "Facilities"). A Facility will offer physical and/or occupational therapy services and will be operated in accordance with the terms and conditions of the Franchise Agreement which you will be required to sign if you qualify and decide to become one of our franchisees. A copy of the Franchise Agreement is attached as Exhibit C to this Disclosure Document. A separate Franchise Agreement must be entered into for each Facility you operate. We do not currently operate any Facilities but we may do so in the future. If you become our franchisee, you will be granted a non-exclusive license to use the Proprietary Marks (defined in Item 13) in connection with your Facility. You will be granted a territory that we will define after you sign the Franchise Agreement at the time we approve your Location (as defined in Item 12).

In addition to granting you the right to use the Proprietary Marks, your Franchise Agreement grants you the right to use our system for the management and operation of a physical therapy business, our uniform standards and procedures, for business operations; training in operations, management and promotion; advertising and promotional programs; patient development and service techniques; centralized billing; and other functions; certain advertising materials and marketing plans; product and service quality standards; business systems and accounting methods; and other technical assistance (the “**System**”). Unless otherwise permitted or required by applicable law, you or your principal owner may not have to be a licensed physical therapist to purchase this franchise, however you must have employed at all times, at least one duly licensed physical therapist in good standing in the state in which your Facility is located.

The Facilities will be subject to local, county, state and federal regulations and local, county and state licensing regulations for the operation of a physical therapy office being offered by us. As a franchisee, you must comply with all laws and regulations which are currently in existence and which may later be adopted. You should consult with your own legal counsel to determine the applicability of these and other laws and regulations to the operation of your Facility. In addition to general business licenses, Facilities must ensure that all of its physical therapists, occupational therapists, etc. are licensed and in compliance with all applicable laws and regulations. Each Facility must also comply with all federal, state and local regulations including but not limited to those that relate to wage and hour requirements, occupational health and safety, equal employment opportunity, taxes, HIPAA, Federal and State Fraud and Abuse Laws, Federal and State Self-Referral Prohibition Laws, Affordable Care Act, Medicare and Medicaid billing rules, HITECH Act, state corporate practice of medicine laws, state fee splitting laws, hazardous materials and/or wastes, building and/or zoning, fire codes, waste disposal, sanitation and the Americans With Disabilities Act.

In certain states, your Facility must be operated by a licensed medical professional or under a management arrangement with a licensed medical professional because the services that will be provided may be covered by state and federal health care laws. If you are not a licensed medical professional, your state's laws may require you to enter into a health care services management agreement with a licensed medical professional who will provide the health care services at your Facility.

We do not provide assistance in determining which medical license laws apply to your Facility. You are solely responsible for investigating, understanding and complying with the laws, regulations and requirements applicable to you and your Facility. Not all of these laws may be applicable to you, however, you must contact an attorney before signing the Franchise Agreement in order to determine your legal obligations and evaluate the possible effect on your cost and operations. Prior to signing the Franchise Agreement, you must obtain from an attorney who specializes in health care law and is licensed to practice law in the state where your Facility will operate, and deliver to us a written opinion from the attorney ("Opinion") that states that the operations of your Facility in accordance with the terms of the Franchise Agreement will comply with applicable law (including applicable laws regarding the corporate practice of medicine, fee splitting and other health care rules and regulations). If modifications are necessary in order to comply, the Opinion must state what types of modifications must be made and you will be responsible for the preparation of the necessary documents.

The general market will include all individuals in need of physical therapy services and may also include organizations in need of physical therapy services for employees. The market is established but is still developing as more and more individuals come to need physical therapy services and as preventative uses for physical therapy (and related services) become more mainstream. There are numerous direct and indirect competitors in this market. Your competitors will include (a) other regional and local health providers, which provide similar services, and (b) clinics and hospitals. We believe that competition will continue in this industry.

In 2017, we began offering an alternative venue program franchise for the operation of a rehabilitation and home health business to be located within an assisted living facility or skilled nursing facility operating according to our AV System and under our Proprietary Marks in accordance with the terms of an AV Franchise Agreement ("AV Business"). The Company ceased offering franchises for AV Businesses in 2018.

We have offered franchises for Facilities since August 2008. We are currently not offering the alternative venue program. At the end of the prior fiscal year we had 86 Facility franchisees which are open. We have not conducted a business of the type you will be operating and do not engage in any types of business activities other than franchising Facilities and providing services to our franchisees. Neither the Company nor its affiliates have ever offered franchises in this type of business or in any other line of

business. Our Affiliates currently operate 59 Facilities which are similar to the type of business you will offer.

Item 2

BUSINESS EXPERIENCE

President, Chief Executive Officer and Member: Bradley R. Pfitzner

Bradley Pfitzner has been President, Chief Executive Officer and a Member of the Company since its inception in April 2007. From 2003 through the present, Mr. Pfitzner has also been President, Chief Executive Officer and a Member of APT, in Highland, Illinois.

Vice President, Chief Operating Officer and Member: Steven J. Oravec

Steven Oravec has been Vice President, Chief Operating Officer (or Director of Operations) and a Member of the Company since its inception in April 2007. From 2003 through the present, Mr. Oravec has also been Vice President, Chief Operating Officer (or Director of Operations) of APT, in Highland, Illinois.

Director of Clinic Operations and Director of Franchise Operations: Andrew Steven Kordelewski

Andrew Kordelewski has been our Director of Clinic Operations since October 2019 at APT and is now, in addition, Director of Franchise Operations for us and APT. Prior to that time Mr. Kordelewski was the Franchise Development Manager since April 2017 for us and APT.

Marketing Operations Manager – Eastern U.S.: Timothy David Lawson

Timothy Lawson has been Marketing Operations Manager for us and APT since May 2020. From May 2019 until May 2020, Mr. Lawson was a Marketing Manager for us and APT and from October 2018 until May 2019, he was a Marketing Coordinator for us and APT.

Marketing Director Manager – Western U.S.: Lisa K. Cordova

Since April 2020, Lisa Cordova has been the Marketing Operations Manager for us and APT. From April 2019 until 2020, she was the Marketing Manager for us and APT. From October 2018 until April 2019, Ms. Cordova was a Marketing Coordinator for us and APT.

Manager of Clinical Enhancement and Franchises: Beth Ann Hall

Beth Ann Hall has been our Manager of Clinical Enhancement and Franchises since January 2022. From March 2015 until January 2022, Ms. Hall was the Regional Manager for our Affiliate, Apex Physical Therapy, L.L.C. From October 2013 until March 2015, Ms. Hall was a Clinical Manager for our Affiliate, APT.

Item 3

LITIGATION

There is no litigation that must be disclosed in this Item.

Item 4

BANKRUPTCY

There is no bankruptcy that must be disclosed in this Item.

Item 5

INITIAL FEES

All franchisees pay an Initial Franchise Fee of \$35,000 for a franchise to operate a Facility (the “**Initial Franchise Fee**”). If you have owned and operated an existing physical therapy business for at minimum of 1 year and want to convert this existing physical therapy business to a Facility (a “Conversion Franchisee”), the amount of the Initial Franchise Fee is \$10,000. You must pay the Initial Franchise Fee in full on the date you sign the Franchise Agreement. If you are a veteran who has served for at least 1 year in the armed forces, we will give you a 10% discount off the Initial Franchise Fee. During the calendar year 2023, we charged one franchisee (in Rogers, Arkansas) an Initial Fee of \$3,500. We did this because that Facility was already operating in our industry and converted to one of our franchised Facilities. We also did that to expand, strategically, in that market area. Other than that, all fees are uniformly imposed.

In addition to the Initial Franchise Fee, at the time you sign the lease for the Location, you will purchase certain paper and marketing items from us. These branded paper and marketing items that you must purchase from us constitute the Start-up Kit and will cost approximately \$1,300 - \$1,700. Shipping must be paid by you and it is not included in the cost of these purchases.

The Initial Franchise Fee and the cost of the Start-up Kit described above are fully earned by us when paid and are not refundable to you.

Item 6

OTHER FEES

Type of Fee*	Amount	Due Date	Remarks
Royalty Fee (Note 1)	8% of Net Collections unless applicable state law prohibits fee splitting arrangements and, in that case, a flat fee of \$210 - \$16,800 per month depending on the number of claims submitted per month	By 15 th day of each month	Payments must be made via electronic funds transfer ("EFT") or any other method we require. The Royalty Fee is subject to change, but in no event will it be greater than 10%
Marketing Contribution	2% of Net Collections	By the 15 th day of each month	The Marketing Contribution will be deposited in the Marketing Fund which is described in Item 11. Payment must be made via EFT or any other method we require

Type of Fee*	Amount	Due Date	Remarks
Business App Fee	Reasonable Fee. Currently \$40 per month for one front desk, one clinical, and one owner user. Each additional account will be billed at \$10 per month.	By the 15 th day of each month	This is for your email accounts, cloud storage, training and HR portals and clinic reputation management
Billing and Collection Services Fee (Note 2)	Currently, it is either 6% of Net Collections or a flat fee depending on applicable state law.	By the 15 th day of each month	This fee is paid to Apex Billing, LLC for providing centralized billing and collection service under the Billing and Collection Services Agreement
Transfer Fee	50% of the then current initial franchise fee	Before consummation of the transfer	Payable upon a transfer
Renewal Fee	25% of the then current Initial Fee	Upon renewal	Payable when you renew
Indemnification	Varies under circumstances	As incurred	You must reimburse us for, or pay for our counsel to defend us against, claims caused by or related to your operation of your Facility
Taxes (Note 3)	Actual costs	Upon demand	Payable if certain taxes are levied or assessed on the fees you pay to us or our affiliates
Additional Assistance or Training Fees	Reasonable fee. Currently \$100/hr for administrative help and \$160/hr for professional services. Currently there is a \$200 fee per person to have more than 3 people attend Management Training.	As incurred	This is for additional training we may provide from time to time or additional assistance you request
Costs and Attorneys' Fees	Vary depending on nature of your default	As incurred	Payable upon your default or breach of your Franchise Agreement
Interest and Audit	Interest at the lesser of 18% per annum or the maximum rate of interest allowed by law. Our cost for an audit of your books and records	Payable upon receipt of invoice	Interest on all late payments. Audit triggered by an understatement of more than 2% of Net Collections and/or Billing and Collection Services Fees or Royalty Fees

Type of Fee*	Amount	Due Date	Remarks
Managed Care Assistance Fee	\$500 per therapist	Payable upon receipt of invoice	For credentialing of replacement therapists or for any therapist hired on a per diem (PRN), part-time, or contract basis. This Fee is not charged in the event that the Facility hires additional therapists in order to service increased business levels
Failure to Comply with the Dispute Resolution Provisions	\$50,000 plus our expenses in curing your breach	As incurred	If you or your guarantors do not comply with the provisions in the Dispute Resolution Section of the Franchise Agreement

Unless otherwise noted, all fees are imposed by and payable to us or our affiliates. All fees are non-refundable. During the calendar year 2023, we charged one franchisee (in Rogers, Arkansas) an Initial Fee of \$3,500 and agreed to reduce that franchisee's Marketing Contribution Fee to 1% of Net Collections. We did this because that Facility was already operating in our industry and converted to one of our franchised Facilities. We also did that to expand, strategically, in that market area. Other than that, all fees are uniformly imposed.

NOTES:

Note 1: Royalty Fee. Beginning on the month following the month you open your Facility, you will pay us a non-refundable monthly royalty fee (the "**Royalty Fee**") on or before the 15th day of each month. The Royalty Fee will be 8% of Net Collections unless your Facility is located in an area that has a law prohibiting fee splitting arrangement, in which case, the Royalty Fee will be a flat fee (listed below) based on the number of claims you submitted in the prior month to managed care payors, other third party payors and patients for all clinical services rendered by you (or your employees or agents).

Claims Per Month	Royalty
0-50	\$ 210
51-100	\$ 630
101-200	\$ 1,260
201-300	\$ 2,100
301-500	\$ 3,360
501-750	\$ 5,250
751-1000	\$ 7,350
1001-1250	\$ 9,450
1251-1500	\$11,550
1501-1750	\$13,650
1751-2000	\$15,750
2001+	\$16,800

"Net Collections" means the total sum of all monies collected from managed care payors, or other third-party payors and patients (i.e., co-payments and deductible amounts) for all clinical services rendered by

you (or your employees or agents), less amounts refunded or credited to a patient or a managed care payor or other third-party payor as a result of overpayments, erroneous payments or bad checks. When unpaid claims are referred to a collection agent, the amount of Net Collections will include the net amount received by Franchisee through the efforts of the collection agent after deducting the collection agent's fee

Note 2: Billing and Collection Services Fee. Apex Billing, LLC does your billing and collections for you. The Billing and Collection Services Fee will be a percentage of Net Collections unless the state in which your Facility is located has a law prohibiting fee splitting arrangements, in which case the Billing and Collection Services Fee will be a flat fee. As noted above, currently the percentage of Net Collections is currently 6% but can change.

Note 3: Taxes. You are required to indemnify and/or reimburse us and our affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority as a result of the conduct of your Facility's business or the license of any of our or our affiliates' intangible property to you (whether required to be paid by us or our affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our affiliates for these taxes does not extend to income-type taxes which a state or local government imposes on us or our affiliates' income.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee	\$ 35,000	Lump sum	Upon execution of the Franchise Agreement	Us
Start-Up Kit	\$ 1,300- \$ 1,700	Lump sum	Upon execution of the Franchise Agreement	Us
Lease and Security Deposit (Note 1)	\$ 4,000 - \$ 6,000	Lump sum	At the signing of the Lease	Landlord
Improvements, Construction, and Interior Decorating (Note 2)	\$ 50,000 - \$ 275,000	Lump sum	During buildout of facility	Contractor
Architect Fees	\$ 0 - \$ 5,000	Cash	Prior to Opening	Architect
Equipment, Furniture and Fixtures (Note 3)	\$ 15,000 - \$ 35,000	Lump sum	Prior to Opening	Vendors
Signage	\$ 2,000 - \$ 8,000	Lump sum	Prior to Opening	Vendors
Licenses, Dues, Deposits, etc.	\$ 100 - \$ 1,000	Cash	At least 30 days prior to opening	Vendors or agencies

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Travel Expenses (Note 4)	\$ 1,000 - \$ 5,000	Cash	As invoiced	Vendors
Computer Equipment, Software, Access Licensing and Hosting Fees	\$ 10,500- \$ 11,750	Cash or financed by third party	Lump sum unless third party financed	Vendors
Inventory/ Supplies	\$ 500 - \$ 3,000	Cash	At least 30 days prior to opening	Vendors
Professional Fees (Note 5)	\$ 3,000 - \$ 15,000	Cash	As invoiced	Attorney, accountant and vendors
Insurance (Note 6)	\$ 3,500 - \$ 6,500	Cash	As invoiced	Vendors
Additional Funds – 3 months (Note 7)	\$ 65,000 - \$110,000	Cash or financed by third party	As needed during initial period	Us, vendors, employees
Grand Opening Advertising	\$ 2,000 - \$ 5,000	Cash	As invoiced	Us and/or vendors
TOTAL (Note 8)	\$192,900- \$522,950			

These expenses are merely estimates. You should make your own independent investigation and analysis of the potential expenses which may be incurred in order to open your Facility and obtain professional advice. If you are a Conversion Franchisee, your initial investment expenses may be different based on the leasehold improvements, build out of the premises and the equipment you already possess. All expenditures that are paid to us are non-refundable, except as specifically noted within this document.

Note 1: Lease and Security Deposit. If you don't own your own space, you will have to lease space for your Facility. The estimated amount is for a rental deposit of one month's rent. Your monthly rent will vary depending on factors like size, condition, location and the local real estate rental market. You can locate your Facility in a variety of locations, including the suburbs, downtown or strip shopping centers. We estimate that approximately 2,000 square feet are needed for a Facility. Usually, the landlord will require you to pay the equivalent of 1 month's rent for a deposit and the first month's rent. These estimates are based on one month's rent for a security deposit and the first month's rent. These estimates are based on amounts in Southern Illinois.

Note 2: Improvements, Construction and Interior Decorating. Your initial investment for leasehold improvements will depend on the size and location of the leased premises, type of improvements desired or required and amount of usable improvements already in place at the Location. Under some circumstances the landlord will give you a landlord/tenant allowance to pay for some of the improvements. At your discretion, you can incur long-term financing to cover leasehold or other expenses and cash outlays. The terms and costs of this financing are determined by market forces.

Note 3: Equipment, Furniture and Fixtures. This estimate for equipment includes clinical equipment such as treatment tables, Jamar hand evaluation kit, a 6 inch goniometer, 12 inch goniometer, cuff weights in specified weights, dumbbells in specified weights, dumbbell rack, specified ultrasound machine, specified electrical stimulation machine, rolling clinician stool, sphygmomanometer, stethoscope, paraffin

unit, iontophoresis unit, iontophoresis electrodes, anatomical posters, mirrors, scales, treadmill, exercise bike, and various other pieces of clinic equipment as well as some office equipment including a phone system, answering machine, chairs, desk(s), network router, a multi-function printer, filing cabinets, interior decorations, etc.

Note 4: Travel Expenses. We do not charge a fee for the initial training of 3 individuals. You must, however, pay all expenses, including accommodations, travel and wage expenses for these individuals during training. If you decide to send more than 3 people to the initial training program, we will charge you a fee of \$200 per person, per day, plus you must pay all associated expenses (see Item 11).

Note 5: Professional Fees. The lower amount assumes that you will operate in a state in which we already know the impact of the state health care related laws and nothing further needs to be done other than obtaining typical legal and accounting services. The higher amount assumes that you will need to obtain an Opinion and that your state laws will require you to enter into a health care services management agreement with a licensed medical professional who will provide the health care services at your Facility. Please note that legal fees in other parts of the country can be even higher than the amount listed and may depend on the particular attorney or law firm you choose.

Note 6: Insurance. These amounts represent the annual premium for the required insurance. Many insurance companies will require you to pay a smaller amount prior to opening and allow you to pay the remainder in monthly payments throughout the year. The type of insurance you are required to maintain is described in Article 10 of the Franchise Agreement.

Note 7: Additional Funds. This item estimates your initial start up expenses before operation and during the first 3 months of operation. This item includes rent, payroll costs, benefits, utilities, additional inventory requirements, supplies, etc., but does not include Royalty Fees, Marketing Contribution, local marketing, any expenses which are listed in the above chart and a salary or draw for your owner. These figures are estimates, and you may have additional expenses in order to start the business. Your costs will depend on factors such as: how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your services; the prevailing wage rate; competition; and sales level reached during the initial period. We cannot estimate or promise how much additional funds any particular franchisee requires, nor estimate when or for how long additional funds are needed to operate a Facility.

Note 8: These figures were based on the experience of our Affiliate- owned Facilities located mainly in Illinois dating back to 2003. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. The availability of financing will depend upon various factors such as, the availability of financing generally, your credit worthiness, other security that you may have, and the requirements of lending institutions concerning the type of business to be operated by the you.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases from Approved Suppliers Other than Managed Care Payors or 3rd Party Payors

In order to maintain a consistent image and facility design throughout the System, we regulate, among other things, the types, models and brands of fixtures, furnishings, equipment, signs, materials, supplies, computer systems (See Item 11) and other items used in operating your Facility. All products and items must conform to those standards and specifications as may periodically be established by us. You must obtain our written approval before making any changes in the appearance of your Facility and

before modifications to or replacements of decorating materials, fixtures, equipment, products, furniture, signs or any other items. You must purchase and lease the computer hardware and software system and use the billing and collection provider and the electronic claims clearinghouse we require. This information is described in Item 11.

Approved suppliers shall be ones who demonstrate to us their ability to meet our minimum standards for quality, price and reliability. Requirements and specifications for products and other items and lists of approved suppliers may be listed in our operations manual (the “**Operations Manual**”). By written notice to you and/or through changes in the Operations Manual, we may revise our requirements and specifications, add or delete approved suppliers, terminate existing purchase arrangements and suppliers and/or enter into new purchase arrangements with additional suppliers. We reserve the right to become or designate an affiliate as, a supplier, or the sole supplier, of certain products or services at any time, or to require you to submit all your supply or other orders to or through us.

You are permitted to contract with alternative suppliers that have been approved by us. If you desire to use a supplier not expressly approved by us in writing, you must first submit all information we may request, including specifications and samples if applicable, to enable us to determine whether the item complies with our standards and whether the supplier meets our approved supplier criteria. Approval of a supplier of products may be conditioned, among other things, on requirements for product quality, price, cost, frequency of delivery, standards of service, brand recognition and concentration of purchases and may be temporary, pending our evaluation of the supplier. We may charge you a reasonable fee to cover the costs we incur in making our determination. We will notify you, in writing, within 30 days, of our decision. We periodically establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. We do not disclose our supplier criteria. We may revoke our approval of a supplier at any time in our sole discretion.

Currently, you are required to use our affiliate, Apex Billing, LLC, as your billing and collection services provider, if permitted by applicable law. In addition, you must purchase from us certain marketing materials, unless prohibited by state law. Our affiliates may derive revenue from these required purchases. We did not have any revenue from franchisee’ purchases or leases during 2024. For the fiscal year ending December 31, 2024, neither we nor our affiliates received any revenue from franchisees purchases or leases. Other than as described in this Item 8, there are no approved suppliers in which a Company officer owns an interest.

There are currently no purchasing or distribution cooperatives. We may receive discounts, rebates, commissions, promotional allowances and other benefits if you buy items from certain suppliers we designate based on the quantities of products you and other franchisees buy. During the last fiscal year ending December 31, 2024, neither we nor our Affiliates received any rebates. We and our affiliates reserve the right to negotiate with various vendors for quantity discount contracts which may include rebates under these contracts. We reserve the right in the future to affiliate ourselves with suppliers, and/or receive revenues from purchases made by franchisees. It is estimated that the purchases we require you to make described in the above paragraphs are approximately 30% of the cost to establish a franchise and approximately 15% of total annual operating expenses.

We may negotiate purchase arrangements with suppliers, however we are not required to do so. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers. However, please be advised that you are required to use only approved suppliers.

In addition to the purchases or leases described above, you must buy and maintain, at your own expense, insurance coverage that we require and to meet the other insurance-related obligations, all of

which are described in detail in Article 10 of the Franchise Agreement. The cost of coverage will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us as an additional insured party.

You must also open a merchant account system with the ability to process Visa®, MasterCard®, American Express® and Discover® transactions. You must set up your merchant account system so that we receive a monthly statement of all transactions.

Managed Care Payors and 3rd Party Payors.

In order to maintain a consistent image and to enhance your Facility and the franchise system, it is important that you become a participating provider under the same or similar managed care payors as our affiliate-owned and franchisee owned Facilities. For that reason, we require that you use your best efforts to become a participating provider under all of the managed care payors which we may require from time to time which will be specific to the Location of your Facility. A list of the required managed care payors for your Location will be included in the Operations Manual. We will assist you in contracting with the managed care payors so you can become a participating provider. You understand that we have no control over any actions or inactions taken by the managed care providers. Further, you understand that we cannot and will not negotiate any terms and conditions with any managed care payor that would be applicable for the entire franchise system. Our affiliate, APT reserves the right to negotiate various contract and payment arrangements with applicable employers, managed care providers and 3rd party payors on its behalf and on behalf of all of our franchisees. You and all of our similarly situated franchisee will be required to participate in these contract and payment arrangements in accordance with the terms APT has negotiated.

You are not permitted to be a participating provider with any managed care payor or any state, federal or private third-party payor program, including but not limited to state worker compensation payment programs and third-party administrators ("3rd Party Payor") other than those required or approved by us unless we consent in writing. If you wish to become a provider for a managed care payor or a 3rd Party Payor that is not approved or required by us, you must provide us with information regarding the managed care payor or 3rd Party Payor. We have objective criteria in which to evaluate managed care payors or 3rd Party Payors. Approval of your participation with a managed care payor or 3rd Party Payor will be conditioned, among other things, on its reimbursement rate, reputation in the area and other factors. We may charge you a reasonable fee to cover the costs we incur in making our determination. We will notify you in writing, within 60 days of our decision.

In addition to the purchases or leases described above, you must buy and maintain, at your own expense, insurance coverage that we require and to meet the other insurance-related obligations, all of which are described in detail in Article 10 of the Franchise Agreement. The cost of coverage will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us and our affiliates as additional insured parties. The current minimum amounts and types of insurance required are as follows:

Note: With respect to the limits of insurance, required limits may be satisfied through a combination of Primary and Umbrella or Excess Liability policies so long as the limit requirements are met.

(A) General Liability. Commercial general liability insurance in an amount of \$2,000,000 per occurrence and \$4,000,000 in the aggregate;

(B) Workers' Compensation. Workers Compensation insurance affording coverage for statutory benefits and Employer's Liability for limits of \$500,000 Each Accident, Injury by Accident; \$500,000 Each Person, Injury by Disease; \$500,000 Policy Aggregate, Injury by Disease;

(C) Property. Property coverage, insuring all Franchisee's personal and real property for their full replacement value;

(D) Automobile. Automobile coverage (including non-owned automobile coverage) in an amount of \$1,000,000 each occurrence, Bodily Injury and Property Damage combined;

(E) Business Interruption Insurance. Business interruption insurance covering Franchisee and the Franchised Facility's operations for 12 months;

(F) Professional Malpractice Insurance. Professional malpractice insurance covering each clinical professional in at least an amount of \$1,000,000 per claim and \$3,000,000 in the aggregate or as required by state law.

(G) Cyber Liability. Cyber liability insurance covering Franchisee for Privacy Injury & Identity Theft and for Network Damage in the amount of \$1,000,000 per claim and \$1,000,000 in the aggregate.

(H) Employment Practices Liability Insurance. \$1,000,000 coverage including 3rd party liability.

(H) Additional Insurance. Such other insurance, and in such amounts, as may be required from time to time by us for your and our protection. We may periodically increase the amounts of coverage required under all insurance policies described above and may require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, provided such changes are effectuated generally for each Facility similarly situated.

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 1.1(A), 1.2, 1.6, 4.1(B), 5.17 and 12.2(M)	Items 6, 7 and 11
b.	Pre-opening purchases/leases	Sections 3.1(H), 4.3, 5.3, 5.5, 5.8(C), 5.8(F), 5.8(G), 5.10(A) and 9.6	Items 5, 7, 8 and 11
c.	Site development and other pre-opening requirements	Sections 4.1, 4.2, 4.6, 4.7, 5.1-5.5, 10.1 and 10.2	Items 6, 7 and 11
d.	Initial and ongoing training	Sections 3.1(G), 4.4, 4.7, 4.8(D), 5.5 and 5.12	Items 7, 11 and 15
e.	Opening	Sections 3.4(B), 4.1(A), 4.4(A), 4.6-4.7, 5.2(B), 5.2(C), 5.5, 8.1 and 10.1	Items 7 and 11
f.	Fees	Sections 2.2(G), 3.1, 3.6, 4.4(A), 4.4(D), 4.8(A), 4.8(D), 5.5, 8.4, 9.5(B), 11.3(K), 11.4 and 17.7	Items 5, 6 and 7

Obligation		Section in Agreement	Disclosure Document Item
g.	Compliance with standards and policies/operating manual	Sections 4.5, 5.6-5.8, 5.16, 5.18, 6.2, 7.1-7.3, 9.1, 9.6, 11.9, 12.1(F), 12.2 and 17.21	Items 8, 11, 14, 15 and 16
h.	Trademarks and proprietary information	Sections 1.1, 4.5, 4.8(B), 4.8(C), 5.19, 6.1-6.7, 7.1, 7.2, 7.3, 8.2(B), 8.3(B), 12.1(F), 12.1(H), 13.1, 13.4, 13.5, 14.1, 14.2 and 15.3	Items 11, 13 and 14
i.	Restrictions on products/services offered	Sections 5.6, 5.8(B), 5.8(C), 5.8(D), 5.8(E), 5.10 and 5.16(B)	Items 8 and 16
j.	Warranty and customer service requirements	Sections 5.8, 5.9, 5.15, 5.16 and 12.2(H)	Not Applicable
k.	Territorial development and sales quotas	Section 1.3	Item 12
l.	Ongoing product/service purchases	Sections 4.9, 5.8(C), 5.8(F), 5.10(A), 8.2(B) and 8.3(B)	Item 8
m.	Maintenance, appearance, and remodeling requirements	Sections 2.2(B), 5.7, 5.8(F), 5.8(G), 5.9, 5.16(B), 5.18, 6.2, 6.7, 9.6, 11.3(G) and 12.2(I)	Items 8 and 11
n.	Insurance	Sections 3.1(G), 4.8(D), 5.4, 5.5 and 10.1-10.5	Items 7 and 8
o.	Advertising	Sections 1.3, 2.2(D), 3.1(D), 4.8, 5.8(B), 8.1-8.7 and 13.1(G)	Items 6, 7 and 11
p.	Indemnification	Sections 15.4	Items 6 and 13
q.	Owner's participation/management/staffing	Sections 4.4(B), 4.4(E), 4.8(D), 5.5, 5.9 and 5.12	Items 11 and 15
r.	Records and reports	Sections 3.3, 3.4(C) 9.1-9.5, 9.7 12.1(G) and 12.2(F)	Items 6 and 8
s.	Inspections and audits	Sections 2.2(B), 4.6, 5.2(B), 5.8(F), 5.10(B), 5.16, 9.2, 9.3, 9.4, 9.5, 9.6, 11.3(B) and 12.2(F)	Item 6
t.	Transfer	Sections 3.1(F), 11.1-11.9, 12.2(D) and 13.1	Items 6 and 17
u.	Renewal	Sections 2.1, 2.2 and 3.1(E)	Items 6 and 17
v.	Post-termination obligations	Sections 13.1-13.5, 14.1 and 14.2	Item 17
w.	Non-competition covenants	Sections 14.2-14.4	Item 17
x.	Dispute resolution	Sections 17.8, 17.9, 17.13, 17.18 and 17.23	Item 17

Item 10

FINANCING

We may, in our sole discretion, provide financing to you if you are a qualified franchisee based on your credit-worthiness and our current financing policies. If we agree to provide financing, we will loan you an amount up to \$70,000 based on approximately 15% to 20% of the actual amount it will cost you to establish your Facility excluding the Initial Franchise Fee ("Financed Amount"). Prior to us providing financing to you, you must sign a promissory note for the Financed Amount ("Promissory

Note”). A copy of the Promissory Note is found in Exhibit 9 of the Franchise Agreement. You and your owners will personally guaranty the payment of the Promissory Note.

The following is a summary of the terms of the Promissory Note. You will pay the monthly payments by EFT which is described in Item 6.

SUMMARY OF FINANCING OFFERED

Item Financed	Source of Financing	Down Payment	Amount Financed	Term Months	Interest Rate	Monthly Payment	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Approx. 15% of the initial investment not including Initial Franchise Fee	Us	0	*Up to \$70,000	60	10%	*Up to \$1448	None	Personal Guaranty and all assets of the Franchised Business	Acceleration of debt, loss of business & attys' fees	See below **

* The total amount financed will be determined by us in our sole discretion based on the actual costs you will incur in order to establish your Facility excluding the Initial Franchise Fee. The monthly payments will depend on the amount borrowed.

**You will waive presentment and demand for payment, notice of dishonor, notice of intention to accelerate, notice of acceleration, protest and notice of protest and non-payment and all other notices of any kind.

If any of the following events of default occur, we can accelerate the Promissory Note, demand immediate payment of the full outstanding balance and obtain court costs and attorneys' fees if a collection action is necessary: (i) you fail to pay when due and it continues for 10 days after receipt of written notice of the default; (ii) you breach any obligation under the Franchise Agreement; (iii) you apply for or consent to a trustee, receiver or make a general assignment for the benefit of creditors; or (iv) there is a bankruptcy or other reorganization or debt arrangement which remains for 60 days. In addition, any "Transfer" under the Franchise Agreement will cause the Promissory Note to be accelerated and due upon demand.

Other than as described above, neither we nor any agent or affiliate of ours offers direct or indirect financing to you, guarantees any of your notes, leases or obligations, or has any practice or intent to sell, assign or discount to a 3rd party all or part of any of your financing arrangements.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Before you open the Franchised Business, we will:

1. Provide you with site location criteria and may provide additional site selection counseling and assistance. (Franchise Agreement, Section 4.1.)

Factors we consider in granting approval of your selected location include general location and neighborhood, traffic patterns, size, layout, population density, zoning, lease terms, Referral Sources as described in Item 12, surrounding the location, physical characteristics of the premises and the proximity of competing businesses.

2. Consent to or reject your location. (Franchise Agreement, Section 4.1)

We will consent or reject your proposed location within 30 days of you providing us with all information relating to the location. Our consent of a location designated by you will not be unreasonably withheld. Our consent is not a representation or a warranty that your Facility will be profitable or that your sales will attain any predetermined levels. Such consent is intended only to indicate the proposed location meets our minimum criteria for identifying locations. If you and we do not agree upon a site and you are not opened within 11 months of when you sign the Franchise Agreement, we have the right to terminate the Franchise Agreement and will not refund the Initial Franchise Fee.

Your lease must contain certain terms that are included in Exhibit 5 of the Franchise Agreement. In addition, you are required to execute a Collateral Assignment of Lease (Exhibit 6 in the Franchise Agreement) agreeing to assign your rights to the lease to us, in the event of a termination or expiration of the Franchise Agreement or a default under the lease. You are primarily responsible for investigating the Location and having any leases or sales contract for the Location reviewed and approved by your attorney.

3. Loan you sample floor and/or space plans for your Facility and specifications and/or standard recommended floor plans. (Franchise Agreement, Section 4.2.)

You will construct your Facility in accordance with specifications prepared by you, subject to our right to consent to such specifications, layout and design. The cost of plans and specifications shall be borne by you. Our consent shall be limited to review of such plans to assess compliance with our design standards for a Facility, including such items as trade dress, presentation of trademarks, and the provision to the potential patients of certain services that are central to the functioning of the Facility. Our review is not designed to assess compliance with federal, state or local laws and regulations, including the Americans with Disabilities Act ("ADA"). Compliance with such laws is your sole responsibility.

4. Loan you our specifications and requirements for design, decoration, layout, equipment, furniture, fixtures and signs for your Facility. (Franchise Agreement, Section 4.2.)

We do not install or deliver any of the equipment, signs, fixtures, etc. You may purchase some of the initial supplies from us, our affiliates or other franchisees. Otherwise, you will purchase initial supplies, equipment, signs, fixtures, and inventory from our list of approved suppliers.

5. Supply you with a list of all required equipment, supplies, materials, items and inventory and other items necessary to operate your Facility and a list of approved suppliers of all required items. (Franchise Agreement, Section 4.3.)

6. Assist you in the enrollment and re-enrollment with managed care payors for you to be a participating provider. (Franchise Agreement, Section 4.6)

The list of required managed care payors will be included in the Operations Manual. You will be required to use your best efforts to be a participating provider for all of the required managed care payors for your Location.

7. Provide 5 days of training (“**Management Training**”) for up to 3 persons. (Franchise Agreement, Section 4.4.)
8. Loan you one copy of our confidential, proprietary Operations Manual. (Franchise Agreement, Section 4.5.)
9. We will provide an Opening Assistance Program (described below) which shall be conducted shortly before, during or after the grand opening of your Facility. Such Opening Assistance Program shall last for up to 2 days. (Franchise Agreement, Section 4.7.)

Time to Open

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a Facility depends, in part, on the Location. You are expected to use your best efforts and work diligently to open your Facility within 6 months of the date of your Franchise Agreement. Factors affecting this length of time usually include obtaining a satisfactory location, build out complexity, permits, financing arrangements, completing training, local ordinance compliance questions and delivery and installation of equipment, materials, products and signs. You must notify us of any delays you incur in opening your Facility. If you and we cannot agree upon a site or you do not open your Facility within 11 months of signing the Franchise Agreement, we have the right to terminate the Franchise Agreement.

During the Operation of your Franchised Business, we will:

1. Make ourselves reasonably available for consultation on matters such as operations, advertising and promotion and business methods, on terms and for additional compensation as you and we may agree on, the amount of which is contingent upon your request and cannot be estimated at this time. (Franchise Agreement, Section 4.8(A).)

We will not be involved in the manner and method by which therapists provide medical services or treat patients, and all such advice and the manner and method of providing treatment to patients rests solely with the therapist in accordance with his or her professional judgment and sound medical practices and state law regulations.

2. May provide you with representation on our corporate website at URL www.apexnetworkkpt.com, while we maintain this website (Franchise Agreement, Section 4.8(B).)
3. Although we are not obligated to, we may provide refresher training programs, seminars or advanced management training at locations designated by us, which you may be required to attend. (Franchise Agreement, Section 4.8(C).)
4. Provide or have our affiliates provide billing and collection services or provide you with an approved vendor to supply such services. You will be required to sign a Business Associate Agreement with us regarding the patient's protected health information. (Franchise Agreement, Section 4.9 and Exhibit 4)

5. Provide you with assistance in credentialing and with becoming a participating provider with a managed care payor. Under certain circumstances, you may be required to pay us a Managed Care Assistance Fee when we provide you assistance in obtaining credentialing for some of your therapists. (Franchise Agreement – Section 4.6)
6. Provide you continued use and access to the Operating Manual. (Franchise Agreement Section 4.5)

The Operating Manual is confidential and remains our property. You will operate your Facility in strict compliance with those operational systems, procedures, policies, methods and requirements found in the Operating Manual which are designated as mandatory and in any supplemental bulletins and notices, revisions, modifications or amendments, either in document or electronic form, all of which are a part of the Operating Manual.

You must treat the Manual, any other manuals or written materials provided by us or our affiliate for use in the operation of the Franchised Business, (in any format whatsoever, including but not limited to electronically, via the Internet, hard copy, etc.) and the information contained in them, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise reproduce these materials, in whole or in part or otherwise make them available to any unauthorized person. The Manual must be kept in a secure place within your Franchised Business. It must be returned to us upon termination or expiration of your Franchise Agreement.

We have the right to make additions to, deletions from or revisions to the Manual, which you have to comply with at your own cost. You must ensure that the Manual is kept current at all times. If there is any dispute as to the contents of the Manual, the terms of the master copy maintained by us, at our principal office, will be controlling. The table of contents of the Manual, including allocation of pages to each subject, is included as Exhibit D to this disclosure document. As of the date of this disclosure document, the Manual is approximately 68 pages

Advertising

We assist you by seeking to increase the recognition of our Proprietary Marks and the patronage of Facilities in 3 ways: (1) providing advice on grand opening advertising; (2) providing standards and reviewing your local advertising and marketing; and (3) administering the contribution that each franchisee will be required to make for the creative development and placement of advertising and marketing (collectively, the “**Marketing Contributions**”). We do not have a franchisee advisory council that advises us on advertising policies.

We advise you on methods to advertise and market the grand opening of your Facility. This advice includes reviewing your grand opening advertising budget and recommending promotional activities. You must spend at least between \$2,000 and \$5,000 on grand opening advertising and marketing. This advertising and marketing is in addition to and not in lieu of the minimum monthly marketing expenditures you are required to make. We must approve all of your advertising and marketing before its use.

We may prepare and produce advertising, marketing and public relations materials and administer local, regional and/or multi-regional advertising materials using the Marketing Contributions. The Marketing Contributions may be used to pay the costs of preparing and producing video, audio and written advertising materials, administering regional and multi-regional advertising programs, including other media advertising and employing advertising, promotion and marketing research and other advertising, promotion and marketing activities. Marketing Contributions are not used to sell additional

franchises. For the fiscal year ending December 31, 2024, 46% of the money spent from the Marketing Contributions was spent on professional fees / contract labor, 49% was spent on advertising and marketing, 4% was spent on administrative costs and rent and 1% was spent on dues and subscriptions. None was spent to sell or market additional franchises.

As described in Item 6 of this Disclosure Document, you must pay 2% of Net Collections as Marketing Contributions. The Marketing Contributions will be accounted for in the Marketing Fund separate from our other funds and will not be used to defray any of our general operating expenses, except for salaries, administrative costs, travel expenses and other overhead that we may incur in the administration of the Marketing Contributions and the Marketing Fund. We will not audit the financial statements; however, we will prepare an annual unaudited financial statement reflecting the Marketing Contributions collected and costs incurred by the Marketing Fund and furnish that statement to you upon your written request. We anticipate spending all of the Marketing Contributions collected in any fiscal year in that particular fiscal year. However, in any fiscal year, an amount greater or less than the actual aggregate Marketing Contributions contributed may be spent, and we may loan monies to cover deficits or invest any surplus for future use. All interest earned on Marketing Contributions will be used to pay advertising and marketing costs. We will endeavor to spend the Marketing Contributions to develop advertising and marketing materials and programs beneficial to our franchisees generally. However, we will undertake no obligation to ensure that expenditures of the Marketing Contributions in or affecting any geographic area are proportionate or equivalent to the Marketing Contributions by franchisees operating in that geographic area or that any Facility or franchisee will benefit directly or in proportion to its Marketing Contributions from the development of advertising and marketing materials or the placement of advertising. We assume no other direct or indirect liability or obligation to you for collecting, maintaining, directing or administering the Marketing Contributions. Currently our affiliate-owned Facilities are not required to contribute to the Marketing Fund.

If we determine that our franchisees can most efficiently and effectively advertise and promote their businesses by pooling resources, we may designate any geographic area or certain Facilities to establish a cooperative to execute regional and national media “advertising buys” (each an “**Advertising Cooperative**”). We may include or exclude any particular Facility from being a member of any particular Advertising Cooperative, including Facilities owned by us or our affiliates. If we designate your Facility be included in the Advertising Cooperative or designates a geographic area that includes the Location or any part of the Assigned Territory (as defined in Item 12), then you will be required to participate in the Advertising Cooperative. We retain the right to change, dissolve or merge the Advertising Cooperative with or into another Advertising Cooperative. The following provisions will apply to each Advertising Cooperative: (i) the Advertising Cooperative will operate from written governing documents prepared by the members of the Advertising Cooperative and approved by us; (ii) the Advertising Cooperative will be administered by franchisees who are members of the Advertising Cooperative and who are elected by all the franchisees who are members of the Advertising Cooperative; (iii) the Advertising Cooperative must obtain our approval of all advertising, marketing or promotional materials it intends to use; (iv) each Advertising Cooperative will have the right to require its members to make contributions to the Advertising Cooperative in an amount determined by the elected officers and approved by a majority of the members of the Advertising Cooperative; and (v) each Advertising Cooperative must prepare annual unaudited financial statements that are made available for review by us and all of the members of such Advertising Cooperative.

In addition to your Marketing Contribution and grand opening advertising, you must spend at least 5% of your Net Collections for business development and marketing. For example, qualifying expenses include physician lunches, lunch and learns, marketing personnel wages, industry marketing, seminars, promotional items, newspaper and telephone book advertisements. Your local advertising must follow our guidelines and must be approved by us prior to use. You must submit all advertising and

marketing materials to us for our prior written consent at least 20 days before you plan to use them. You may not advertise or use in advertising or other forms of promotion, the Proprietary Marks without the appropriate copyright, trademark and service mark registration symbols for those marks which are registered or in a manner which would misuse or dilute the Proprietary Marks, or damage the goodwill associated with the Proprietary Marks. All advertising and promotional materials you use must be completely factual, comply with all applicable laws and conform to the highest standards of ethics and quality.

You may not advertise or use any of the Proprietary Marks on the internet. We maintain the website www.apexnetworkpt.com. As long as we maintain this website, we will provide contact information for your Facility on our website. Further, you shall not use the Proprietary Marks (or any marks or names confusingly similar to the Proprietary Marks) as an internet domain name or in the content of any Website.

Computer Systems

You must use the Practice Management Software System ("Software System") we require which will contain the billing and collection software as well as the electronic medical records. You will need to purchase the appropriate computer hardware and contract for the Software System with an approved vendor. The initial cost of the Software System is approximately \$6,000 for the implementation for unlimited user accounts. You will also be required to enter into a monthly subscription for hosting and use from the designated 3rd party vendor of approximately \$0.80 per visit per month and an additional approximate \$500 per year support fee.

In addition, you must enter into an agreement with the electronic claims clearinghouse provider we designate. The initial enrollment, hardware, training and set-up costs are approximately \$2,000. You will be responsible for ongoing subscription fees which are based on the number of claims processed electronically. You are also responsible for the monthly fee for the credit card processing.

You must install and maintain 1 tablet and two and to 3 personal computers, depending on the size of your Facility. One computer must be a laptop computer. Each personal computer must have Windows 11 installed or a newer version. Chromebooks are not recommended. In addition, you must have Quickbooks Pro 2022 or a newer version. You must maintain a persistent high-speed internet connection (minimum 50 MB Down/3 MB up) at your Facility. Currently we require you to use the selected business application for your email accounts. You will pay us a Business App Fee. Currently this fee is \$40 per month for the front desk user, one clinical user and one owner user. Each additional user will be billed at \$10 per month. We may have independent unlimited access to the information on or generated by your computer system.

We have the right to change the computer hardware and software at any time. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. In the future, you may be required to change, upgrade or modify the type of computer hardware and software at your expense. We and our affiliates may condition any license of proprietary software to you or your use of technology that we or our Affiliates may require, develop or maintain, on your signing an agreement or similar document that we, our affiliates or the vendor may require regulating the use of the software.

Training

We provide 5 days of Management Training at no charge for up to 3 persons (“**Trainees**”) at our Highland, Illinois location or at any other location as we may designate. Unless otherwise agreed by us in writing, one of the Trainees must be you (if you are an individual) or at least one of your owners (if you are a legal entity), the other person must be the person having responsibility for the day-to-day operations of your Facility (the “**Clinic Manager**”) and the Secretary of your Facility. All Trainees must complete Management Training to our satisfaction before your Facility opens for business. We do not have a set schedule for offering the Management Training, but plan on being flexible in scheduling the training to accommodate our personnel and you.

We will provide, at our expense, instructors, facilities and training materials, which include the Operations Manual, in connection with Management Training. You will be responsible for all expenses of your Trainees in attending Management Training including all travel, lodging and meal expenses and compensation of, and workers’ compensation insurance for your Trainees. All costs and expenses incurred to have additional employees or agents attend Management Training including reasonable training fees will be borne by you. Attendance by any additional employees or agents is subject to our prior written approval. (See Item 6).

The Clinic Manager, Secretary of the Facility and all other successive Clinic Managers and Secretaries of the Facilities, if any, shall be required to attend Management Training at your sole cost and expense prior to managing your Facility. Your Facility must always be under the management and control of someone who has satisfactorily completed the Management Training. You are solely responsible for the costs and expenses associated with your Clinic Manager's and Secretary of the Facility's attendance of the Management Training, including the then prevailing standard rates charged by us for Management Training and all travel, meals and lodging costs and compensation of, and workers’ compensation insurance for your new Clinic Manager or Secretary of the Facility.

TRAINING PROGRAM

Subject ²	Hours of Classroom Training	Hours of On The Job Training	Location ³
Business Development	4.5	8	Remotely and/or Highland, IL
Compliance	1.5	n/a	Remotely and/or Highland, IL
Front Office Operations	4.0	18	Remotely and/or Highland, IL
ACOMP System	8.0	n/a	Remotely and/or Highland, IL
Management	9.5	n/a	Remotely and/or Highland, IL
Technology	2.5	n/a	Remotely and/or Highland, IL
Practice Management System	11.0	20.0	Remotely and/or Highland, IL
Ownership	12.0	4.0	Remotely and/or Highland, IL
Total	53	50	

Note 1: Please be advised that we are not required to provide training that may be required to meet continuing education or licensing requirements in your state. You and your employees must obtain all such required training on your own.

Note 2: Some of the subjects may be intermingled and time periods and subject matter are subject to change. The hours listed on the job will typically include more than one subject matter. The times listed above are merely estimates. The individuals primarily responsible for training are:

Andrew Steve Kordelewski - Director of Clinic Operations and Director of Franchise Operations:

Andrew Kordelewski has been our Director of Clinic Operations since October 2019 at APT and is now, in addition, Director of Franchise Operations for us and APT. Prior to that time Mr. Kordelewski was the Franchise Development Manager since April 2017 for us and APT. The Management Training is supervised and coordinated by Mr. Kordelewski.

Beth Ann Hall: Manager of Clinical Enhancement and Franchises:

Beth Ann Hall has been our Manager of Clinical Enhancement and Franchises since January 2022. From March 2015 until January 2022, Ms. Hall was the Regional Manager for our Affiliate, APT. From October 2013 until March 2015, Ms. Hall was a Clinical Manager for our Affiliate, APT.

Cassie Scott: Facility Secretary Director

Cassie Scott has been our Facility Secretary Director since January 2022. From April 2016 until January 2022 Mrs. Scott was a Facility Secretary for our Affiliate, APT.

Note 3: Some or all of the training may be held at our Highland, Illinois location, conducted remotely or held at such other location as may be designated by us. Some of the training related to the use of the Practice Management Software System may be conducted remotely by the software system company.

Note: 4: All owners may be required to attend two additional days of owner specific training, held after the training week with staff.

The Facility Secretary, Clinic Manager, and Owners may be required to take and pass testing provided at the conclusion of the week-long training session. If the testing is not successfully passed by all, your Facility will not be authorized to open for business. Those who fail the testing will be given two additional opportunities to pass the test. Those who fail the testing will be given two additional opportunities to pass the test. If they still do not pass, they are required to attend an additional week of training at your expense.

We make available grand opening, on-site training/assistance for up to 2 days (in our discretion), to be conducted at your Facility shortly before, during and/or after the opening date, at the times we deem appropriate ("Opening Assistance Program"). The Opening Assistance Program will cover material aspects of the operation of your Facility including opening checklist, safety concerns and measures, use of forms, credit card processing, daily cash procedures, administrative procedures, marketing techniques, customer service, use and care of equipment, opening up, setting up and closing down, and grand opening.

At our option, we may provide additional training programs or seminars or advanced management training at locations designated by us, which you, your employees and/or your Clinic Manager and/or Secretary of the Facility may be required to attend. You will be responsible for all costs and expenses associated with these additional training programs, including our then prevailing standard

training fees and all travel, meals and lodging costs and compensation of and workers' compensation insurance for your attendees.

At your request, we will furnish additional guidance and assistance to deal with unusual or unique operating problems at reasonable per diem fees, charges and out-of-pocket expenses established or incurred by us or our designees.

Item 12

TERRITORY

Your Franchise Agreement grants you the right to operate a Facility from a single specific location selected by you and consented to by us (the "**Location**"). Provided you are not (and have not been within the preceding 6 months) in default of any provision of your Franchise Agreement or any other agreement between you and us or any of our affiliates, neither we nor our affiliates will operate a Facility or offer to franchise another Facility to any other person within a specified limited distance of your Location (the territory within that distance being called, the "**Assigned Territory**") during the term of your Franchise Agreement. Your Assigned Territory is not dependent on your sales volume, market penetration or any contingency other than you not being in default.

The exact geographic boundaries of your Assigned Territory will be determined by us after you sign your Franchise Agreement and the Location is approved by us. In rural areas, your Assigned Territory will contain a population of no less than 5,000 people, in metropolitan areas, your Assigned Territory will contain a population of no less than 10,000 people and in densely populated areas, your Assigned Territory will contain a population of no less than 15,000 people as determined by us. After you have signed a lease for or purchased the Location, the Assigned Territory shall be further defined by a radius that shall include the approximate population listed above and shall be listed on or attached to Exhibit 1 to the Franchise Agreement at such time.

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.

We and our affiliates reserve all rights not specifically granted to you pursuant to the Franchise Agreement including the following: own, operate and grant franchises to others to operate businesses offering some or all of the products and services authorized for sale by Facilities, under the Proprietary Marks and/or other trademarks, service marks and commercial symbols and pursuant to such terms and conditions as we deem appropriate anywhere; operate, and to grant to other persons and/or entities the right to operate Facilities outside of the Assigned Territory regardless of its proximity to the Assigned Territory; sell products or services under any trademark, including the Proprietary Marks, at any location, including within or outside of the Assigned Territory, through other channels of distribution, including, but not limited to, the Internet, through dealers or distributors or on-site facilitators; purchase, merge, acquire, be acquired or affiliate with an existing competitive or non-competitive franchise network, chain, entity or any other business regardless of the locations or territories of such other franchise, chain, entity or other business and to operate franchise or license those businesses and/or be operated, franchised or licensed by those businesses under the Proprietary Marks or any other marks following such purchase, merger, acquisition or affiliations, regardless of location or proximity of locations or territories (which you acknowledge may be within or proximate to its Assigned Territory); sell ourselves or themselves, their assets, the Proprietary Marks, the System, any other marks or any other system to a third party; go public or may engage in a private placement of some or all of any of their securities; and undertake a refinancing, capitalization, leveraged buyout or other economic or financial restructuring. As clarification, you understand that we reserve the right to offer and sell franchises for AV Businesses within your Territory so long as the location of the AV Business is not open to the public. We or our

affiliates are not required to pay you if we or they exercise any of these rights within your Assigned Territory.

You may not solicit business from any Referral Source that is located outside of your Assigned Territory without our prior written approval. A "Referral Source" is a person or entity which refers or could refer patients to a Facility, such as a physician, a hospital, a physician assistance, a nurse practitioner, a nurse case manager, or a business. You may treat patients who do not reside within your Assigned Territory so long as those patients did not become patients as a result of your direct marketing efforts outside of your Assigned Territory. You may advertise in newspapers or by radio or television broadcasts so long as such advertisements are generally circulated or broadcast throughout your Assigned Territory and are never specifically targeted to reach areas outside of your Assigned Territory. We will not solicit or accept orders inside of your Assigned Territory.

You do not receive the right to acquire additional franchises either within or outside your Assigned Territory, but we may consider granting you multiple franchises. You will be required to sign a separate Franchise Agreement for each Facility.

The Location may not be changed nor may you operate out of any location other than the Location without our prior written approval.

Neither we nor our affiliates operate or plan to operate or franchise businesses under a different trademark that will sell similar goods or services to those you will sell.

Other than as described above, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution.

Item 13

TRADEMARKS

We grant you a nontransferable, non-exclusive license to use the Proprietary Marks. You must follow our rules when you use the Proprietary Marks. You cannot use the Proprietary Marks as part of a corporate name or with modifying words, designs, or symbols except for those which we license to you. You may not use the Proprietary Marks in any manner that we have not authorized in writing.

"Proprietary Marks" means such service marks, trademarks, trade dress, trade names, logos, commercial symbols and all configurations and derivations thereof, as may presently exist, or which may be modified, changed, or acquired by us or our Affiliates, in connection with the operation of the business contemplated by this Agreement. Currently the Proprietary Marks include those listed in the chart below.

Our affiliate, APT has registered or is in the process of registering the following principal trademarks and service marks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Registration Number (Serial Number)	Description of Proprietary Mark	Registration Date (Application Date)
3,788,616	APEXNETWORK PHYSICAL THERAPY	May 11, 2010
3,740,062	APEXNETWORK PHYSICAL THERAPY (and design)	January 19, 2010

Registration Number (Serial Number)	Description of Proprietary Mark	Registration Date (Application Date)
3,250,738	ACOMP INDUSTRIAL THERAPY	June 12, 2007
3,250,756	ACOMP INDUSTRIAL THERAPY (and design)	June 12, 2007
3,171,145	APEX COMPREHENSIVE OCCUPATIONAL MANAGEMENT AND PREVENTION	November 14, 2006

All affidavits or renewal filings that are required to be filed have been filed in connection with any of these registrations.

We have entered into a license agreement with APT for a 50-year term, which grants us the right to use, promote and license the Proprietary Marks in connection with the grant of franchises to franchisees. If there is a default that is not cured under the License Agreement between APT and us, you will still be able to use the Proprietary Marks and System until the end of the term and any renewal term of your Franchise Agreement.

There are no agreements currently in effect which significantly limit our right to use or license the use of the Marks in any manner material.

APT also has the federal registration for "Apex Physical Therapy". Although you will operate under the name "ApexNetwork Physical Therapy", we are aware that there are other physical therapy practices operating under the name "Apex Physical Therapy" in various parts of the country. We do not know the length of time these other physical therapy practices have been operating under the name "Apex Physical Therapy". These other physical therapy practices may have superior rights to the name "Apex Physical Therapy" in their territories.

You must follow our rules when you use the Proprietary Marks. You cannot use any of the Proprietary Marks as part of a corporate name or with modifying words, designs or symbols. You may not use the Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You will not use the Proprietary Marks (or any marks or names confusingly similar) as an Internet domain name or in the content of any Website. Further you will not register or attempt to register any of the Marks (or any marks or names confusingly similar).

There are currently no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, and no pending infringement, opposition or cancellation proceedings, and no pending material litigation involving the Proprietary Marks.

If you become aware of any apparent infringement, unfair competition or other challenge to your right to use any Proprietary Mark, or if you become aware of any use of or claim to any mark, name, logo or any other commercial symbol identical to or confusingly similar with any Proprietary Mark, you must immediately notify us in writing. We shall have the sole discretion to take any action as we deem appropriate and the right to exclusively control any such litigation or administrative proceedings arising out of this infringement, challenge or claim. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Proprietary Mark or if the proceeding is resolved unfavorably to you.

We reserve the right to modify or discontinue the use of any names, trademarks, service marks or copyrights or to add additional names, trademarks, service marks or copyrights at our discretion. You must make any additions, deletions, and modifications to all interior and exterior signs, business cards, printed materials, displays, paper products, advertising and anywhere else any of the Proprietary Marks may appear as we direct at your sole cost and expense and without compensation or reimbursement from us. You must, at your sole cost and expense and without compensation or reimbursement from us, discontinue your use of any name, trademark, service mark or copyright, as we may direct you to discontinue at any time. We are not responsible for any expenses, losses or damages sustained by you as a result of any addition, discontinuance, or modification and you are prohibited to join in any litigation against us if any of these expenses, losses or damages is incurred.

Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We loan you one copy of our confidential and proprietary Operations Manual containing certain detailed information, forms and systems pertaining to the operation of your Facility, including proprietary supplier lists, supplies and other trade secrets. Although these materials have not been registered with the United States Registrar of Copyrights, they are considered proprietary and confidential and we claim copyright protection of these materials. You may not use this confidential information in any unauthorized manner. You must use your best efforts to maintain the confidentiality of and to prevent the disclosure of the Operations Manual to others. Your Franchise Agreement does not require us to protect these copyrights or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving these copyrights.

There are currently no effective determinations of the Copyright Office or any court regarding any of the copyrighted materials. No agreements are in effect which significantly limit our right to use or license the copyrighted materials. Finally, we are not aware of infringing uses which could materially affect a franchisee's use of the copyrighted materials in any state. The Franchise Agreement does not require us to protect or defend copyrights or confidential information, although we intend to do so when it is in our best interests.

We do not presently own any patents.

You may never – during the term, any renewal term, or after the term of the Franchise Agreement expires or is terminated – reveal any of our confidential information to another person or entity or use it for personal use or any other use or for use in any other business. You may not copy any of our confidential information or give it to a third party, except as authorized by us. You and all persons affiliated with you must sign Guaranty and Assumption Agreement attached to the Franchise Agreement or a Nondisclosure Agreement which is included in the Operations Manual or otherwise provided.

Our confidential information includes manuals, processes, methods, techniques, contracts, projected results, supplier lists (including existing and potential supplier information), pricing, marketing, computer programs, skills, performance specifications, technical and other data, designs, schematics, equipment, billing, products and services information (including information regarding all existing products and services and any future planned products or services), financial information and results and other information and know-how relating to or useful in our business or operations or that of any of our affiliates or the other Facilities.

All ideas, concepts, techniques or materials concerning a Facility, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of our System and works

made-for-hire by us. To the extent any item does not qualify as a work made-for-hire for us, you must assign ownership of that item, and all related rights to that item, to us or our designee and you must take all other actions (including signing an assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in such item.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We consider your personal participation (if you are an individual) or the participation of at least one of your owners (if you are a legal entity) and supervision essential to the success of your Facility. If the Franchise Agreement is signed by an individual, you must complete the Management Training and actively participate in the management of your Facility. For all corporate, partnership or limited liability company franchisees, we require an owner to participate personally in the management and direct operation of your Facility. However, you are allowed to hire a Clinic Manager to manage the day-to-day affairs of the Facility and a Secretary of the Facility. The Clinic Manager and Secretary of the Facility must satisfactorily complete the Management Training.

Your Clinic Manager, supervisory employee, or individual who is granted access to the Operations Manual must sign the Nondisclosure Agreement which is included in the Operations Manual or otherwise provided to you. All owners of any entity franchisee and their spouses must also sign a Guaranty and Assumption Agreement attached to the Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer those goods and services specifically approved or directed by us. We may periodically establish specifications for goods and services in the Operations Manual or otherwise advise you of new specifications in writing. These requirements are imposed to maintain our uniform image and uniform marketing strategy, as well as to assure protection of our Proprietary Marks and the maintenance of the quality standards associated with them.

You may not sell any items or offer any of those services which are offered at your Facility at any location other than from your Facility at the Location. However, if you request and subject to the laws governing your Facility, we may permit you to provide Services in the offices ("MD Office(s)") of licensed Doctor of Medicine or doctors of osteopathy ("Physician") under the terms of the Working in Medical Offices Program as further described in the Manual. This optional program will be called "Working in MD Office" (or "WMO Program"). In order to participate in the WMO Program, you must obtain from an attorney who specializes in health care law and is licensed to practice law in the state where your Facility will operate, and deliver to us a written opinion from the attorney ("WMO Opinion Letter") that states that your participation in the WMO Program in accordance with the terms of the Franchise Agreement and WMO Amendment to the Franchise Agreement will comply with applicable law (including applicable laws regarding the corporate practice of medicine, fee splitting and other health care rules and regulations). If modifications are necessary in order to comply, the WMO Opinion Letter must state what types of modifications must be made and you will be responsible for the preparation of the necessary documents. You will also need to enter into an WMO Amendment with us, which is set forth in Exhibit 10 of the Franchise Agreement. You may not open or operate another Facility without entering into a separate Franchise Agreement.

Unless we give you our prior, written consent to do so, you may not solicit business from Referral Sources located outside your Assigned Territory. You may advertise in newspapers or by radio or television broadcasts so long as such advertisements are generally circulated or broadcast throughout your Assigned Territory and are never specifically targeted to reach areas outside of your Assigned Territory.

You must operate your Facility in strict conformity with all applicable federal, state, and local laws, ordinances and regulations. It is your responsibility to keep yourself advised of the existence and the then-current requirements of all laws, ordinances, and regulations applicable to your Facility, and to adhere to them, as well as to any new laws, ordinances and regulations that may be adopted in the future.

You must offer all goods and services that we designate as required goods and services in Exhibit I of the Franchise Agreement designated as Permitted Services. You must obtain our prior written approval if you want to provide additional services than those designated as Permitted Services which consent may be withheld in our sole discretion. These Permitted Services include physical therapy services and may include associated products and related services. You recognize that new technology and research may occur in the physical therapy services industry. We may require you to purchase new equipment or attend additional training on new techniques to improve (or maintain relative to the industry) the level of services offered at each Facility. This may require additional investment.

Although we do not presently plan to change the types of authorized goods and services that all franchisees must offer, there are no limits on our right to do so. You are required to be a participating provider with the required managed care payors described in Item 8. Other than as described above, we do not impose any restrictions or conditions that limit your access to Referral Sources or patients.

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Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provisions	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 2.1	Initial term is 10 years
b. Renewal or extension of the term	Section 2.2 and 2.3	Provided the conditions listed in the Franchise Agreement are met, you may renew for a single 10-year term.
c. Requirements for franchisee to renew or extend	Section 2.2 and 2.3	Complete all renovating and upgrading; not be in default of your Franchise Agreement or any other agreement between you and us or our affiliates; sign the then-current Franchise Agreement which may contain terms and conditions materially different from those in your previous franchise agreement such as different fee requirements and territorial rights; meet current qualifications and training requirements; sign a general release; and pay the renewal fee.
d. Termination by franchisee	Section 12.4	With mutual agreement between us and you and you must execute a mutual general release.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 12.1 and 12.2	We can terminate you only if you commit any one of several listed breaches or defaults (these are listed under the definition of “Cause” in g and h below).
g. “Cause” defined – curable defaults	Section 12.2	You have 15 days to cure non-payment of outstanding amounts, failure to observe our standards and terms of the franchise agreement, internal franchisee disputes adversely affecting us, excessive patient complaints, public danger, failure to cure a default, loss of required certification by you or one of your professional employees, repetitive defaults and failure to find your Location.
h. “Cause” defined – non-curable defaults	Section 12.1	Insolvency or bankruptcy, an outstanding judgment or dissolution, material misrepresentations, conviction of a felony or certain other crimes, breach of your confidentiality obligations, breach of your obligation not to compete, false books or records, improper use of the Proprietary Marks or investigation of, suspension or exclusion from participation in state Medicaid programs or federal health care programs.

Provisions	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Sections 13.1 and 13.4	You must cease operations, cease use of our System and Proprietary Marks, comply with post-term covenants, transfer your telephone numbers, return all requested materials, pay all sums and debts owed and assign your lease to your location or modify the location.
j. Assignment of contract by franchisor	Sections 4.10 and 11.1	No restriction on our right to assign our rights or delegate our duties.
k. "Transfer" by franchisee - Defined	Section 11.2	You shall be considered to have made a Transfer if you sell, assign, transfer, convey, give away, pledge, mortgage, restrict or otherwise encumber any interest in you, your Facility or your rights or duties under the Franchise Agreement.
l. Franchisor approval of transfer by franchisee	Sections 11.2 and 11.7	You have to get our prior written approval to any transfer and we have a right of first refusal.
m. Conditions for franchisor approval of transfer	Section 11.3	We do not exercise our right of first refusal, your obligations to us are satisfied, you sign a general release, you cure all defaults and breaches, transferee is qualified and completes our application procedure, you or transferee renovates your Facility, we agree to the terms of transfer, the transferee signs an acceptable assignment agreement, transferee and its owners and their spouses sign guaranties and the Transfer Fee shall have been paid to us.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 11.7	We can match any bona fide offer.
o. Franchisor's option to purchase franchisee's business	Section 13.5	Upon your termination, expiration or non-renewal, we may purchase any of your assets which bear any of the Proprietary Marks for either the amount you paid for those assets or their fair market value, whichever is less.
p. Death or disability of franchisee	Section 11.4	Your franchise may be transferred provided certain conditions are met; the transfer is applied for in writing within 2 months and effectuated within 6 months. In the case of disability, you must furnish us a certification of disability from a physician designated by us.
q. Non-competition covenants during the term of the franchise	Sections 14.2 to 14.4	No involvement with competing business or solicitation of or attempted influence over suppliers, employees or other business contacts; there are similar provisions in the Nondisclosure Agreement.

Provisions	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Sections 14.2 to 14.4	For 2 years, you cannot be involved, in any manner, with a competing business within a 25-mile radius of any Facility, including any Facility owned or operated by us or any of our affiliates, and you cannot solicit nor attempt to influence any supplier or other business contact of ours, our affiliates or any of our franchisees. Working in a hospital is permitted. For a period of two (2) years after the expiration, Transfer or termination of the Franchise Agreement for any reason, you will not solicit or accept any business from, and will not directly or indirectly contact any existing Referral Source or identified prospective Referral Source.
s. Modification of the agreement	Sections 14.3, 17.1 and 17.21	No modifications generally, but the Proprietary Marks and Operations Manual are subject to change, and we may reduce the scope of your non-competition covenants to comply with any applicable state law.
t. Integration/merger clause	Section 17.22	Only the terms of the Franchise Agreement and its exhibits govern our relationship (subject to state law); any other promises may not be enforceable; provided that this provision does not disclaim representations in the Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 17.23	You must first mediate any dispute you have with us.
v. Choice of forum	Section 17.9	Litigation must be in U.S. District Court in St. Louis County, MO or if there is no jurisdiction then in arbitration (subject to state law) *
w. Choice of law	Section 17.13	State of Missouri (subject to state law)*

*If a state regulator requires us to make additional disclosures related to the information contained in this disclosure document, these additional disclosures are contained in a state law addendum attached to this disclosure document as Exhibit H.

Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Andrew Kordelewski at 3322 S. National Avenue, Springfield, MO 65807, (618) 651-0444, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary For years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Facility	2022	26	26	0
	2023	26	26	0
	2024	26	26	0
Company-Owned*	2022	60	59	-1
	2023	59	59	0
	2024	59	59	0
Total Outlets	2022	86	85	-1
	2023	85	85	0
	2024	85	85	0

* We do not operate any company-owned outlets, but our affiliates operate the outlets reflected in the above chart.

Table No. 2
Transfer of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022 to 2024

State	Year	Number of Transfers
Arizona	2022	0
	2023	0
	2024	0
Arkansas	2022	0
	2023	0
	2024	0
Colorado	2022	0
	2023	0

State	Year	Number of Transfers
	2024	0
Florida	2022	0
	2023	0
	2024	0
Illinois	2022	1
	2023	1
	2024	0
Missouri	2022	0
	2023	0
	2024	0
Virginia	2022	0
	2023	0
	2024	0
Wisconsin	2022	0
	2023	0
	2024	0
Total	2022	1
	2023	1
	2024	0

Table No. 3
Status of Franchised Outlets For years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Arkansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	2
	2024	2	1	0	0	0	0	2
Colorado	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Florida	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Illinois	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	0	0	10
	2024	10	0	0	0	0	0	10
Missouri	2022	7	0	0	0	0	0	7
	2023	7	0	1	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Virginia	2024	6	0	0	0	0	0	6
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Wisconsin	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Total	2022	26	0	0	0	0	0	26
	2022	26	1	1	0	0	0	26
	2023	26	0	0	0	0	0	26

Table No. 4
Status of Company-Owned Outlets*
For years 2021 to 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Arizona	2022	12	3	0	1	0	14
	2023	14	3	0	0	0	17
	2024	17	1	0	1	0	17
Arkansas	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	20234	1	0	0	0	0	1
Florida	2022	4	0	0	0	0	4
	2023	4	0	0	1	0	3
	2024	3	0	0	0	0	3
Illinois	2022	19	0	0	2	0	17
	2023	17	0	0	0	0	17
	2024	17	0	0	0	0	17
Kentucky	2022	5	0	0	0	0	5
	2023	5	0	0	1	0	4
	2024	4	0	0	0	0	4
Maine	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Missouri	2022	7	0	0	0	0	7
	2023	7	0	0	1	0	6
	2024	6	0	0	0	0	6
New Mexico	2022	8	0	0	0	1	7
	2023	7	0	0	2	0	5

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	2024	5	0	0	0	0	5
Texas	2022	3	1	0	0	0	4
	2023	4	1	0	0	0	5
	2024	5	0	0	0	0	5
Virginia	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Totals	2022	60	3	0	4	0	59
	2023	59	5	0	5	0	59
	2024	59	1	0	1	0	59

*We do not operate any company-owned outlets, but our affiliates operate the outlets reflected in the above chart.

Table No. 5
Projected Openings as Of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Arizona	0	2	2
Illinois	0	0	0
Florida	0	0	2
Maine	0	1	0
Missouri	0	0	0
New Mexico	0	1	0
Texas	0	2	2
Virginia	0	0	0
Total	0	7	6

Exhibit F lists the names, addresses and telephone numbers of all of our operating franchisees and affiliate-owned outlets. Exhibit F also lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us. There are no trademark-specific franchise organizations associated with our System.

Item 21

FINANCIAL STATEMENTS

Attached as Exhibit G to this Disclosure Document are our audited financial statements ending December 31, 2024, December 31, 2023, and December 2023. Also included in Exhibit G are unaudited statements if required by law.

Item 22

CONTRACTS

The following agreements are attached as Exhibits to this Disclosure Document:

Franchise Agreement
General Release

Exhibit C
Exhibit E

Item 23

RECEIPT

Exhibit I of this Disclosure Document has 2 detachable receipts attached. Please sign and date each of them as of the date you received this Disclosure Document and return one copy to us.

EXHIBIT A

LIST OF STATE ADMINISTRATORS

NOTE: SOME STATES REQUIRE THAT THE FRANCHISE BE REGISTERED WITH A STATE AGENCY. WE DO NOT OFFER OR SELL FRANCHISES IN ANY OF THOSE STATES UNLESS WE ARE REGISTERED, AND THE LISTING OF A STATE BELOW DOES NOT MEAN THAT WE ARE SO REGISTERED.

California

Dept. of Financial Protection
And Innovation
2101 Arena Blvd.
Sacramento, CA 95834
dfpi@dfpi.ca.gov
(866) 275-2677

Florida

Department of Agriculture and
Consumer Services
Division of Consumer Services
227 N. Bronough Street
City Centre Building, 7th Floor
Tallahassee, FL 32301
(904) 922-2770

Hawaii

Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Office of Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

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

Maryland

Office of Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Attorney General
Consumer Protection Division
525 W. Ottawa Street
G. Mennen Williams Bldg.,
1st Fl.
Lansing, MI 48913
(517) 373-7117

Minnesota

Department of Commerce
Registration and Licensing
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1500

Nebraska

Department of Banking and
Finance
1526 K Street, Suite 300
Lincoln, NE 68508
(402) 471-3445

New York

NY State Attorney General
Division of Economic Justice
Investor Protection Bureau
28 Liberty Street
New York, NY 10005
(212) 416-8211

North Dakota

North Dakota Securities
Department
600 East Boulevard, State
Capitol, 5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Dept. of Ins. and Finance
Corporate Securities Section
Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Rhode Island

Dept. of Business Regulation
Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903
(401) 222-3048

South Dakota

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9672

Washington

Securities Administrator
Department of Financial
Institutions
Securities Division
P.O. Box 9033
Olympia, WA 98507-9033
(360) 902-8760

Wisconsin

Department of Financial
Institutions Div. of Securities
345 W. Washington Ave., 4th FL
Madison, WI 53703
(608) 261-9555

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

NOTE: SOME STATES REQUIRE THAT THE FRANCHISE BE REGISTERED WITH A STATE AGENCY. WE DO NOT OFFER OR SELL FRANCHISES IN ANY OF THOSE STATES UNLESS WE ARE REGISTERED, AND THE LISTING OF A STATE BELOW DOES NOT MEAN THAT WE ARE SO REGISTERED.

California

Commissioner of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(866) 275-2677

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-1090

Indiana

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

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan

Department of Commerce,
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48910
(517) 334-6212

Minnesota

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

New York

Secretary of State of the State of New York
41 State Street
Albany, New York 12231
(518) 473-2492

North Dakota

North Dakota Securities Department
600 East Boulevard, State Capitol, 5th Fl, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Director of Oregon,
Department of Insurance and Finance
700 Summer Street, N.E., Suite 120
Salem, Oregon 97310
(503) 378-4387

Rhode Island

Director of Rhode Island,
Department of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903-4232
(401) 222-3048

South Dakota

Director of South Dakota Division of Insurance
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

Virginia

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

Washington

Securities Administrator,
Department of Financial Institutions
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

Wisconsin

Wisconsin Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT C
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

between

APEX FRANCHISE HOLDINGS, LLC
a Missouri limited liability company

and

Dated: _____, 20__

APEX FRANCHISE HOLDINGS, LLC

FRANCHISE AGREEMENT

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GUARANTY AND ASSUMPTION AGREEMENT

EXHIBITS

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EXHIBIT 4	Business Associate Agreement
EXHIBIT 5	Lease Addendum
EXHIBIT 6	Collateral Assignment of Lease
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EXHIBIT 8	Billing and Collection Services Agreement
EXHIBIT 9	Promissory Note and Personal Guaranty
EXHIBIT 10	WMO Amendment to the Franchise Agreement

APEX FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("**Agreement**") is executed as of this ____ day of _____, 20____, by and between Apex Franchise Holdings, LLC, a Missouri limited liability company ("**AFH**"), and _____, a _____ ("**Franchisee**").

INTRODUCTION

1. AFH, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique system relating to AFH's system for the management and operation of a physical therapy business, its uniform standards and procedures, for business operations; training in operations, management and promotion; advertising and promotional programs; patient development and service techniques; centralized billing; and other functions; certain advertising materials and marketing plans; product and service quality standards; business systems and accounting methods; and other technical assistance all of which may be changed, improved or otherwise developed by AFH from time to time (the "**System**").

2. AFH has acquired certain rights to such service marks, trademarks, trade dress, trade names, logos, commercial symbols and all configurations and derivations thereof, as may presently exist, or which may be modified, changed, or acquired by us or our Affiliates, in connection with the operation of the business contemplated by this Agreement (the "**Proprietary Marks**"). Currently the Proprietary Marks include ApexNetwork Physical Therapy, ApexNetwork Physical Therapy and design, Acomp Industrial Therapy, Acomp Industrial Therapy and design, "The Highest Point in Health & Fitness", Apex Comprehensive Occupational Management and Prevention, and Apex Comprehensive Occupational Management and Prevention.

3. AFH has the right to sublicense the System and Proprietary Marks to Franchisee in connection with the operation of a ApexNetwork Physical Therapy facility.

3. AFH reserve the right to offer an alternative venue program franchise for the operation of a rehabilitation and home health business to be located within an assisted living facility or skilled nursing facility operating in accordance with the terms of an AV Franchise Agreement ("AV Business").

4. Franchisee recognizes the benefits from being identified with and licensed by AFH and desires a franchise to establish and operate a Facility using the System and Proprietary marks and AFH is willing to grant such a franchise on the terms and conditions in this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, AFH and Franchisee hereby agree as follows:

ARTICLE 1

APPOINTMENT

Section 1.1 Grant.

(A) AFH grants to Franchisee, subject to the terms and conditions contained in this Agreement, the right to operate one (1) Facility (the "**Franchised Facility**") at the location described in Exhibit 1 to this Agreement (the "**Location**"). If the Location or the Assigned Territory (as defined in Section 1.3) have not been designated by AFH upon execution of this Agreement, AFH shall complete Exhibit 1 if and when it consents to the Location and the parties shall then initial the completed Exhibit 1

after Franchisee signs a lease for the Location. As hereinafter used in this Agreement, the term "Facilities" or "Facility" includes the Franchised Facility and/or any other physical therapy business operated under the System and Proprietary Marks whether owned by AFH, an affiliate of AFH or a licensee or franchisee of AFH or an affiliate. The term "person" includes any natural person and any entity. As used in this Agreement, the term "Franchisee" shall be deemed to include (a) those persons and their spouses owning any interest in a corporate or limited liability company franchisee; (b) all partners and their spouses owning any interest in a partnership Franchisee; (c) the individual who owns a sole proprietorship Franchisee and his or her spouse; and (d) the Guarantors (as defined in Section 14.2(A)(i)). For purposes of determining ownership in a franchise, the interests owned by a husband and wife shall be considered one interest, and both husband and wife shall be obligated hereunder, regardless of whether the interest is owned by just one spouse or both spouses.

(B) Franchisee accepts the obligation to operate the Franchised Facility pursuant to the terms and conditions of this Agreement and agrees that Franchisee will, at all times, faithfully, honestly and diligently perform its obligations hereunder, will continuously exert Franchisee's best efforts to promote and enhance the business of the Franchised Facility and will not engage in any other business or activity that may conflict with the terms or conditions of this Agreement.

(C) Franchisee may not sell any items or offer any of those services which are offered at its Facility at any location other than from the Franchised Facility at the Location. However, if Franchisee request and subject to the laws governing the Franchised Facility, AFH may permit Franchisee to provide Services in the offices ("MD Office(s)") of licensed Doctor of Medicine or doctors of osteopathy ("Physician") under the terms of the Working in Medical Offices Program as further described in the Manual. This optional program will be called "Working in MD Office" (or "WMO Program"). In order to participate in the WMO Program, Franchisee must obtain from an attorney who specializes in health care law and is licensed to practice law in the state where the Franchised Facility will operate, and deliver to AFH a written opinion from the attorney ("WMO Opinion Letter") that states that Franchisee's participation in the WMO Program in accordance with the terms of the Franchise Agreement and WMO Amendment to the Franchise Agreement will comply with applicable law (including applicable laws regarding the corporate practice of medicine, fee splitting and other health care rules and regulations). If modifications are necessary in order to comply, the WMO Opinion Letter must state what types of modifications must be made and Franchisee will be responsible for the preparation of the necessary documents. Franchisee will also need to enter into an WMO Amendment with AFH, which is set forth in Exhibit 10 of the Franchise Agreement. In order for Franchisee to operate a Facility at an additional location, a separate Franchise Agreement must be signed and Franchisee will be required to pay AFH an additional initial franchise fee.

Section 1.2 Location and Lease. Unless a Location is designated by AFH, Franchisee must locate a site which conforms to the guidelines established by AFH and submit such location to AFH for its written consent within three (3) months of the date of this Agreement. AFH must notify Franchisee of its consent or rejection of a location within thirty (30) days of submission to AFH by Franchisee of all information regarding such location required by AFH. Franchisee is solely responsible for investigating the Location and having any leases or sale contract for the Location reviewed and approved by Franchisee's attorney. All leases pertaining to the Location shall include an Addendum in the form of Exhibit 5 attached to this Agreement or shall contain terms and conditions substantially similar to those contained in Exhibit 5 which AFH approves prior to the execution of all leases pertaining to the Location. AFH's consent to the lease means only that the lease meets AFH's minimum standards and is not a warranty as to the appropriateness of the lease or any of its terms. Franchisee shall submit to AFH copies of the executed signature pages of all such leases immediately after signing and copies of the full leases and any exhibits and addenda at such other times as AFH may request. The term of all leases plus all options for

Franchisee to renew shall together equal or exceed the Term. A copy of the executed Addendum must also be submitted to AFH.

Section 1.3 Assigned Territory.

(A) Provided Franchisee is not currently in default and a default has not occurred within the previous six (6) months of any provision of this Agreement or any other agreement between Franchisee and AFH or between Franchisee and any of AFH's subsidiaries or affiliates, AFH shall not operate a Facility or offer to franchise another Facility to any other person, within the territory described on (or attached to) Exhibit 1 attached to this Agreement (the "**Assigned Territory**").

(B) Unless AFH gives Franchisee its prior written consent, Franchisee may not solicit business from Referral Sources located outside the Assigned Territory. A "Referral Source" is a person or entity which refers or can refer patients to a Facility, such as a physician, a physician assistant, a nurse practitioner, a nurse case manager, a hospital or a business. Notwithstanding the foregoing, Franchisee may advertise in newspapers or by radio or television broadcasts so long as such advertisements are generally circulated or broadcast throughout the Assigned Territory and are never specifically targeted to reach areas outside of the Assigned Territory. From time to time, Franchisee may provide services to patients who reside outside the Assigned Territory so long as those patients did not become patients of Franchisee as a result of Franchisee's direct marketing efforts outside of the Assigned Territory.

Section 1.4 Relocation of the Franchised Facility. Franchisee may not change the Location of the Franchised Facility without AFH's prior written consent, which AFH may withhold in its sole and absolute discretion. However, the Assigned Territory will be subject to renegotiation.

Section 1.5 Rights Reserved by AFH. Except to the extent contemplated in Section 1.3, AFH (on behalf of itself and its affiliates) retains all rights to the System, the Proprietary Marks and the Facilities, including without limitation, the right, in its sole and absolute discretion, to:

(A) own, operate and grant franchises to others to operate businesses offering some or all of the products and services authorized for sale by Facilities, under the Proprietary Marks and/or other trademarks, service marks and commercial symbols and pursuant to such terms and conditions as AFH deems appropriate;

(B) operate, and to grant to other persons and/or entities the right to operate Facilities outside of the Assigned Territory regardless of its proximity to the Assigned Territory;

(C) sell products or services under any trademark, including the Proprietary Marks, at any location, including within or outside of the Assigned Territory, through other channels of distribution, including, but not limited to, the Internet, through dealers or distributors or on-site facilitators;

(D) purchase, merge, acquire, be acquired or affiliate with an existing competitive or non-competitive franchise network, chain, entity or any other business regardless of the locations or territories of such other franchise, chain, entity or other business and to operate franchise or license those businesses and/or be operated, franchised or licensed by those businesses under the Proprietary Marks or any other marks following such purchase, merger, acquisition or affiliations, regardless of location or proximity of locations or territories (which Franchisee acknowledges may be within or proximate to its Assigned Territory);

(E) sell itself or themselves, their assets, the Proprietary Marks, the System, any other marks or any other system to a third party;

(F) may go public or may engage in a private placement of some or all of any of their securities; and

(G) may undertake a refinancing, capitalization, leveraged buyout or other economic or financial restructuring.

For clarification purposes, Franchisee understands and acknowledges that we may offer and sell franchises for AV Businesses within your Territory so long as the location of the AV Business is not open to the public. With regard to any of the above rights reserved to AFH and its Affiliates, Franchisee expressly and specifically waives any claims, demands or damages arising or related to the loss of any of the Proprietary Marks or any portion of the System and/or the loss of association with or identification by any thereof as a franchisee under this Agreement or related to the locations and territories of the newly acquired or added locations.

Section 1.6 Collateral Assignment of Lease. At AFH's request upon a default by Franchisee under the lease for the Location, or upon AFH's request upon the expiration or termination of the Term, Franchisee shall assign to AFH the rights under such lease and AFH shall take possession of the premises demised by such lease and have the right to expel Franchisee therefrom. The foregoing provision, however, shall not require AFH to request such assignment. In affirmation of this provision, Franchisee shall execute the Collateral Assignment of Lease in the form attached hereto as Exhibit 6.

ARTICLE 2

TERM

Section 2.1 Initial Term. Unless sooner terminated pursuant to Article 12, the initial term of this Agreement shall extend for ten (10) years from the date of this Agreement (the "**Initial Term**"). Franchisee accepts the grant under this Agreement with the full and complete understanding that such grant hereby contains no promise or assurance of renewal at the end of the Initial Term. The sole and entire conditions under which Franchisee will have the opportunity of obtaining a Renewal Franchise Agreement (as defined in Section 2.2(D)) at the expiration of the Initial Term are those set forth in Section 2.2.

Section 2.2 Renewal Term. Franchisee may, at its option, renew the franchise for one (1) additional ten (10) year period (the "**Renewal Term**") provided that the following conditions are met:

(A) Advance Notice. Franchisee shall give AFH written notice of its intention to renew not less than nine (9) months nor more than twelve (12) months prior to the end of the Initial Term;

(B) Completion of Maintenance, Refurbishing, and Upgrading. At least six (6) months prior to the expiration of the Initial Term, AFH shall be entitled to inspect the Franchised Facility and give notice of all required maintenance, refurbishing, renovating and upgrading, and Franchisee shall complete to AFH's satisfaction, all maintenance, refurbishing, renovating and upgrading required by AFH's notice no later than sixty (60) days prior to the expiration of the Initial Term;

(C) No Default. Franchisee shall not be in default of any provision of this Agreement or any other agreement between Franchisee and AFH or between Franchisee and any of AFH's affiliates and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms of such agreements;

(D) Execute the Current Franchise Agreement. Franchisee shall execute and deliver to AFH the then current form of the Franchise Agreement ("**Renewal Franchise Agreement**"), which agreement

shall, solely upon execution and delivery by AFH and expiration of the Initial Term, supersede in all respects this Agreement, and the terms of which may materially differ from the terms of this Agreement, including without limitation, an increase in the Royalty Fee and/or Marketing Contributions (as such terms are defined in Article 3) provided, however, that any higher Royalty Fee and/or Marketing Contributions shall not exceed the Royalty Fee and/or Marketing Contributions then generally being charged for similarly situated new franchisees of AFH;

(E) Meet Current Qualifications and Training Requirements. Franchisee shall have complied with AFH's then current qualification and training requirements;

(F) Execute General Release. Franchisee shall execute a general release, in a form prescribed by AFH, releasing AFH and its affiliates, and their respective officers, directors, owners, agents, attorneys and employees of all claims except for claims which cannot legally be released under applicable law; and

(G) Renewal Fee. Franchisee shall pay AFH a renewal fee (in lieu of the otherwise required Initial Franchise Fee described in the Renewal Franchise Agreement) equal to twenty-five percent (25%) of the then current Initial Fee (the "**Renewal Fee**") at the time of the execution of the Renewal Franchise Agreement or as otherwise specified by AFH.

If AFH determines that all of the conditions specified above have not been satisfied, it shall notify Franchisee in writing that the Renewal Franchise Agreement has not been accepted and that the renewal is not effective and shall specify the reasons therefore.

As hereinafter used and unless otherwise indicated, "**Term**" shall include the "Initial Term", the "Renewal Term" and any Continuation as set forth in Section 2.4.

Section 2.3 Reinstatements and Extensions. In the event any termination or expiration of the franchise would violate any applicable laws, AFH may, in its sole and absolute discretion, reinstate or extend the franchise for the purpose of complying with such laws, for the duration provided by AFH in a written notice to Franchisee, without waiving any of AFH's rights under this Agreement or otherwise modifying this Agreement.

Section 2.4 Continuation. Notwithstanding anything herein to the contrary, if Franchisee continues to operate the Franchised Facility following the expiration of this Agreement, the continuation will be a month-to-month extension of this Agreement, unless otherwise set forth in writing. All provisions of this Agreement will apply while Franchisee continues to operate; however, this Agreement will then be terminable by either party on 30 days written notice to the other party, with all post-termination provisions remaining in effect after such termination.

ARTICLE 3

FEES AND PAYMENTS

Section 3.1 Types of Fees. Franchisee shall pay AFH the following fees:

(A) Initial Franchise Fee. The initial franchise fee is Thirty-Five Thousand Dollars (\$35,000) (the "**Initial Franchise Fee**") and is payable simultaneously with the execution of this Agreement. If Franchisee has owned and operated an existing physical therapy business for at minimum of 1 year and wants to convert this existing physical therapy business to a Facility (a "Conversion Franchisee"), the amount of the Initial Franchise Fee is \$10,000. If Franchisee or its primary owner is a veteran who has

served for at least 1 year in the armed forces, AFH will give Franchisee a 10% discount off the Initial Franchise Fee.

The Initial Franchise Fee shall be deemed fully earned by AFH and is non-refundable upon execution of this Agreement.

(B) Royalty Fee. Beginning on the month following the month Franchisee opens its Franchised Facility, Franchisee will pay AFH a non-refundable monthly royalty fee (the "**Royalty Fee**") on or before the 15th day of each month. The Royalty Fee will be 8% of Net Collections unless the Franchised Facility is located in an area that has a law prohibiting fee splitting arrangement, in which case, the Royalty Fee will be a flat fee (listed below) based on the number of claims Franchisee submitted in the prior month to managed care payors, other third party payors and patients for all clinical services rendered by Franchisee (or its employees or agents). AFH may increase the Royalty Fee, but in no event will it be greater than 10% of Net Collections.

Claims/Month	Royalty
0-50	\$ 210
51-100	\$ 630
101-200	\$ 1,260
201-300	\$ 2,100
301-500	\$ 3,360
501-750	\$ 5,250
751-1000	\$ 7,350
1001-1250	\$ 9,450
1251-1500	\$11,550
1501-1750	\$13,650
1751-2000	\$15,750
2001+	\$16,800

(C) Billing and Collection Services Fee. Franchisee shall pay to Apex Billing, LLC a non-refundable billing services fee (the "**Billing and Collection Services Fee**") pursuant to the Billing and Collection Services Agreement, in the form attached hereto as Exhibit 8 (the "**Billing and Collection Services Agreement**"). The Billing and Collection Services Fee pursuant to the Billing and Collection Services Agreement shall be renegotiated annually and may materially change during each such renegotiation.

(D) Marketing Contribution. Franchisee shall pay AFH a non-refundable monthly marketing contribution in an amount equal to two percent (2%) of the Net Collections (as defined in Section 3.2 below) for the prior calendar month (the "**Marketing Contributions**"). AFH may terminate and reinstate the Marketing Contribution and the Marketing Fund at any time, in its sole and absolute discretion.

(E) Start-up Kit. Prior to opening, Franchisee must purchase the Start-up Kit from AFH for the amount invoiced by AFH, which shall be \$1,300 - \$1,700.

(F) Insufficient Funds. AFH reserves the right to charge Franchisee for returned checks or insufficient funds within Franchisee's operating account for any pre-authorized transfer. AFH shall charge and Franchisee shall pay to AFH a fee of one hundred dollars (\$100) per occurrence for each

returned check or insufficient fund transaction. Three (3) or more occurrences of returned checks or insufficient fund transactions shall be deemed a default of this Agreement and, upon the third occurrence, AFH may terminate the Term without giving Franchisee an opportunity to cure.

(G) Business App Fee. Franchisee shall pay to AFH a fee for email accounts, cloud storage, training and HR portals for the staff of the Franchised Facility. This is an annual fee. Currently the annual cost is \$34 per month for accounts for the front desk user, one clinical user and one owner user. Each account for an additional user will be billed at \$8 per month. The third-party provider and the cost will change. This Business App Fee is payable by the 15th day of each month.

(H) Managed Care Assistance Fee. Pursuant to the Billing and Collection Services Agreement, Franchisee shall pay to Apex Billing, LLC a fee for assistance in credentialing of replacement therapists or for any therapist hired on a per diem (PRN), part-time, or contract employee basis. This Managed Care Assistance Fee is not charged in the event that Franchisee hires additional therapists to meet demand for increased business levels.

(I) Promissory Note Payments. AFH may, in its sole discretion, provide financing to Franchisee if Franchisee is a qualified franchisee based on Franchisee's credit-worthiness and AFH's current financing policies. If AFH agrees to provide financing, AFH will loan Franchisee up to 20% of the amount Franchisee will need to spend in order to establish the Facility excluding the Initial Franchise Fee ("Financed Amount"). Prior to AFH providing financing to Franchisee, Franchisee must sign a Promissory Note for the Financed Amount ("Promissory Note"). A copy of the Promissory Note is found in Exhibit 9 of this Agreement. Franchisee and its owners will personally guaranty the payment of the Promissory Note.

Section 3.2 Net Collections. The term "**Net Collections**" as used in this Agreement shall mean the total sum of all monies collected from managed care payors, or other third party payors and patients (i.e., co-payments and deductible amounts) for all clinical services rendered by Franchisee (or Franchisee's employees or agents), less amounts refunded or credited to a patient or a managed care payor or other third party payor as a result of overpayments, erroneous payments or bad checks. When unpaid claims are referred to a collection agent, the amount of Net Collections will include the net amount received by Franchisee through the efforts of the collection agent after deducting the collection agent's fee.

Section 3.3 Payment Schedule. The Royalty Fee and Marketing Contributions must be paid to AFH, by the 15th day of each month as described above. The Billing and Collection Services Fee must be paid in accordance with the Billing and Collection Services Agreement. AFH may automatically withdraw these amounts and/or any other amounts due AFH from Franchisee directly from Franchisee's operating account pursuant to Section 3.4 below. All other amounts due to AFH from Franchisee shall be paid as specified in this Agreement or, if no time is specified, then such amounts shall be due within fifteen (15) days of receipt of an invoice from AFH or may be withdrawn from Franchisee's operating account by AFH pursuant to Section 3.4(A). Any payment not actually received by AFH on or before the due date will be deemed past due and subject to the charges described in Section 3.5. Franchisee shall pay its final Royalty Fee and Marketing Contributions no later than ten (10) days after the termination or expiration of the franchise.

Section 3.4 Payment System.

(A) Pre-Authorized Transfers. All required payments by Franchisee to AFH or any of its affiliates may be effectuated by the use of pre-authorized transfers from Franchisee's operating account through the use of an electronic funds transfer system established by Franchisee or through the use of any other payment system designated by AFH (the "**Payment System**"). Franchisee shall deposit all Net

Collections received by Franchisee in Franchisee's operating account accessed by the Payment System within two (2) days of Franchisee's receipt of such Net Collections.

(B) Franchisee's Cooperation in Establishing Payment System. Franchisee shall cooperate with AFH in all respects to implement the Payment System at least fifteen (15) days prior to the date on which the Franchised Facility is first opened for business to the general public (the "**Opening Date**") or within fifteen (15) days of AFH's designation of such Payment System. Franchisee agrees to cooperate with AFH in all respects in maintaining the efficient operation of the Payment System. Franchisee shall give its financial institution instructions in a form provided or approved by AFH and shall obtain the financial institution's agreement to follow such instructions. Franchisee shall provide AFH with copies of such instructions and agreement. The financial institution's agreement may not be withdrawn or modified without the prior written approval of AFH, which approval shall be within AFH's sole and absolute discretion. Franchisee shall also execute such other forms relating to the Payment System as AFH may request from time to time. Franchisee shall pay all the charges imposed by Franchisee's financial institution relating to the Payment System.

(C) AFH May Receive Banking Statements. AFH may require Franchisee's financial institution to send to AFH a monthly statement of all activity in the operating account accessed by the Payment System at the same time as such financial institution sends such statements to Franchisee, and such other reports of the activity in such operating account as AFH may reasonably request. If Franchisee maintains any other accounts of any type relating to the Franchised Facility, Franchisee shall identify such accounts to AFH and provide to AFH copies of the monthly statements for all such accounts and the details of all deposits to and withdrawals from them.

(D) Franchisee's Payment Obligations Absolute. Franchisee agrees that its obligations to make any payments as specified in this Agreement and any other agreement entered into with AFH or any of its affiliates with respect to the Franchised Facility and the rights of AFH and its affiliates to receive such payments are absolute and unconditional and are not subject to any abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which Franchisee has or may have against AFH, any of its affiliates or against any other person for any reason whatsoever.

Section 3.5 Late Charges. Although each failure to pay amounts due to AFH when due will be a material breach of this Agreement, to encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments, without limiting any other rights or remedies of AFH, if any payment under this Agreement or any other agreement between AFH and Franchisee relating to the Franchised Facility becomes overdue for any reason, except for banking errors or malfunctions outside Franchisee's reasonable control, late charges will be imposed on such overdue amount, equal to the lesser of: (A) eighteen percent (18%) per annum; or (B) the maximum rate of interest permitted by applicable law, and such interest will be payable on demand.

Section 3.6 Guarantee of Franchisee's Obligations. As security for all monetary and other obligations of Franchisee to AFH, the shareholders of a corporate Franchisee; the general partners of a general partnership or limited partnership Franchisee; or the beneficial owners of the equity interests of any other entity constituting Franchisee, and all the spouses of the foregoing, if any, shall execute the Guaranty and Assumption Agreement attached hereto.

Section 3.7 Taxes. Franchisee agrees to indemnify and/or reimburse AFH and its Affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority as a result of the conduct of the Franchised Facility's business or the license of any of AFH's or its Affiliates' intangible property to Franchisee (whether required to be paid by AFH or

its Affiliates, withheld by Franchisee or otherwise). Franchisee's obligation to indemnify or reimburse AFH or its Affiliates for these taxes does not extend to income-type taxes which a state or local government imposes on AFH or its Affiliates' income.

ARTICLE 4

DUTIES OF AFH

During the Term, provided that Franchisee is not in default under this Agreement, AFH shall provide Franchisee, from time to time, with the following assistance and services:

Section 4.1 Guidelines and Site Selection Assistance.

(A) Pre-Opening Guidelines. Upon Franchisee's written request, AFH shall provide proprietary guidelines to assist Franchisee in managing the pre-opening process from signing the Franchise Agreement to opening the Franchised Facility.

(B) Location. AFH shall supply to Franchisee site selection considerations and shall provide such site selection counseling and assistance as AFH may deem advisable. AFH shall provide its written notice of its consent or rejection of Franchisee's proposed Location within thirty (30) days of submission to AFH of all information related to the Location required by AFH. AFH's approval of a Location is not a representation or a warranty by AFH that the Franchised Facility will be profitable or that Franchisee's sales will attain any predetermined levels. Such consent is intended only to indicate that the proposed Location meets AFH's minimum criteria for identifying locations. Franchisee agrees that AFH's consent or rejection of a proposed Location shall not impose any liability or obligation on AFH.

Section 4.2 Building Plans and Specifications. AFH shall loan to Franchisee (A) sample space layout plans and/or sample recommended floor plans for a Facility, and (B) specifications of AFH's requirements for design, decoration, layout, equipment, furniture, fixtures and signs for a Facility. Franchisee will construct and equip the Franchised Facility in accordance with specifications prepared by Franchisee, subject to AFH's right to consent to such specifications, layout and design and equipment. The cost of developing such plans and specifications shall be borne by Franchisee. AFH shall make available to Franchisee, at no charge to Franchisee, standard plans and specifications for the construction of a prototypical Facility, including exterior and interior design and layout, fixture, furnishings and signs. AFH's consent to Franchisee's plans and specifications shall be limited to review of such plans to assess compliance with AFH's design standards for Facilities, including such items as trade dress, presentation of the Proprietary Marks, and the provision to the potential patients of certain services that are central to the functioning of the Facility. Such review is not designed to assess compliance with federal, state or local laws and regulations, including the Americans with Disabilities Act ("ADA"), as compliance with such laws is the sole responsibility of Franchisee. Since, Franchisee is solely responsible for complying with the requirements of the ADA and other matters affecting or relating to the construction and design of the Franchised Facility in all respects, nothing contained herein or in the Operations Manual shall be construed as or implied as imposing any obligation on Franchisor or its affiliates in relation to the ADA or other matters relating to the construction or design of the Franchised Facility in compliance with any applicable law, regulation, ordinance or code.

Section 4.3 Lists and Schedules. AFH shall supply to Franchisee (A) a list of all required equipment, supplies, materials, and other items necessary to operate the Franchised Facility and a list of approved suppliers of all such items, and (B) a schedule of items, if any, which Franchisee is currently required to purchase from AFH or one of its affiliates.

Section 4.4 Management Training.

(A) Five-Day Training. AFH shall provide five (5) days of training, without additional fee, to Franchisee for up to three (3) persons ("**Trainees**") at Apex Physical Therapy, L.L.C.'s Highland, Illinois location or at such other location as AFH may otherwise designate ("**Management Training**"). If Franchisee desires to have more than three (3) persons attend the Management Training, then Franchisee shall pay to AFH Two Hundred Dollars (\$200) per day for each additional person. Each Trainee must, prior to the Opening Date, at a time scheduled by AFH, complete to AFH's satisfaction, the then current Management Training.

(B) Franchisee or Owner, Secretary and Clinic Manager Must Attend Training. Franchisee recognizes the importance of Franchisee's or one of its owner's participation in the management of the Franchised Facility and that the Franchisee's or owner's agreement to so participate in the management of the Franchised Facility was a material inducement for AFH to enter into this Agreement. Franchisee agrees that Franchisee or one of its owners shall supervise the management of the Franchised Facility. All owners may be required to attend two additional days of owner specific training, held after the training week with staff. The Facility Secretary, Clinic Manager, and Owners are required to take and pass testing provided at the conclusion of the week-long training session. If the testing is not successfully passed by all, the Franchised Facility will not be authorized to open for business. Those who fail the testing will be given two additional opportunities to pass the test. If they still do not pass, they are required to attend an additional week of training at Franchisee's expense. In addition, the Franchisee shall hire a manager (the "**Clinic Manager**") to manage the day-to-day affairs of the Franchised Facility. The Clinic Manager, either the Franchisee or an owner of the Franchisee, as the case may be, and the Secretary all must be Trainees and satisfactorily complete the Management Training.

(C) Expenses Paid by Franchisee. Franchisee shall be responsible, in addition to the training fees described above, for all expenses of all Trainees and additional persons in attending Management Training including all travel, lodging and meal expenses and compensation of, and workers' compensation for such people who attend training. All costs and expenses incurred to have additional employees or agents of Franchisee attend Management Training, including training fees, shall be paid by Franchisee. Notwithstanding anything to the contrary contained in this Agreement, attendance by any additional employees or agents is conditioned upon AFH's prior written approval.

(D) Subsequent Training. The Clinic Manager and Secretary and all other successive Clinic Managers and Secretaries, if any, shall be required to attend Management Training at Franchisee's sole cost and expense prior to managing the Franchised Facility. The Franchised Facility must always be under the management and control of someone who has satisfactorily completed the Management Training.

Section 4.5 Loan of Operations Manual. During the Term, AFH shall loan to Franchisee one (1) copy of each of AFH's confidential, proprietary operations manuals (the "**Operations Manual**"). The Operations Manual will be in a format determined by AFH (i.e., in writing, on CD-ROM, via electronic media through a secure website, etc.) and all other supplemental bulletins, notices, revisions, modifications, or supplemental information, either in document or electronic form, concerning the System are considered part of the Operations Manual. Also included are any passwords or other digital identifications necessary to access the Operations Manual on a website or extranet. The Operations Manual shall remain the exclusive property of AFH at all times.

Franchisee must not copy, duplicate, record or otherwise reproduce these materials, in whole or in part or otherwise make them available to any unauthorized person. The Operations Manual must be kept in a secure place within the Franchised Facility. It must be returned to AFH upon termination or

expiration of this Agreement. Franchisee must ensure that the Manual is kept current at all times. If there is any dispute as to the contents of the Manual, the terms of the master copy maintained by AFH, at its principal office, will be controlling.

Section 4.6 Managed Care Assistance. In order to maintain a consistent image and to enhance the Facilities and the franchise system, it is important that Franchisee become a participating provider under the same or similar managed care payors as AFH's affiliate-owned and franchisee-owned Facilities. For that reason, AFH requires that Franchisee use its best efforts to become a participating provider under all of the managed care payors which AFH requires which are specific to the Location of the Franchised Facility. A list of the required managed care payors will be included in the Operations Manual. Franchisee must pay AFH a Managed Care Assistance Fee for AFH's assistance as described in Section 3.2.H above. Franchisee understands that AFH has no control over any actions or inactions taken by the managed care payors. Further, Franchisee understands that AFH and its affiliates cannot and will not negotiate any terms and conditions with any managed care payor that would be applicable for the entire franchise system. Franchisee and all of the similarly situated franchisees will be required to participate in these contracts and payment arrangements in accordance with the terms AFH or its affiliates have negotiated.

Franchisee is not permitted to be a participating provider with any managed care payor or any state, federal or private third-party payor program, including but not limited to state worker compensation payment programs and third-party administrators ("3rd Party Payor") other than those required or approved by AFH unless AFH consents in writing. If Franchisee wishes to become a provider for a managed care payor or a 3rd Party Payor that is not approved or required by AFH, Franchisee must provide AFH with information regarding the managed care payor or 3rd Party Payor. Approval of Franchisee's participation with a managed care payor or 3rd Party Payor will be conditioned, among other things, on its reimbursement rate, reputation in the area and other factors. AFH may charge Franchisee a reasonable fee to cover the costs AFH incurs in making the determination. AFH will notify Franchisee in writing, within 60 days of AFH's decision.

Section 4.7 Opening Assistance Program. AFH shall make available to Franchisee, grand opening, on-site training and assistance for up to two (2) days, in AFH's sole discretion, to be conducted at Franchisee's Facility shortly before, during and/or after the Opening Date, at such times AFH deems appropriate (the "**Opening Assistance Program**").

Section 4.8 Continued Assistance and Support.

(A) Visits. AFH may provide assistance and support to Franchisee in the development and operation of the Franchised Facility by means of periodic visits by a field representative or agent of AFH. If requested by Franchisee, AFH will make its representatives reasonably available for consultation on matters such as operations, advertising and promotion, and business methods, on terms and for such additional compensation as AFH and Franchisee may agree. In addition, at Franchisee's request, AFH will furnish additional guidance and assistance to deal with unusual or unique operating problems at reasonable per diem fees, charges and out-of-pocket expenses as may be established by AFH from time-to-time.

(B) Website Representation. So long as AFH or one of its affiliates maintains the Website (defined below) for marketing and sales purposes (which shall be in AFH's sole and absolute discretion), AFH shall list the Franchised Facility on the Website. AFH shall have sole and absolute discretion over the design, layout, and content of the Website. The "**Website**" shall mean that website located at URL www.apexnetworkpt.com or such other website as AFH may designate, which is owned and developed by or on behalf of AFH. Franchisee is prohibited from advertising the Franchised Facility on the Internet

unless it is through the Website. Franchisee is further prohibited from using any of the Proprietary Marks (or any mark confusingly similar thereto) as an internet domain name, URL or as content on any worldwide website.

(C) **Additional Training.** AFH, from time to time, may, but is under no obligation to, provide refresher training programs, seminars or advanced management training at such locations as may be designated by AFH, which may be required for the Franchisee, an owner of Franchisee, Clinic Manager, Secretary and/or Franchisee's other employees, at the sole option of AFH. Franchisee shall be solely responsible for all costs and expenses associated with attending such mandatory training, including, but not limited to AFH's then prevailing training fees and all travel, meals and lodging costs and compensation of, and workers' compensation insurance for Franchisee's attendees. In addition to such mandatory training, AFH may also require Franchisee to attend a national business meeting or annual convention each year.

Section 4.9 Centralized Billing and Collection Services. AFH or its affiliates may provide centralized billing and collection services to Franchisee. Currently, AFH's affiliate, Apex Billing, LLC provides billing and collection services pursuant to that certain Billing and Collection Services Agreement attached hereto as Exhibit 8. In such event, Franchisee shall not divert or collect any fees from patients which have not been posted to the appropriate patient account pursuant to the Billing and Collection Services Agreement. AFH and Franchisee shall execute the Business Associate Agreement attached hereto as Exhibit 4.

Section 4.10 Right to Delegate Duties. Franchisee acknowledges AFH's right to delegate any or all of the aforementioned duties or any other duties of AFH hereunder to a designee. Franchisee shall be required to discharge its duties in all respects with such designee to the extent requested by AFH, from time to time, in the same manner with which Franchisee is otherwise required to do so with AFH.

ARTICLE 5

GENERAL DUTIES OF FRANCHISEE

Section 5.1 Professional Licenses. Franchisee acknowledges and agrees that the Franchised Facility is regulated by certain states; that federal and state governments, municipalities, regulatory bodies, or others may regulate the Franchised Facility now or in the future; and that many states regulate physical therapists and physical therapy practices and medical practices in general. Franchisee represents that it has investigated and ascertained the laws and regulations specific to the activities licensed hereunder that affect the Franchised Facility, including federal, state, municipal and local laws and regulations. Further, Franchisee agrees that, unless otherwise permitted or required by applicable law, there must be a minimum of one duly licensed physical therapist in good standing in the state in which the Franchised Facility is located working at the Franchised Facility. All therapists who are employed or work in the Franchised Facility must be duly licensed and in good standing in the state in which the Franchised Facility is located and be adequately insured at all times.

Section 5.2 Construction and Opening Requirements.

(A) **Commencement of Construction.** Franchisee shall commence construction or build out in accordance with the terms of Franchisee's lease for the Location and of the Franchised Facility, but in no event later than six (6) months after the execution of this Agreement unless prevented from doing so due to permitting issues or site restrictions, or other circumstances beyond Franchisee's reasonable control.

(B) **Completion of Construction and Opening.** Franchisee shall complete construction or build out of the Franchised Facility, including all exterior and interior carpentry, electrical, painting and finishing work and installation of all the approved fixtures, equipment and signs, in accordance with the site layout and plans and specifications, at Franchisee's expense, in accordance with the terms of Franchisee's lease for the Location and open for business to the general public no later than eleven (11) months after the date of this Agreement. AFH and its agents shall have the right to inspect the construction at all reasonable times. Opening may be delayed only if such delay is caused by contingencies not within the control of Franchisee, such as, acts of God, governmental restrictions, strikes or labor disputes, about which Franchisor is notified in writing within a reasonable period time of such delay. Franchisee shall use its best efforts to cure any such delay and any such delay in completion shall be for a period of days equal to the number of days during which such event actually prevents completion.

(C) **Certificate of Occupancy and Opening.** Franchisee shall, within ten (10) days after completion of construction or build out, apply for a Certificate of Occupancy for the Franchised Facility. After obtaining the Certificate of Occupancy, Franchisee shall obtain AFH's approval for opening and shall open the Franchised Facility within twenty (20) days thereafter. Franchisee and AFH agree that time is of the essence in the construction and opening of the Franchised Facility.

Section 5.3 Internal Décor and Internal Outfitting. Franchisee shall purchase certain furnishings, fixtures, equipment, supplies and décor for the Franchised Facility from AFH, its affiliates and/or third parties designated by AFH. AFH shall provide Franchisee with a list of such furnishings, fixtures, equipment, supplies and décor by the time Franchisee executes Franchisee's lease.

Section 5.4 Licenses, Permits and Taxes. Franchisee shall obtain all permits and certifications as may be required for the lawful construction of the Franchised Facility, together with certifications from all governmental authorities having jurisdiction over the Franchised Facility that all necessary permits have been obtained and that all requirements for construction have been met, including, but not limited to, zoning, access, sign, fire, health, environmental and safety requirements. Franchisee shall: (A) secure and maintain in full force and effect in Franchisee's name, all required licenses, permits and certificates relating to the operation of the Franchised Facility; (B) deliver copies of any and all of the foregoing to AFH within five (5) days of request; (C) pay promptly all taxes and assessments when due; and (D) operate the Franchised Facility in full compliance with all applicable laws, ordinances and regulations, including but not limited to laws relating to occupational hazards, health, workers' compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes and sales taxes. At no time is AFH required to inform Franchisee of any federal, state, municipal, or local law, rule, regulation, ordinance code, or tax. Any such information AFH does provide to Franchisee, whether as part of the Manual or otherwise, is for general information purposes only and may not be applicable to the Franchised Facility. Such information is not to be construed as legal advice.

Section 5.5 Conditions Precedent to Grand Opening. Franchisee agrees not to open the Franchised Facility for business until: (A) all of Franchisee's obligations pursuant to Sections 5.1 through 5.4 have been fulfilled; (B) training of Franchisee or one of its owners, as the case may be, the Clinic Manager(s), the Secretary, and employees has been completed to AFH's satisfaction; (C) the Initial Franchise Fee, and all other amounts due to AFH and its affiliates under this Agreement or any other agreement have been paid; and (D) AFH has been furnished with certificates of insurance and copies of all insurance policies required by Section 10.2, or such other evidence of insurance coverage as AFH reasonably requests.

Section 5.6 Use of the Location. Franchisee shall keep the Franchised Facility open for business and in normal operation for such minimum hours and days as AFH may from time to time prescribe in the Operations Manual or otherwise in writing, except as may be limited by local law. Franchisee shall

refrain from using or permitting the use of the Location for any other purpose or activity other than the operation of the Franchised Facility at any time without first obtaining the written consent of AFH.

Section 5.7 Conditions and Appearance. Franchisee shall maintain the Franchised Facility in an attractive, safe condition and as otherwise set forth in the Operations Manual. Franchisee is not permitted to make any structural changes or significant decorating changes to the Franchised Facility without AFH's prior written consent which can be withheld in our sole discretion.

Section 5.8 Operational Requirements. Franchisee shall operate the Franchised Facility in conformity with such uniform methods, standards and specifications as AFH may from time to time prescribe, including but not limited to in the Operations Manual, to ensure that the highest degree of quality and service is uniformly maintained. Franchisee agrees to:

(A) Comply with AFH's Procedures and Systems. Comply with all of the procedures and systems instituted by AFH both now and in the future, including but not limited to those relating to sales, operations, prices of services Franchisee offers in connection with the Franchised Facility, software and hardware requirements, terms and conditions of use of the Website, good business practices, advertising and other obligations and restrictions set forth in this Agreement and in the Operations Manual, as may be amended from time to time.

(B) Offer all Services and Products. Provide all required services and products described in Exhibit I ("Permitted Services"), and to refrain from providing any other products or services without AFH's prior written consent which may be withheld in AFH's sole discretion. All Permitted Services provided by Franchisee must conform to AFH's standards and specifications.

FRANCHISEE UNDERSTANDS AND ACKNOWLEDGES THAT AFH WILL NOT BE INVOLVED IN THE MANNER AND METHOD BY WHICH THERAPISTS RENDER MEDICAL SERVICES OR TREAT PATIENTS, AND ALL SUCH ADVICE AND THE MANNER AND METHOD OF PROVIDING TREATMENT TO PATIENTS RESTS SOLELY WITH THE SAID THERAPIST IN ACCORDANCE WITH HIS OR HER PROFESSIONAL JUDGMENT AND SOUND MEDICAL PRACTICES AND STATE LAWS AND REGULATIONS. NOTHING HEREIN WILL BE CONSTRUED OR INTERPRETED TO DIRECTLY OR INDIRECTLY AFFECT OR INFLUENCE A THERAPIST'S PROFESSIONAL JUDGMENT.

(C) Purchase, Maintain and Replace Fixtures, Furnishings, Signs and Equipment. Purchase, install, maintain, repair and replace, at Franchisee's expense, all fixtures, furnishings, signs and equipment as AFH may specify from time to time in the Operations Manual or otherwise in writing. All fixtures, furnishings, signs and equipment shall be maintained in a condition that meets operational standards specified in the Operations Manual or otherwise by AFH in writing (including results of an inspection by AFH) and, as such fixtures, furnishings, signs or equipment become worn, obsolete, unsafe or inoperable, Franchisee will replace same with the types and kinds of fixtures, furnishings, signs and equipment as are then approved or required by AFH for use in the Franchised Facility. If AFH determines that additional or replacement fixtures, furnishings, signs or equipment is needed because of a change in technology, patient concerns or because of health or safety considerations, Franchisee shall install such additions and replacements within the time period specified by AFH.

Section 5.9 Hiring, Training and Appearance of Employees. Franchisee shall maintain a competent, conscientious staff and employ such minimum number of employees as are necessary to meet the anticipated volume of business of the Franchised Facility and take such steps as are reasonably necessary to ensure that its employees meet the employment criteria, have any and all required licenses and certifications, maintain all required licenses and certifications in good standing and keep a neat and

personal appearance and comply with such dress code as AFH may prescribe. Franchisee shall follow the guidelines set forth by the American Physical Therapy Association relating to acceptable patient visits per clinician as well as Physical Therapist to Physical Therapist Assistant ratios. Generally, clinicians should not exceed sixty (60) visits per week. Franchisor requires that Franchisee conduct a minimum of four (4) hours of clinical training covering AFH's clinical guidelines and expectations prior to the clinician performing any patient treatment. Franchisee acknowledges and agrees that Franchisee shall be solely responsible for all employment decisions and functions, including but not limited to, those related to hiring, firing, establishing wage and hour requirements, disciplining, supervising and record keeping. AFH may, but is not required to, provide quarterly in-service topics relating to marketing, clinic management, and/or patient care that Franchisee may choose to utilize for continuing education or continuous improvement purposes. Franchisor requires that Franchisee conduct a minimum of one (1) in-service per quarter with Franchisee's entire staff, covering topics related to marketing, clinic management and/or patient care.

Section 5.10 Approved Specifications and Sources of Supply.

(A) Purchase only from Approved Suppliers. Franchisee shall purchase or lease all products and services used for the operation of the Franchised Facility solely from authorized manufacturers and suppliers who have been approved in writing by AFH and not thereafter disapproved. AFH, in its sole and absolute discretion, may approve a single distributor or supplier for any brand and may approve a distributor or supplier only as to a certain brand or brands. AFH and its affiliates may be authorized manufacturers or suppliers and Franchisee may be required to purchase equipment, supplies, inventory or other products from AFH or its affiliates. Franchisee must obtain, use and maintain the practice management software AFH requires. In addition, Franchisee must use the electronic claims clearinghouse and billing and collection provider AFH requires. Franchisee will be responsible for entering into agreements with these suppliers and paying all associated fees.

(B) Approval of New Suppliers. If Franchisee desires to purchase or lease any equipment, supplies, inventory or other products or services from an unapproved supplier, Franchisee shall submit to AFH a written request for such approval. AFH shall have the right to require, as a condition of its approval, that its representatives are permitted to inspect the supplier's facilities, review the supplier's specifications and that samples from the supplier be delivered to AFH. Franchisee shall reimburse AFH for AFH's reasonable costs of inspection and review. Franchisee shall pay the actual cost of all testing. AFH shall notify Franchisee in writing within sixty (60) days after AFH's receipt of samples, whether such products or services satisfy AFH's then current quality standards and are consistent with the image and business of AFH. Notwithstanding the foregoing, AFH may revoke its approval of a supplier at any time in its sole and absolute discretion.

(C) Collection of Supplier and Distributor Credits, Rebates and Other Items. AFH has the right to collect credits, rebates, commissions and other sources of compensation from suppliers or dealers with whom AFH's franchisees, including the Franchisee, or the Marketing Fund do business or make purchases. AFH may elect to keep such collected monies and other items or it may elect, in AFH's sole discretion, to pass such rebates on to its franchisees or to the Marketing Fund.

Section 5.11 Credit Cards and Other Methods of Payment. Franchisee shall, at all times, maintain credit card relationships with such companies, issuers or sponsors, financial center services and electronic fund transfer systems as AFH may designate from time to time in order that Franchisee may accept patients' credit and debit cards and other methods of payment.

Section 5.12 Management of the Franchised Facility. At least one (1) full-time Clinic Manager must devote his or her full-time and best efforts to the day-to-day management and operation of the Franchised

Facility. Franchisee acknowledges and agrees that the Franchised Facility requires the day-to-day supervision of at least one Clinic Manager at all times during which the Franchised Facility is open for business. There must also be at least one (1) Secretary of the Franchised Facility. Such Clinic Manager and Secretary are required to complete Management Training in accordance with Section 4.4.

Section 5.13 Telephones and Answering Service. Franchisee shall at all times maintain continuously the number of operating telephone lines, fax lines and telephone numbers to be used exclusively by Franchisee for the operation of the Franchised Facility prescribed from time to time by AFH, with sufficient staff to handle telephone calls and telefaxes in an efficient and courteous manner at all times during business hours.

Section 5.14 Tax Payments; Contested Assessments. Franchisee shall promptly pay when due all taxes levied or assessed by any federal, state or local tax authority, including, but not limited to, unemployment taxes, withholding taxes, sales taxes, income taxes, tangible commercial personal property taxes, real estate taxes, intangible taxes and any and all other indebtedness incurred by Franchisee in the conduct of the Franchised Facility. Franchisee shall not permit the Location or the Franchised Facility to become subject to any claim for any lien and shall promptly pay and discharge any such claims if asserted by any Person.

Section 5.15 Inspections.

(A) AFH may Conduct Inspections. Franchisee shall permit AFH, and/or its designees to enter the Franchised Facility or the office of Franchisee at any time during normal business hours for purposes of conducting inspections of the Franchised Facility and the financial records. The inspections may be conducted without prior notice at any time when Franchisee or one of its employees is at the Franchised Facility. All such inspections shall be conducted so as not to unduly disrupt Franchisee's business. AFH's right to approve certain matters, to inspect the Franchised Facility and its operation and to enforce AFH's rights, exists only to the extent necessary to protect AFH's interest in the System and Proprietary Marks for the benefit of AFH, its Affiliates and Facilities. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters which are clearly reserved to you, nor will they be construed to do so. The obligations of this provision survive termination or expiration of the term of this Agreement.

(B) Franchisee shall Correct Deficiencies. Upon notice from AFH and without limiting AFH's other rights under this Agreement, Franchisee agrees to take such steps as may be necessary to immediately correct any deficiencies detected during such inspections, including without limitation, immediately desisting from the further use of any equipment, advertising, materials, products, services, supplies or other items that do not conform to AFH's then current requirements.

Section 5.16 Renovation and Upgrading. Recognizing the value of uniform national standards to Franchisee, AFH and the System, Franchisee shall, from time to time, abide by any requirement of AFH with regard to the remodeling and upgrading of the Franchised Facility to comply with standards then applicable to any franchisee. If any changes in or additions of furniture, fixtures, equipment, including medical equipment, computer hardware and software or signage or changes in or additions to the Franchised Facility are required by AFH in connection with upgrading or remodeling, Franchisee will bear the entire cost of such upgrading or remodeling. **FRANCHISEE ACKNOWLEDGES THAT POSSIBLE ADDITIONAL INVESTMENT MAY BE CALLED FOR PURSUANT TO THIS SECTION.**

Section 5.17 Franchisee Changes to System. All ideas, concepts, techniques, or materials concerning the Franchised Facility, whether or not protectable intellectual property and whether created by or for

Franchisee or Franchisee's owners or employees, must be promptly disclosed to AFH and will be deemed to be the sole and exclusive property of AFH, part of the System and works made-for-hire by AFH. To the extent any item does not qualify as a "work made-for-hire" for AFH, Franchisee will, or will cause its owners or employees to, assign ownership of that item, and all related rights to that item, to AFH or its designee and Franchisee shall take whatever action (including signing an assignment or other documents) AFH requests to show AFH's (or its designee's) ownership or to help AFH (or its designee) obtain intellectual property rights in such item. However, if this provision is found to be invalid or unenforceable, Franchisee and its principals grant to AFH a worldwide, perpetual, non-exclusive and fully paid license to use and sublicense the use of the idea, concept, technique or material.

Section 5.18 Security and Safety Procedures. Franchisee is solely responsible for taking necessary or appropriate security and safety measures to protect employees, patients, those engaging in business with Franchisee, those coming on the premises of the Franchised Business and the general public at large. AFH does not in any way share any of that responsibility.

ARTICLE 6

PROPRIETARY MARKS

Section 6.1 Limited License for the Proprietary Marks. AFH grants to Franchisee, subject to the terms and conditions of this Agreement, a non-transferable, non-exclusive license, without a right to sublicense, to use the Proprietary Marks now owned or which by license AFH has the right to use, or hereafter are adopted, acquired, developed or required by AFH, in the operation of the Franchised Facility at the Location. Nothing in this Agreement shall be construed as authorizing or permitting the use of any of the Proprietary Marks at or from any other location or for any other purpose. Franchisee agrees that during the term of this Agreement, Franchisee will operate, advertise and promote the Franchised Facility under the name "ApexNetwork Physical Therapy" without prefix or suffix and to adopt and use the Proprietary Marks and System licensed hereunder solely in the manner prescribed by AFH. Franchisee agrees to identify the Franchised Facility with a sign in compliance with applicable local ordinances and approved by AFH.

Section 6.2 Restrictions on Franchisee's Use of the Proprietary Marks. With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee agrees that:

(A) Use in Accordance with all Restrictions. Franchisee shall use only the Proprietary Marks as designated, from time to time, by AFH and only in the manner required or authorized and permitted by AFH and only in connection with the operation of the Franchised Facility at the Location;

(B) Not Use any Other Proprietary Marks. Franchisee shall use the Proprietary Marks as the sole service mark identifications for the Franchised Facility and not use any other trademarks, servicemarks or tradenames in any marketing materials, signage or other items containing the Proprietary Mark except that Franchisee shall identify itself as an independent owner, operator and franchisee of AFH, in the manner prescribed by AFH from time to time; and

(C) Only Display as Designated by AFH. Franchisee agrees to display prominently the Proprietary Marks on and/or in connection with all materials designated and authorized by AFH and in the manner prescribed by AFH.

Section 6.3 Franchisee's Lack of Ownership. Franchisee expressly acknowledges AFH's affiliate's ownership or license rights in and to the Proprietary Marks. Franchisee agrees not to represent in any manner that Franchisee has any ownership in the Proprietary Marks. Franchisee further agrees that its use

of the Proprietary Marks shall not create in its favor any right, title or interest in or to any of the Proprietary Marks except as the right to use same is expressly set forth in this Agreement.

Section 6.4 Infringement by Franchisee. Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this Agreement is an infringement of AFH's rights in and to the Proprietary Marks, and expressly covenants that during the Term and after the expiration or termination of the Term, Franchisee shall not, directly or indirectly, commit or permit to be committed any act of infringement or contest or aid in contesting the validity or right of AFH to any of the Proprietary Marks, or take any other action in derogation of any of the Proprietary Marks.

Section 6.5 Claims Against the Proprietary Marks.

(A) Promptly Notify AFH. In the event of any claim of infringement, unfair competition or other challenge to Franchisee's right to use any of the Proprietary Marks, or in the event Franchisee becomes aware of any use of or claims to, any mark, name, logo or any other commercial symbol identical to or confusingly similar to any of the Proprietary Marks, Franchisee shall promptly notify AFH in writing and in no event more than five (5) days thereafter.

(B) AFH Controls Action. AFH shall have sole and absolute discretion to take such action as it deems appropriate and the right to control exclusively any litigation or U.S. Patent and Trademark Office or other proceeding arising out of any such infringement, challenge, or claim or otherwise relating to any of the Proprietary Marks. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of AFH's counsel, be necessary or advisable to protect and maintain the interests of AFH in any litigation or U.S. Patent and Trademark Office or other proceeding or to otherwise protect and maintain the interests of AFH in the Proprietary Marks.

Section 6.6 Goodwill Solely Belongs to AFH. Franchisee agrees that all goodwill associated with the Franchised Facility and identified or associated with the Proprietary Marks shall inure directly and exclusively to the benefit of AFH and its affiliates and is the sole and exclusive property of AFH and its affiliates. Franchisee shall derive no benefit from such goodwill except through profit received from the operation or possible permitted sale of the Franchised Facility during the Term.

Section 6.7 Modification of the Proprietary Marks. If it becomes advisable at any time in AFH's sole and absolute discretion to modify or discontinue the use of any of the Proprietary Marks and/or to use one or more additional or substitute trade or service marks, Franchisee, at its sole expense, shall adopt, use and display only such Proprietary Marks as are then approved by AFH and shall promptly discontinue use and display of the outmoded or superseded marks.

ARTICLE 7

OPERATIONS MANUAL AND OTHER CONFIDENTIAL INFORMATION

Section 7.1 Confidentiality of Operations Manual.

(A) Treat Confidential. Franchisee shall at all times treat the Operations Manual and any other trade secrets and confidential or proprietary information concerning the System or this Agreement as confidential, and shall use its best efforts to maintain such information as confidential. Any and all supplemental bulletins and notices, revisions, modifications, or amendments, either in document or electronic form (the "**Supplements**") shall be considered a part of the Operations Manual. The Operations Manual shall, at all times, be kept in a locked, secured area within the Franchised Facility. Franchisee shall strictly limit access to the Operations Manual to the Clinic Manager(s) and Secretary to

the extent they have a "need to know" in order to perform their jobs. Franchisee shall not at any time copy, record or otherwise reproduce any of the Operations Manual, in whole or in part, nor otherwise make the same available to any unauthorized person except as may be required by law, regulation or court order or specifically directed by the Operations Manual. Franchisee shall report the theft, loss or destruction of the Operations Manual, or any portion thereof immediately to AFH.

(B) Nondisclosure Agreement. All current and future Clinic Managers, Secretaries, principals, officers, directors, shareholders, partners, members, owners and agents of Franchisee and their respective spouses and managerial employees involved in any manner with the Franchised Facility and having access to the Operations Manual, who have not already sign the Guaranty and Assumption Agreement, shall be required to sign, prior to Management Training or upon employment, a Nondisclosure Agreement in the form included in the Operations Manual or otherwise provided.

Section 7.2 Operations Manuals are Sole Property of AFH. The Operations Manual and other Confidential Information developed for or approved for use in the operation of the Franchised Facility shall at all times be deemed and remain the sole property of AFH. Franchisee shall acquire no right, title or interest thereto under this Agreement except to possess and use such Operations Manual or other Confidential Information during the Term of, and subject to the restrictions contained in, this Agreement.

Section 7.3 Periodic Revisions of Operations Manuals. AFH may (but shall not be obligated to), from time to time, revise and change the contents of the Operations Manual (whether making changes directly to the Operations Manual or providing Franchisee with Supplements) and Franchisee expressly agrees to comply with each new or changed provision or Supplement at its sole cost and expense. Revisions to the Operations Manual shall be based on what AFH, in its sole and absolute discretion, deems is in the best interests of AFH, its franchisees and company-owned or non-franchised Facilities, including but not limited to, to promote quality, enhance goodwill, increase efficiency, decrease administrative burdens or improve the profitability of AFH or its franchisees. Such revisions or changes may but need not be imposed uniformly upon all Facilities and then only to the extent reasonably feasible. Franchisee agrees that such revisions or changes may be material in that they may have a material effect on the operations of the Franchised Facility.

ARTICLE 8

ADVERTISING

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of AFH, the parties agree as follows:

Section 8.1 Grand Opening Advertising. Franchisee must spend a minimum of between Two Thousand Dollars (\$2,000) and Five Thousand Dollars (\$5,000) on grand opening advertising or marketing. This amount is in addition to and not in lieu of the monthly minimum advertising expenditure by Franchisee for local advertising. Franchisee shall be required to submit receipts and/or other adequate proof of Franchisee's advertising expenditures. Franchisee must submit to AFH all of Franchisee's grand opening advertising materials for approval in accordance with Section 8.2(B) hereof.

Section 8.2 Local Marketing.

(A) Minimum Expenditure. Franchisee shall spend an amount equal to at least five percent (5%) of its Net Collections each month during the Term, for business development and marketing, including, without limitation, physician lunches, marketing personnel wages, physician office visits delivering promotional items, case manager and industry lunch and learns, seminars, billboard or

newspaper advertising, sponsorships, other promotions and yellow page listings. Franchisee shall submit to AFH receipts and/or other adequate proof of Franchisee's advertising, marketing and sales promotion expenditures.

(B) Approval of Marketing/Promotional Materials. Franchisee shall submit to AFH at least twenty (20) days prior to use, for AFH's approval, all designs, signs, promotional materials advertising and marketing, including the form, color, number, location and size which bear any of the Proprietary Marks, unless it has been approved on a prior occasion (and that approval has not been revoked) or it consists solely of materials provided by AFH. Franchisee shall be solely responsible for complying with all federal, state and local laws and regulations relating to advertising. Notwithstanding any prior approval, AFH may require Franchisee to withdraw and/or discontinue the use of any promotional materials or advertising and Franchisee shall be bound by such requirement.

Section 8.3 Marketing Fund.

(A) Use of Advertising Funds. Franchisee agrees that the Marketing Contributions will be deposited into a fund, maintained and operated by AFH, used to meet the costs of maintaining, administrating, directing, developing and conducting marketing activities, including but not limited to, website and internet marketing and development, continued marketing brochure refinement and development, promotional item refinement and development, research and development of new marketing and sales concepts, development of billboard, newspaper, and print ad design concepts, and employing a director and agencies to provide assistance in these areas, defraying such salaries, administrative costs and overhead as AFH may incur and other purposes AFH deems beneficial to AFH's franchisees by AFH (the "**Marketing Fund**"). The Marketing Fund shall not be used for the purpose of selling additional franchises.

(B) AFH Oversees Expenditures of Marketing Funds. All expenditures from the Marketing Fund shall be at AFH's sole and absolute discretion. AFH may spend in any calendar year an amount greater or less than the aggregate Marketing Contributions to the Marketing Fund in that year and the Marketing Fund may borrow from AFH or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. Franchisee agrees and acknowledges that, notwithstanding anything to the contrary contained in this Agreement or any other agreement or document, the Marketing Contributions are intended to maximize general public recognition of and the acceptance of the Proprietary Marks for the benefit of AFH's franchisees generally and that AFH undertakes no obligation in administering the Marketing Contributions to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to insure that any particular franchisee benefits directly or pro rata from advertising or promotion conducted in connection with the Marketing Contributions.

(C) Use of Interest. All interest earned on monies contributed to the Marketing Fund will be used to pay costs of the Marketing Fund.

(D) Content and Concepts. With respect to any and all fees collected by AFH for promotion and advertising, AFH shall, in its sole and absolute discretion, administer and develop promotional programs and material for use in connection with AFH, its franchisees, any Facility or the System. AFH retains sole and absolute discretion regarding all advertising and promotional concepts and materials, including the cost thereof, form of media, content, format, production, timing (including regional or local concentrations and seasonal exposure), location and all other matters relating to any advertising, public relations, marketing, market research or promotional campaigns.

(E) Marketing Contributions Not an Asset. The Marketing Contributions are not and shall not be an asset of AFH. A compilation of the operations of the Marketing Fund as shown on the books of AFH shall be prepared annually by AFH's outside accountant, at the expense of the Marketing Fund, and shall be made available to Franchisee. Except as expressly provided in this Article 8, AFH assumes no direct or indirect liability or obligations to Franchisee with respect to the maintenance, direction, administration or activities of the Marketing Fund.

(F) Termination and Restriction on Expenditures. Although the Marketing Contributions may be held by AFH for perpetual duration, AFH maintains the right to terminate, at any time in AFH's sole and absolute discretion, the collection and disbursement of any or all of the Marketing Contributions and the Marketing Fund. In the event of any such termination, AFH shall expend the remaining balance in the Marketing Fund for the purposes set forth in this Section 8.3.

Section 8.4 Advertising Cooperative. AFH may, in its sole discretion, designate any geographic area or certain Facilities to form an advertising cooperative (each an "**Advertising Cooperative**"). If AFH designates that the Franchised Facility be included in the Advertising Cooperative or designates a geographic area that includes the Location or any part of the Assigned Territory, then Franchisee shall be required to participate in the Advertising Cooperative. AFH shall retain the right to change, dissolve or merge the Advertising Cooperative with or into another Advertising Cooperative. AFH and Franchisee agree that the following provisions shall apply to each Advertising Cooperative: (i) The Advertising Cooperative shall operate from written governing documents prepared by the members of the Advertising Cooperative and approved by AFH; (ii) The Advertising Cooperative shall be administered by franchisees who are members of such Advertising Cooperative and who are duly elected (the "**Cooperative Officers**") by all the franchisees who are members of such Advertising Cooperative; (iii) No promotional or advertising plans may be used by an Advertising Cooperative without AFH's prior written consent and all plans must be submitted to AFH in accordance with Section 8.2(B); (iv) Each Advertising Cooperative shall have the right to require its members to make contributions to the Advertising Cooperative in an amount determined by the Cooperative Officers and approved by a majority of the members of such Advertising Cooperative; and (v) Each Advertising Cooperative must prepare annual financial statements that are made available for review by AFH and all of the members of such Advertising Cooperative.

ARTICLE 9

ACCOUNTING AND RECORDS

Section 9.1 AFH's Use of Books and Records. Franchisee shall establish and maintain at its own expense during the Term, a bookkeeping, accounting and record keeping system as prescribed by AFH from time to time. Such system will be kept solely for the Franchised Facility and shall be segregated from all other information not concerning the Franchised Facility. Such books, records and accounts should be in accordance with generally accepted accounting principles consistently applied and federal tax requirements and in the form and manner prescribed by AFH from time to time in the Operations Manual or otherwise in writing. AFH shall have access to and may use the information contained in Franchisee's books, records and accounts for any purpose AFH deems appropriate, including, but not limited to, disseminating such information to AFH's creditors and potential franchisees; provided, no social security number, birth date or home address shall be disclosed without Franchisee's prior written consent, unless required or permitted by law. Notwithstanding anything to the contrary, Franchisee is required to use a third-party payroll company to provide payroll services. In addition, Franchisee is required to use an accountant or outside bookkeeper to perform various bookkeeping and accounting services which will be detailed in the Manual.

Section 9.2 Annual and Monthly Reports. Franchisee shall submit, within ninety (90) days of end of the fiscal year of Franchisee, an annual balance sheet, income statement, and funds flow statement for Franchisee. Each annual statement shall be accompanied by a copy of Franchisee's tax returns for such fiscal year and shall be signed by Franchisee's chief executive officer attesting that the financial statements are true and correct and fairly present the financial position of Franchisee as at and for the times indicated. In addition, Franchisee shall submit monthly, by the tenth (10th) day of each month, in the form and manner prescribed by AFH, a profit and loss statement and balance sheet for the prior month. AFH may also require Franchisee to submit quarterly profit and loss statements and balance sheet within ten (10) days after each calendar quarter.

Section 9.3 Additional Reports. Franchisee shall also submit to AFH, for review and audit, such other forms and other periodic reports, information and data as AFH may designate or request, from time to time, in the form, in the manner and at the times required by AFH. Franchisee shall permit AFH to automatically gather such information and reports from Franchisee's books, records and computer system as AFH may determine from time to time.

Section 9.4 Review and Audit by AFH.

(A) **Review and Audit.** AFH and its representatives shall have the right, at all reasonable times, to examine and copy, at AFH's expense, the books, records, accounts and tax returns and all cash control devices and systems of the Franchised Facility, Franchisee and of any person, corporation or other business association having any ownership interest in the Franchised Facility. Franchisee shall fully cooperate with AFH and its representatives or agents in conducting such examinations or audits and, upon AFH's request, Franchisee shall submit a written response to any issues raised in connection with said examinations or audits. AFH shall have the right, at any time, to have an independent audit made of the books and records of the Franchised Facility or Franchisee.

(B) **Payment for Review and Audit.** If an inspection should reveal that any financial information reported to AFH (such as Net Collections, or payments owed to AFH) has been misrepresented in any report to AFH, then, to the extent any amounts owed to AFH were understated, Franchisee shall immediately pay to AFH the amount understated in addition to interest at the maximum rate permitted by law commencing from the time the required payment was due. If any inspection discloses a misrepresentation of any reported amount of any type, in any report, of two percent (2%) or more of Net Collections or amount owed to AFH for the period of such report, Franchisee shall, in addition to paying any additional fees and applicable late payments, reimburse AFH for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages for personnel of AFH and accounting and attorneys' fees). If the audit discloses an overpayment of the Royalty Fee and/or Marketing Contributions, AFH will promptly pay to Franchisee the amount of such overpayment or offset such overpayment against any amounts owed to AFH by Franchisee. The foregoing remedies shall be in addition to any other remedies which AFH may have hereunder or under applicable law and survive the termination, Transfer or expiration of this Agreement.

Section 9.5 Cooperation for Financial Performance Representations. If AFH desires to utilize financial performance representations or similar information in connection with the sale of franchises, Franchisee agrees to provide AFH, at no cost, such information as AFH requests from Franchisee in order to properly prepare such documents and shall permit AFH to utilize such information as it deems necessary or convenient.

ARTICLE 10

INSURANCE

Section 10.1 General Requirements. Franchisee shall procure, no later than the earlier of (i) fifteen (15) days prior to commencing construction or build out of the Location, or (ii) the Opening Date, and shall thereafter maintain in full force and effect during the entire Term, at Franchisee's expense, an insurance policy or policies protecting Franchisee and naming AFH and Apex Physical Therapy, LLC and Apex Billing, LLC (collectively, the "**Additional Insureds**") additional insureds. Such insurance shall protect Franchisee and each of the Additional Insureds against any loss, liability, personal injury, death, property damage or expense whatsoever from fire, lightning, theft, vandalism, malicious mischief and the perils included in the extended coverage endorsement, arising or occurring upon or in connection with Franchisee or the Franchised Facility. Franchisee shall also obtain and maintain professional malpractice insurance and such other insurance applicable to such other special risks, if any, as AFH may reasonably require for the Additional Insureds and Franchisee's protection, as well as any insurance coverage required by Franchisee's landlord or lender.

Section 10.2 Types and Amounts of Coverage. Without limiting Section 10.1, all insurance policies provided by Franchisee shall be written by an insurance company satisfactory to AFH with a A.M. Best rating of "A" VII or better and shall include, without limitation, at a minimum, the following. Note: With respect to the limits of insurance, required limits may be satisfied through a combination of Primary and Umbrella or Excess Liability policies so long as the limit requirements are met.

(A) General Liability. Commercial general liability insurance in an amount of Two Million Dollars (\$2,000,000) per occurrence and Four Million Dollars (\$4,000,000) in the aggregate;

(B) Workers' Compensation. Workers Compensation insurance affording coverage for statutory benefits and Employer's Liability for limits of \$500,000 Each Accident, Injury by Accident; \$500,000 Each Person, Injury by Disease; \$500,000 Policy Aggregate, Injury by Disease;

(C) Property. Property coverage, insuring all Franchisee's personal and real property for their full replacement value;

(D) Automobile. Automobile coverage (including non-owned automobile coverage) in an amount of One Million Dollars (\$1,000,000) each occurrence, Bodily Injury and Property Damage combined;

(E) Business Interruption Insurance. Business interruption insurance covering Franchisee and the Franchised Facility's operations for twelve (12) months;

(F) Professional Malpractice Insurance. Professional malpractice insurance covering each clinical professional in at least an amount of One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate or as required by state law.

(G) Cyber Liability. Cyber liability insurance covering Franchisee for Privacy Injury & Identity Theft and for Network Damage in the amount of One Million Dollars (\$1,000,000) per claim and One Million Dollars (\$1,000,000) in the aggregate.

(H) Employment Practices Liability Insurance. \$1,000,000 coverage including 3rd party liability.

(I) **Additional Insurance.** Such other insurance, and in such amounts, as may be required from time to time by AFH for Franchisee's and AFH's protection. AFH may periodically increase the amounts of coverage required under all insurance policies described above and may require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, provided such changes are effectuated generally for each Facility similarly situated.

Franchisee acknowledges and agrees that the foregoing insurance requirements are AFH's minimum requirements and that it is Franchisee's sole responsibility to maintain adequate insurance coverage at all times during and after the Term. Franchisee should determine, through consultation with its advisor's and insurance carriers if additional insurance is necessary or advisable. Failure of Franchisee to maintain adequate insurance coverage shall not relieve Franchisee of any obligation, liability or contractual responsibility under this Agreement.

Section 10.3 Evidence of Insurance. Upon Franchisee's receipt of same, Franchisee shall provide to AFH certificates of insurance issued by insurance companies approved by AFH showing compliance with the requirements of this Article 10. Franchisee must request from their insurance provider a "30 Day Advance Notice of Cancellation to Third Party" endorsement in favor of AFH. Copies of all insurance policies shall be submitted promptly to AFH together with proof of payment. Franchisee shall send to AFH current certificates of insurance and copies of all insurance policies on an annual basis.

Section 10.4 AFH's Right to Participate in Claims Procedure. AFH, or its insurer, shall have the right to participate in discussions with Franchisee's insurance company or any claimant (in conjunction with Franchisee's insurance company) regarding any claim which AFH determines may have an adverse effect on AFH or the System and Franchisee agrees to adopt AFH's reasonable recommendations to Franchisee's insurance carrier regarding the settlement of any such claims.

Section 10.5 Franchisee's Failure to Maintain Insurance. Should Franchisee for any reason, fail to procure or maintain the insurance required by this Agreement, AFH shall have the right and authority (without any obligation) to immediately procure such insurance and to charge the cost of such insurance to Franchisee, plus interest at the maximum rate permitted by law, which charges, together with reimbursement for all AFH's expenses in so acting, shall be payable by Franchisee immediately upon AFH's demand or at AFH's discretion, be withdrawn from Franchisee's operating account.

ARTICLE 11

TRANSFER OF INTEREST

Section 11.1 Transfer by AFH. Notwithstanding anything to the contrary contained in this Agreement, AFH shall have the absolute right to assign or delegate all or any part of its rights or obligations pursuant to this Agreement to any person without the consent of Franchisee. Upon the assignment or delegation by AFH of its rights and obligations under this Agreement and delivery of written notice to Franchisee of such assignment or delegation, AFH shall be released from all obligations and liabilities pursuant to this Agreement.

Section 11.2 Transfer by Franchisee. Franchisee understands and agrees that the rights and duties set forth in this Agreement are personal to Franchisee and that AFH has granted this franchise in reliance on Franchisee's business skill, attitude, aptitude and financial capacity. Therefore, Franchisee shall not, without AFH's prior written consent, by operation of law or otherwise, sell, assign, transfer, convey, give away, pledge, mortgage, restrict or otherwise encumber (each, a "**Transfer**") any interest in nor offer,

permit or suffer the Transfer of (A) any interest in this Agreement, (B) any interest in the Franchised Facility, or (C) any ownership interest in Franchisee. Any purported Transfer without AFH's prior written consent shall be null and void and shall constitute a default by Franchisee.

Section 11.3 Conditions for AFH's Approval for Transfer. AFH may condition its approval of any proposed Transfer described in Section 11.2 upon satisfaction of each of the following requirements:

(A) AFH Does Not Exercise Right of First Refusal. AFH does not exercise its right of first refusal pursuant to Section 11.7;

(B) Franchisee's Accrued Monetary and other Obligations Satisfied. All of Franchisee's accrued monetary and other obligations to AFH and each of AFH's subsidiaries and affiliates shall have been satisfied. AFH may conduct an investigation and audit pursuant to Section 9.4 to determine the extent of accrued obligations;

(C) Execution of General Release. Franchisee shall have executed a general release, in a form prescribed by AFH, releasing AFH and its subsidiaries and affiliates, and their respective officers, directors, owners, agents, attorneys and employees of all claims except for claims which cannot legally be released under applicable law;

(D) All Defaults Cured. All existing defaults and breaches under this Agreement and any other agreement Franchisee shall have with AFH or any of its affiliates shall have been cured within the period permitted for cure;

(E) Proposed Transferee Meets AFH's Current Criteria. The proposed transferee has (i) met AFH's then current criteria, if any, applicable for new franchisees, (ii) demonstrated to AFH's satisfaction that the proposed transferee meets AFH's educational, managerial and business standards, possesses a good moral character, business reputation and credit rating; and has the aptitude and ability to operate and to own or control the Franchised Facility (as may be evidenced by prior related business experience or otherwise), and (iii) successfully completed to AFH's satisfaction the then current Management Training. Further, neither transferee nor any of its direct or indirect owners or affiliates operate or have an ownership interest in or perform services for a Competitive Business;

(F) Proposed Transferee Completes Application Procedure. The proposed transferee has satisfactorily completed the then current new franchisee application procedure and otherwise meets all qualification standards for new franchisees.

(G) Renovation of Franchised Facility. The proposed transferee shall, within the time period specified by AFH, renovate, at its sole expense, the Franchised Facility to conform to the operating and/or design concepts then required by AFH;

(H) AFH's Satisfaction with Proposed Terms of Sale. AFH must be reasonably satisfied that the proposed terms of the Transfer or other factors involved in the Transfer do not materially reduce the potential ability of the proposed transferee to effectively assume and carry out its obligations to AFH. Notwithstanding the foregoing, AFH's approval of the Transfer shall not be deemed to imply or warrant that the purchase price or terms of sale are economically feasible, and AFH hereby disclaims any responsibility for making any such determination;

(I) Execution of Satisfactory Assignment. The transferee shall have executed either (i) a written assignment, in a form prescribed by AFH, pursuant to which the proposed transferee shall assume all of the obligations of Franchisee under this Agreement, or (ii) at AFH's request, shall have executed the then current Franchise Agreement (and such other than current ancillary agreements as AFH may request,

all of which agreements may materially differ from the terms of this Agreement and its ancillary agreements, including without limitation, a higher Royalty Fee and/or Marketing Contributions), and which shall, notwithstanding anything to the contrary contained therein, expire on the date of expiration of this Agreement, and shall be renewable at its expiration, if at all, only pursuant to the terms thereof;

(J) Execution of Guaranty and Assumption Agreement. The proposed transferee or all the proposed transferee's individual owners shall have signed personal guaranties of all agreements and documents referenced in Subsection 11.3(I); and

(K) Payment of Transfer Fee. Except as expressly provided to the contrary in this Agreement, Franchisee or the transferee shall pay to AFH a transfer fee of fifty percent (50%) of the then current Initial Franchise Fee (the "**Transfer Fee**"). No additional Initial Franchise Fee shall be charged by AFH in connection with a Transfer, but the Transfer Fee is not refundable under any circumstances.

AFH's consent to a Transfer shall not constitute a waiver of any claims it may have against Franchisee nor shall it be deemed a waiver of AFH's right to demand exact compliance with any of the terms of this Agreement by the proposed transferee. Without limitation of the foregoing, no Transfer (even if approved by AFH), will relieve Franchisee of liability for its conduct prior to the Transfer, including without limitation, conduct in breach of this Agreement.

Section 11.4 Transfer Upon Death or Incapacity. In the event of the death or permanent incapacity of any individual who owns any ownership interest in Franchisee (or if Franchisee is an individual, the death or permanent incapacity of Franchisee), AFH shall not unreasonably withhold its consent to a Transfer of all of such person's interest in the Franchisee, the Franchised Facility or all of such person's interest in this Agreement to one (1) person designated by such individual's executor, administrator, personal representative or guardian; provided, however, that (i) the conditions of Subsections 11.3(B) through 11.3(J) are met, (ii) the proposed Transfer is applied for in writing within two (2) months of the date of death or permanent incapacity by the legal representative of such individual, and is effected within six (6) months from the date of such application, and (iii) in the case of permanent incapacity, the legal representative shall have furnished to AFH certification from a physician designated by AFH that Franchisee has been or will be unable to operate the Franchised Facility for a period of six (6) months or longer. If such Transfer to a person acceptable to AFH has not taken place within the required period, AFH shall have the option to purchase the interest at fair market value exclusive of intangible assets (such as, but not limited to, goodwill) determined by an independent appraiser designated by AFH. Such option may be exercised within thirty (30) days after the expiration of the required period by written notice to Franchisee or Franchisee's estate. No Transfer under this Section 11.4 shall be subject to the Transfer Fee. Notwithstanding the foregoing, if the Transfer described in the first sentence of this Section is proposed to be to a person who is not a family member meeting the qualifications contained in Section 11.5, the Transfer shall remain subject to AFH's right of first refusal described in Section 11.7.

Section 11.5 Transfers to Family Members. Franchisee, or if Franchisee is an entity, any individual owning an ownership interest in Franchisee, may Transfer his or her interest in Franchisee to his or her spouse, parent, adult sibling, adult descendant or spouse's adult descendant with AFH's consent, which shall not be unreasonably withheld; provided, such family member has been substantially involved in the operation of the Franchised Facility during the preceding six (6) months and/or has successfully completed Management Training and provided further that such transferee is qualified to own such interest pursuant to all applicable law. No Transfer under this Section 11.5 shall be subject to the Transfer Fee.

Section 11.6 Transfer for Estate Planning Purposes. Provided that there is no legal prohibition for the ownership of the Franchisee or the Franchised Facility to be in a trust, family limited partnership or other

entity established for estate planning purposes, any individual may Transfer his or her interests in Franchisee to a trust, family limited partnership or other entity established by the individual for estate planning purposes, without AFH's consent, provided such individual remains in control over and is the sole equitable and beneficial owner of such trust, family limited partnership or other entity. Franchisee understands that there are various state and federal laws and regulations governing the ownership of professional practices. No Transfer under this Section 11.6 shall be subject to the Transfer Fee.

Section 11.7 AFH's Right of First Refusal.

(A) AFH's Purchase Option. If at any time during the Term, Franchisee desires to sell and receives a bona fide, arms-length written offer from an independent third party (the "**Offeror**") to purchase any ownership interest in Franchisee, Franchisee's interests under this Agreement, or any ownership in the Franchised Facility (each, an "**Offer**"), AFH shall have the option to purchase such interests or assets for the same price and on the same terms and conditions set forth in the Offer (expressly excluding any terms and conditions relating to non-cash consideration and any ancillary agreements), less any broker's or other commissions not due as a result of AFH being the purchaser. Upon receipt of any Offer, Franchisee shall immediately notify AFH, in writing, of such Offer (each an "**Offer Notice**"), and disclose therein the name and address of the prospective purchaser, the price and terms of the Offer and any other information that AFH may reasonably request in order to evaluate the Offer, including without limitation, any agreements proposed or executed by Franchisee or the third party.

(B) Time to Exercise Option. AFH may exercise its option described in Subsection 11.7(A), if at all, by giving written notice of its election to Franchisee within thirty (30) days after AFH's receipt of the Offer Notice (the "**Option Period**").

(C) Sale to AFH. If AFH elects to exercise its option as provided above, then Franchisee shall sell to AFH the interests and assets subject to AFH's option and AFH shall purchase same from Franchisee, for the price and upon the terms and conditions described in Subsection 11.7(A).

(D) AFH Does Not Exercise Option. If AFH declines or fails to exercise its option, Franchisee shall be free, for a period of sixty (60) days after the Option Period, to sell the interests and assets to the Offeror for the exact price and upon the exact terms and conditions contained in the Offer Notice, subject to full compliance with all terms and conditions of Transfer otherwise required under this Agreement, including those set forth in Section 11.3. If Franchisee does not sell such interests or assets within such period, then any Transfer by Franchisee of such interests or assets shall again be subject to the restrictions set forth herein.

(E) Closing. Unless otherwise agreed by Franchisee and AFH, the closing of the purchase of the interests or the assets (as the case may be) purchased by AFH shall be held at such time as AFH shall determine at AFH's then principal office or other location designated by AFH.

Section 11.8 Ownership and Control of Franchisee. Franchisee represents and warrants that all persons having an ownership interest in Franchisee, directly or through one or more intermediaries, are disclosed in writing to AFH. No other person has nor shall have any ownership in Franchisee during the Term, unless through a Transfer permitted by this Agreement.

Section 11.9 Operation of the Franchised Facility. In order to prevent any interruption of the Franchised Facility which would cause harm to the business, if Franchisee is unable to operate the business for any reason whatsoever, Franchisee abandons or fails to actively operate the Franchised Business for any period or Franchisee fails to cure a breach within the applicable cure period (if any), Franchisee authorizes AFH and its agents and Affiliates to operate the Franchised Business if AFH

desires to do so, in its sole discretion, for so long as AFH deems necessary and practical. All income from the operation of the Franchised Facility shall be kept in a separate account, and the expenses of the business, including AFH's reasonable compensation and expenses and its agents and Affiliates shall be charged to said account. AFH may charge you a reasonable management fee that AFH specify plus any out-of-pocket expenses incurred in connection with the management of the Franchised Facility. AFH and its designees will have a duty only to use reasonable efforts upon assuming the Franchised Facility's management and will not be liable for any debts, losses or obligations that the Franchised Facility incurs, or to any creditors for any supplies or other products or services purchased for the Franchised Facility in connection with such management. Nothing contained herein shall be construed to require AFH to operate the business in the case of Franchisee's inability to operate same, and the rights set forth herein may be exercised in AFH's sole and absolute discretion.

ARTICLE 12

DEFAULT AND TERMINATION

Section 12.1. Termination By AFH Without Opportunity to Cure. Franchisee shall be deemed to be in default of this Agreement and AFH may, at its sole option, terminate the Term of this Agreement and all of Franchisee's rights under this Agreement (and such termination shall be deemed "for cause") without affording Franchisee an opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, if:

(A) Insolvency or Bankruptcy. Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or a petition in bankruptcy is filed by Franchisee or such a petition if filed against is not opposed by Franchisee; or Franchisee is adjudicated as bankrupt or insolvent; or a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or any such involuntary petition, adjudication, proceeding or appointment is not dismissed within sixty (60) days thereafter;

(B) Outstanding Judgment or Dissolution. A final judgment related to Franchisee remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), or Franchisee is dissolved, or execution is levied against Franchisee, or suit to foreclose any lien or mortgage against the Franchised Facility or its equipment is instituted against Franchisee and not dismissed within thirty (30) days, or the real or personal property of the Franchised Facility must be sold after levy thereupon by any sheriff, marshal or constable;

(C) Material Misrepresentations. Franchisee has made any material misrepresentations or misstatements to AFH regarding Franchisee, its owners or the Franchised Facility or otherwise in acquiring its franchise;

(D) Failure to Operate Franchised Facility. Franchisee ceases to operate the Franchised Facility for five (5) consecutive days, or when, in AFH's opinion, the ability of Franchisee to resume an effective operation has been substantially impaired, or Franchisee otherwise abandons the Franchised Facility at any time, or Franchisee otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Facility is located. If such closure is due to natural disasters, remodeling required by AFH, or other matters beyond Franchisee's reasonable control, Franchisee shall not be deemed to be in default of this subsection 12.1(D); provided, Franchisee gives notice of any such closure to AFH within ten (10) days after the initial occurrence of the event and AFH acknowledges in writing that such closure

is due to one of the foregoing causes; and, provided further, that Franchisee shall re-establish the Franchised Facility and be fully operational within one hundred twenty (120) days after the initial occurrence of the event or such longer period as AFH may permit. In the event AFH does not agree that Franchisee's closure is due to one of the foregoing causes, Franchisee shall resume full operations within three (3) days of notice;

(E) Conviction of Felony or Other Crime. Franchisee or any of its owners, directors, officers or employees are convicted of, plead no contest to or commit any criminal misconduct which materially and adversely affects the operation, maintenance, reputation or goodwill of the Franchised Facility, the Proprietary Marks, the goodwill associated therewith, or AFH's interest therein in AFH's sole opinion;

(F) Breach of Non-Compete or Confidentiality Obligations. Franchisee or its owners violate any non-competition or non-solicitation provisions referenced in this Agreement or discloses or divulges the contents of the Operations Manual or other Confidential Information provided to Franchisee by AFH contrary to the terms of this Agreement;

(G) False Books or Records. Franchisee knowingly maintains false books or records, or knowingly submits any false or fraudulent report, statement or document to AFH;

(H) Improper Use of Marks. Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or otherwise materially impairs the goodwill associated therewith or AFH's rights therein; or

(I) Suspension or Exclusion. Franchisee is under any governmental investigation which may lead to suspension or exclusion or Franchisee is suspended or excluded from participation in any federal health care programs, as defined under 42 USC Section 1320a-7b(f), or any form of state Medicaid programs.

Section 12.2 Termination By AFH With Notice and Opportunity to Cure. Except as set forth in Section 12.1, Franchisee will have fifteen (15) days after receipt of a written notice of default from AFH within which to fully cure any default under this Agreement and provide evidence of such cure to AFH; provided, however, that if the default is of a nature that is not reasonably curable within such fifteen (15) day period, then Franchisee may avoid termination of the Term under this Section 12.2 by immediately initiating a remedy to cure such default after receiving written notice of default from AFH and curing it to AFH's complete satisfaction within such longer period as AFH may in its sole and absolute discretion grant, and by promptly providing proof thereof to AFH. If any such default is not cured within the specified time, or such longer period as applicable law may require, AFH shall have the right to terminate this Agreement upon notice to Franchisee, effective immediately upon the expiration of the fifteen (15) day period or such longer period as applicable law may require (and such termination shall be deemed "with cause"). Franchisee shall be in default under this Agreement for failure to comply with any of the requirements imposed by this Agreement or the Operations Manual. Such defaults include, but are not limited to:

(A) Failure to Pay Amounts Due. If Franchisee fails, refuses, or neglects (i) to pay promptly any monies owing to AFH or its affiliates when due, or (ii) to submit the financial or other information required by AFH under this Agreement;

(B) Failure to Observe Standards. If Franchisee fails to maintain or observe any of the standards, specifications or procedures prescribed by AFH in this Agreement, the Operations Manual, or otherwise in writing;

(C) Failure to Obtain AFH's Consent. If Franchisee fails, refuses, or neglects to obtain AFH's prior written consent as required by this Agreement;

(D) Improper Transfer. If Franchisee or any partner, member, shareholder or other owner of Franchisee (or any successor thereto or personal representative thereof) purports to Transfer or relinquish any rights or obligations under this Agreement or any interest in Franchisee or the Franchised Facility to any third party without AFH's prior written consent, contrary to the terms of this Agreement, or commits any violation of Article 11;

(E) Failure to Comply with Covenants. If Franchisee fails to comply with any of the covenants or conditions, or fails to obtain executed copies of the covenants required by this Agreement, including, without limitation the covenants contained in Article 14;

(F) Failure to Permit Inspection or Audit. If Franchisee refuses to permit AFH to inspect or audit Franchisee or the Franchised Facility, or the books and records of Franchisee or the Franchised Facility in accordance with the terms of this Agreement;

(G) Disputes of Franchisee Adversely Affecting AFH. If Franchisee allows any dispute, disagreement or controversy between or among partners, managers, owners, officers, directors or stockholders of Franchisee which, in AFH's opinion, adversely affects the operation of Franchisee or the Franchised Facility;

(H) Excessive Complaints. If Franchisee receives an excessive amount of patient, physician, industry, case manager, rehab nurse, or other complaints against the Franchised Facility and/or Franchisee and an investigation by AFH determines these complaints to be warranted;

(I) Public Danger. A threat or danger to public health or safety results from the maintenance or operation of the Franchised Facility;

(J) Repetitive Defaults. If Franchisee, after curing a default pursuant to this Agreement, commits the same default again, whether or not cured after notice; or Franchisee is in default under this Agreement, whether or not cured after notice, three (3) or more times in any twelve (12) month period;

(K) Loss of Certification. If Franchised Facility loses any required professional license or certification in order to continue to operate or if any therapists continue to provide services without the required professional licensure; or

Section 12.3 Notice Required by Law / Nature of Termination. Notwithstanding anything to the contrary contained in this Article 12, if applicable law or regulation limits AFH's rights to terminate or requires longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. AFH shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination of the Term. Any termination pursuant to Section 12.1 or 12.2 shall be deemed "for cause".

Section 12.4 Termination by Franchisee. There are no conditions in this Agreement under which Franchisee may terminate this Agreement prior to the expiration of the Term except by mutual agreement with AFH and execution of a general release.

ARTICLE 13

OBLIGATIONS UPON TERMINATION

Section 13.1 Franchisee's Obligation. Immediately upon termination, expiration or non-renewal of the Term for any reason, or a Transfer, all rights granted to Franchisee shall terminate and:

(A) Cease Operations. Franchisee shall immediately cease to operate the Franchised Facility and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of AFH or as an authorized independently owned and operated Facility or in any other way affiliate itself with AFH;

(B) Cease Use of AFH's System and Methods. Franchisee shall immediately cease using the System and AFH's methods of operation;

(C) Comply with Restrictive Covenants. Franchisee shall comply with the post-term covenants contained in Articles 7 and 14;

(D) Cease Use of AFH's Proprietary Marks. Franchisee shall immediately cease using the Proprietary Marks or any confusingly similar name, device, mark, service mark, trademark, trade name, slogan or symbol used in connection with the Franchised Facility or any other Facility, including any reproduction, counterfeit copy, variation, emulation or colorable imitation thereof which is likely to cause confusion or mistake or deceive the public and take any steps necessary to change the name of any corporation or entity which Franchisee may have formed, or under which Franchisee trades or does business, so that the name will not likely be confused with the Proprietary Marks;

(E) Complete and Effective Transfer. Franchisee shall immediately bring about a complete and effective transfer of the Franchised Facility's list of Referral Sources to AFH. Further, all patient medical records shall be provided to AFH as custodian for said patients. AFH shall release and retain such medical records in accordance with state and federal law.

(F) Cease Use of Telephone Numbers. Franchisee shall immediately cease and desist from using telephone numbers listed in the Yellow Pages or white pages of the telephone directory under the name AFH or any other name confusingly similar to any of the Proprietary Marks, and upon AFH's demand, shall direct the telephone company servicing the Franchised Facility to transfer any such telephone number registered to Franchisee in connection with the Franchised Facility to AFH or to such person as AFH directs (Franchisee shall execute the Limited Power of Attorney in the form of Exhibit 2 attached hereto, to transfer telephone listings and numbers);

(G) Cease Use of Printed Materials. Franchisee shall immediately return to AFH, at Franchisee's expense, all printed material furnished to Franchisee, including, without limitation, all Operations Manuals, advertising material, stationery and printed forms and all other matter relating to the operation of the Franchised Facility and/or bearing the Proprietary Marks which may be in Franchisee's possession or control at the time of such expiration, termination or non-renewal;

(H) Payment of all Sums and Debts Owed. AFH may retain all fees paid pursuant to this Agreement. In addition, within ten (10) days after the effective date of the termination or expiration of the Term, or such later date as it is determined that amounts are due to AFH, Franchisee shall pay to AFH all Royalty Fees, Marketing Contributions, amounts owed for products purchased by Franchisee from AFH, and all other amounts owed to AFH or its subsidiaries or affiliates which are then unpaid; and

(I) **Modify Location.** If AFH does not exercise its option to take over Franchisee's lease, Franchisee shall make such modifications or alterations to the Location (including, without limitation, changing the telephone number and taking down all signs bearing the Proprietary Marks and identifying architectural superstructure) immediately upon termination or expiration of the Term as may be necessary to distinguish the appearance of the Franchised Facility from that of other Facilities, and shall make such specific additional changes thereto as AFH may request for that purpose including a change of use of the Location. Franchisee agrees to refrain from taking any action to reduce the goodwill of its patients or potential patients toward AFH, the System or AFH's franchisees. In the event Franchisee fails or refuses to comply with this provision, AFH shall have the right, without any claim to the contrary by Franchisee, to enter the Franchised Facility, the Location, or the office of Franchisee without being guilty of trespass or any other tort, for the purposes of making or causing to be made such modifications or alterations to the Location as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay and reimburse upon AFH's demand.

Section 13.2 Execution of Documents. AFH may, if Franchisee fails or refuses to do so, execute in Franchisee's name and on its behalf, any and all documents necessary to effectuate the obligations of Franchisee under this Article 13 and Franchisee hereby irrevocably appoints AFH as Franchisee's attorney-in-fact to do so.

Section 13.3 AFH's Rights Not Prejudiced. The expiration, termination or non-renewal of the Term shall be without prejudice to AFH's rights against Franchisee and such expiration, termination or non-renewal shall not relieve Franchisee of any of its obligations to AFH existing at the time of expiration, termination or non-renewal, nor will it terminate those obligations of Franchisee which by their nature survive the expiration, termination or non-renewal of the Term.

Section 13.4 Return of Materials. Immediately upon termination, expiration or non-renewal of the Term for any reason, Franchisee shall turn over to AFH all materials, including the Operations Manuals, records, files, instructions, correspondence, all materials related to operating the Franchised Facility, including, but not limited to, brochures, agreements, disclosure statements, and any and all other materials relating to the operation of the Franchised Facility in Franchisee's possession or control, and all copies and any other forms of reproductions thereof (all of which are acknowledged to be AFH's sole and exclusive property) and shall not retain any copy or record of any of the foregoing, excepting only Franchisee's copy of this Agreement and related agreements and of correspondence between the parties, and copies of any other documents which Franchisee reasonably needs for compliance with any provision of law. AFH shall reimburse Franchisee for the reasonable cost of shipping the foregoing materials to AFH promptly after receipt of receipts or other reasonable evidence of such costs.

Section 13.5 AFH's Purchase Rights. Upon termination, expiration or non-renewal of the Term for any reason, AFH shall have the right (but not the obligation) to purchase any or all signs, advertising material, supplies, inventory, equipment, furnishings, fixtures or other items at a price equal Franchisee's book value minus any liens or encumbrances on the property. AFH will provide Franchisee with written notice of such intent within thirty (30) days after the termination or expiration of the Term. If AFH elects to exercise any option to purchase provided in this Agreement, it shall have the right to set off all amounts due from Franchisee under this Agreement.

ARTICLE 14

INDEPENDENT COVENANTS OF FRANCHISEE

Section 14.1 Confidentiality.

(A) Confidential Information. Franchisee acknowledges that AFH shall disclose or make known to Franchisee, and Franchisee shall be given access to and become acquainted with, certain confidential information, confidential materials and trade secrets, including, but not limited to, confidential information regarding processes, methods, techniques, contracts, Referral Sources, suppliers, supplier lists, pricing, marketing, computer programs, products, skills, performance specifications, technical and other data, designs, schematics, equipment, set-up, billing, samples, financial information and results and other information and know-how relating to the System or relating to or useful in AFH's business, the Franchised Facility or other Facilities (collectively, the "**Confidential Information**"). Confidential Information does not include information which (i) becomes generally known to the public other than as a result of a disclosure by Franchisee or its owners, directors, officers, employees, agents, representatives or advisors, or (ii) is disclosed to Franchisee on a non-confidential basis from a source other than AFH or its owners, directors, officers, employees, agents, representatives or advisors; provided, that such source is not known by Franchisee, after reasonable inquiry, to be bound by a confidentiality agreement with, or other obligation of secrecy to, AFH or a related person. Franchisee acknowledges that any information received from other franchisees or any modifications made by Franchisee to the Confidential Information shall also be deemed Confidential Information which is the property of AFH. Franchisee further acknowledges that the Confidential Information is considered confidential, proprietary and a trade secret.

(B) Nondisclosure of Confidential Information. In consideration of AFH's granting Franchisee a franchise and in recognition by Franchisee that the Confidential Information constitutes valuable and unique assets owned by or in the custody of AFH, Franchisee hereby agrees and covenants that Franchisee shall not use the Confidential Information or any part of the Confidential Information in any manner or for any purpose other than in the performance of Franchisee's obligations pursuant to this Agreement and Franchisee's operation of the Franchised Facility. Franchisee shall hold all the Confidential Information in the strictest confidence and not use it, reproduce it, distribute it or disclose it to anyone without AFH's prior written consent or as required by law. Franchisee agrees that the disclosure or use by a partner, shareholder, owner, spouse or member of the immediate family of Franchisee or its owners of the Confidential Information other than in the operation of the Franchised Facility shall be deemed a breach and default by Franchisee of this Section. Franchisee further acknowledges that it would be an unfair method of competition for Franchisee or such partner, shareholder, owner, spouse or family member to use, duplicate or disclose any of the Confidential Information or knowledge, know-how or expertise received from AFH for any use other than the operation of the Franchised Facility in accordance with this Agreement.

Further, the parties to this Agreement shall comply with all applicable state and federal laws and regulations regarding confidentiality of patient records, including but not limited to the Health Insurance Portability and Accountability Act of 1996 and the Privacy and Security Standards (45 C.F.R. Parts 160 and 164) and the Standards for Electronic Transactions (45 C.F.R. Parts 160 and 162) (collectively, the "Standards") promulgated or to be promulgated by the Secretary of Health and Human Services on and after the applicable effective dates specified in the Standards. All medical information and data concerning specific patients, including but not limited to the identity of the patients, derived from the business relationship set forth in this Agreement shall be treated and maintained in a confidential manner by all parties to this Agreement and shall not be released, disclosed, or published to any party other than

as required or permitted under applicable laws. Each party shall sign any additional agreements as may be required to comply with HIPAA.

Section 14.2 Diversion of Business, Competition With AFH and Interference.

(A) During and After the Term of this Agreement. Franchisee acknowledges the uniqueness of the System and agrees that AFH is making the Operations Manual and the Confidential Information available to Franchisee only to operate the Franchised Facility. Franchisee acknowledges that it would be an unfair method of competition to use or duplicate any of the Operations Manual or Confidential Information received from AFH for any other use.

(i) Non-Interference. Franchisee covenants that during the Term of this Agreement and for a two (2) year period thereafter, neither Franchisee nor any person required to execute a Guaranty and Assumption Agreement for Franchisee's Obligations (each a "**Guarantor**", and collectively, the "**Guarantors**"), will, either on their own behalf or on behalf of any other person, directly or indirectly influence or attempt to influence any officer, director, agent, consultant, representative, contractor, supplier, distributor, franchisee, customer or other business contact of AFH or any of its subsidiaries, affiliates or franchisees, to terminate or modify his, her or its position or relationship with AFH or any of its subsidiaries, affiliates or franchisees.

(ii) Non-Competition During the Term. Franchisee covenants that during the Term of this Agreement, neither Franchisee nor any Guarantor will, directly or indirectly, as owner, officer, director, employee, agent, lender, broker, consultant, franchisee or in any other capacity whatsoever, be connected in any manner with the ownership, management, operation or control of or conduct a business which (a) is not a Franchised Facility or a company-owned Facility, and (b) is engaged in the ownership or operation of any business that provides physical therapy services, any other service provided by a Franchised Facility or a company-owned Facility or any services similar thereto (e.g., massage services, physical improvement services) (provided that this restriction shall not apply to a five percent (5%) or less beneficial interest in a reporting company registered under the Securities Act of 1933, as amended).

(iii) Non-Competition After the Term. Franchisee covenants that for two (2) years following the Term of this Agreement, neither Franchisee nor any Guarantor will, directly or indirectly, as owner, officer, director, employee, agent, lender, broker, consultant, franchisee or in any management or operational capacity whatsoever, be connected in any manner with the ownership, management, operation or control of or conduct a business which is (a) not a Franchised Facility or a company-owned Facility, and (b) is engaged in the ownership or operation of any business that provides physical therapy services, any other service provided by a Franchised Facility or a company-owned Facility or any services similar thereto (e.g., massage, physical improvement services) anywhere within a twenty-five (25) mile radius of any Franchised Facility or company-owned Facility then in operation, under construction or for which a franchise agreement has been executed (provided that this restriction shall not apply to a five percent (5%) or less beneficial interest in a reporting company registered under the Securities Act of 1933, as amended). Notwithstanding the foregoing, nothing herein is to be construed to limit any individual's right to obtain employment as a therapist in a hospital.

(iv) Non-Solicitation. For a period of two (2) years after the expiration, Transfer or termination of this Agreement for any reason, and whether voluntary or involuntary and whether for cause or without cause, Franchisee will not, directly or indirectly, solicit and will not directly or indirectly contact any existing Referral Source or identified prospective Referral Source with whom Franchisee or its employees or agents have had direct or indirect contact or about whom Franchisee or its employees or agents have learned confidential information and/or trade secrets by virtue of the operation of Franchised

Facility other than any Referral Source that Franchisee has not had contact with within the two (2) years preceding the expiration, Transfer or termination of this Agreement.

(v) Non-Disturbance. In addition to and not in limitation of the other provisions of this Article 14, neither Franchisee nor any Guarantor shall in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of AFH or any of its subsidiaries, affiliates or franchisees.

(B) Reasonableness of Restrictions. Franchisee and each Guarantor acknowledge and confirm that the length of the term and geographical restrictions contained in this Article 14 are fair and reasonable and not the result of overreaching, duress or coercion of any kind. Franchisee acknowledges and confirms that its, its Guarantors' and their principals', full, uninhibited and faithful observance of each of the covenants contained in this Article 14 will not cause any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Article 14 will not impair its, its Guarantors' or their principals' ability to obtain employment commensurate with their respective abilities and on terms fully acceptable to them or otherwise to obtain income required for the comfortable support of such persons and, if such person is an individual, his or her family, and the satisfaction of the needs of his or her creditors.

(C) Enforcement. Franchisee acknowledges that any breach of any provision contained in Article 14 by any Guarantor shall be deemed a breach by Franchisee. Franchisee acknowledges that to disregard the provisions of this Article 14 would effectively foreclose AFH from selling other franchises and Franchisee could be unjustly enriched and unfairly derive benefit from the goodwill of and training from AFH. Moreover, AFH's franchisees and the Facilities could be severely disadvantaged if Franchisee competes against them using the Proprietary Marks or other Confidential Information. Therefore, it is the manifest intent of Franchisee and AFH that, in the event that any court shall finally hold that the time or territory or any other provision stated in this Article 14 constitutes an unreasonable restriction upon Franchisee or any of Franchisee's principals, then such unenforceable covenant shall be amended to relate to such lesser period or geographical area as shall be enforceable or, if deemed appropriate by such court, deemed eliminated from this Agreement for the purpose of those proceedings to the extent necessary to permit the remaining covenants to be enforced. In the event of Franchisee's actual or threatened breach or default of this Article 14, (i) AFH shall be entitled to an *ex parte* injunction (without notice to or service of process upon Franchisee) restraining Franchisee from any such actual or threatened breach or default, (ii) Franchisee agrees that AFH's harm shall be irreparable and AFH has no adequate remedy at law to prevent such harm, and (iii) AFH shall not be required to show any actual damage or to post any bond or other security before obtaining injunctive relief.

Section 14.3 Modification of Covenants. Franchisee understands and acknowledges that AFH shall have the right, in its sole and absolute discretion, to reduce the scope of any covenants set forth in this Article 14 without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof. Franchisee agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable to the extent permitted by applicable law.

Section 14.4 Additional Parties. Franchisee shall require its managerial employees to execute a Nondisclosure Agreement which is included in the Operations Manual or otherwise provided, which contains restrictive language similar to this Article 14. The terms of the restrictive covenants set forth in this Article 14 are assignable by AFH and will inure to its benefit, as well as its successors and assigns. In the event of any assignment, sale, merger or change in AFH's ownership or structure, the resulting entity will step into the place of AFH, without any additional consent of or notice to Franchisee, as if the term "AFH" was defined in this Agreement to include such entity.

ARTICLE 15

INDEPENDENT CONTRACTOR AND INDEMNIFICATION

Section 15.1 Independent Status of Franchisee. This Agreement does not create a fiduciary relationship between AFH and Franchisee. Franchisee shall be an independent contractor and nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, affiliate or servant of the other party for any purpose whatsoever. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on AFH's behalf or to incur any debt or other obligation in AFH's name. Franchisee shall not take nor permit to be taken any action nor give nor permit to be given to any person any impression that Franchisee's authority exceeds that described in this Section 15.1.

Section 15.2 AFH has no Control over Franchisee's Employees. Franchisee has the sole right and responsibility for the manner and means by which the day-to-day operation of the Franchised Facility is determined and conducted and for achieving its business objectives. Subject to any approval, inspection and enforcement rights reserved to AFH, this right and responsibility includes the employment, supervision, setting the conditions of employment and the discharge of its employees at the Franchised Facility, daily maintenance, safety concerns, and the achievement of conformity with the System.

Section 15.3 Public Representation of Franchisee's Independence. During the Term, Franchisee shall in all dealings with patients, distributors, suppliers, public officials and others hold itself out as an independent contractor operating the Franchised Facility pursuant to a franchise granted from AFH and as an authorized user of the Proprietary Marks which are licensed from AFH. Franchisee agrees to take such affirmative action as AFH deems necessary for Franchisee to comply with such requirement.

Section 15.4 Indemnification. Franchisee shall defend, indemnify, and hold harmless AFH and each of its affiliates and subsidiaries and each of their respective officers, directors, shareholders, members, owners, agents, representatives, attorneys, employees, affiliates, successors and assigns from and against any and all claims, counter-claims, suits, debts, demands, costs, liabilities, expenses (including, without limitation, attorneys' fees, expert witness fees, costs and other expenses incurred in the investigation or defense of such matters), setoffs, liens, attachments, judgments, actions and causes of action arising out of, related to or in connection with (i) any breach or default of any of the representations, warranties, or covenants made in this Agreement by Franchisee or any other agreement, (ii) any intentional, willful, reckless or negligent acts or omissions by Franchisee or any of Franchisee's agents, representatives, contractors, owners, servants or employees, (iii) the operation of the Franchised Facility or the premises on which it is located, (iv) the conduct of business at the Franchised Facility (whether or not done in compliance with this Agreement), (v) Franchisee's ownership or possession of real or personal property, or (vi) the breach by any of Franchisee's officers, directors, shareholders, owners, members, partners, agents, representatives or managerial employees or any of the Guarantors of any provision of the Nondisclosure Agreement. Franchisee's obligation to defend, indemnify, and hold harmless shall in no manner be affected by the existence or non-existence of insurance. AFH's right to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on AFH by statute, ordinance, regulation or otherwise. Notwithstanding the foregoing, Franchisee shall have no liability for AFH's or AFH's directors', officers' or owners' own negligent or intentional wrongful acts.

ARTICLE 16

REPRESENTATIONS AND WARRANTIES OF FRANCHISEE

Section 16.1 Representations of Franchisee. Franchisee hereby makes the following representations and warranties to AFH, which shall be true and correct upon the execution of this Agreement and throughout the Term:

(A) No Violation. Performance by Franchisee of its obligations under this Agreement will not result in (i) the breach of or constitute a default under, any term or condition of any contract, agreement, arrangement, or other commitment to which Franchisee is a party or by which it is bound, or constitute an event which, with notice, lapse of time or both, would result in such a breach or event of default nor (ii) the violation by Franchisee of any statute, rule, regulation, ordinance, code, judgment, order, injunction or decree.

(B) FRANCHISEE REPRESENTS AND WARRANTS THAT IT AND ITS EMPLOYEES ARE NOT SUSPENDED OR EXCLUDED FROM PARTICIPATION IN ANY FEDERAL HEALTH CARE PROGRAMS, AS DEFINED UNDER 42 USC SECTION 1320A-7B(F), OR ANY FORM OF STATE MEDICAID PROGRAMS, AND TO FRANCHISEE'S KNOWLEDGE, THERE ARE NO PENDING OR THREATENED GOVERNMENTAL INVESTIGATIONS THAT MAY LEAD TO SUCH SUSPENSION OR EXCLUSION. FRANCHISEE AGREES TO NOTIFY AFH IN WRITING OF THE COMMENCEMENT OF ANY SUCH SUSPENSION, EXCLUSION OR INVESTIGATION WITHIN THREE (3) BUSINESS DAYS OF FRANCHISEE'S FIRST NOTICE OF SUCH SUSPENSION, EXCLUSION OR INVESTIGATION.

(C) FRANCHISEE HAS BEEN ADVISED TO MAKE AN INDEPENDENT INVESTIGATION OF AFH'S OPERATIONS. AFH HAS NOT AND DOES NOT REPRESENT THAT FRANCHISEE CAN EXPECT TO ATTAIN A SPECIFIC LEVEL OF SALES, PROFITS, OR EARNINGS. FRANCHISEE HAS BEEN ADVISED TO OBTAIN INDEPENDENT PROFESSIONAL ADVICE REGARDING THIS FRANCHISE. FRANCHISEE UNDERSTANDS THAT IT MAY SUSTAIN LOSSES AS A RESULT OF THE OPERATION OR THE CLOSING OF THE BUSINESS. FRANCHISEE UNDERSTANDS THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES A HIGH DEGREE OF FINANCIAL RISK AND DEPENDS TO A LARGE DEGREE ON FRANCHISEE'S SKILLS, ABILITIES, INITIATIVE, AND HARD WORK.

(D) UNDER APPLICABLE U.S. LAW, INCLUDING WITHOUT LIMITATION EXECUTIVE ORDER 1224, SIGNED ON SEPTEMBER 23, 2001 (THE "ORDER"), AFH IS PROHIBITED FROM ENGAGING IN ANY TRANSACTION WITH ANY PERSON ENGAGED IN, OR WITH A PERSON AIDING ANY PERSON ENGAGED IN ACTS OF TERRORISM AS DEFINED IN THE ORDER. ACCORDINGLY, FRANCHISEE DOES NOT, AND HEREAFTER WILL NOT ENGAGE IN ANY TERRORIST ACTIVITY. IN ADDITION, FRANCHISEE IS NOT AFFILIATED WITH AND DOES NOT SUPPORT ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY. FINALLY, FRANCHISEE IS NOT ACQUIRING THE RIGHTS GRANTED UNDER THIS AGREEMENT WITH THE INTENT TO GENERATE FUNDS TO CHANNEL TO ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY, OR TO OTHERWISE SUPPORT OR FURTHER ANY TERRORIST ACTIVITY.

ARTICLE 17

GENERAL PROVISIONS

Section 17.1 Amendments. Except as otherwise provided with respect to the Operations Manual, the provisions of this Agreement may not be modified, supplemented or waived except in a writing signed by both parties to this Agreement. With respect to AFH, only the manager of AFH shall have the authority to execute any amendment on behalf of AFH. No other officer, employee or agent of AFH shall have authority to execute any amendment.

Section 17.2 Binding Effect. All of the terms and provisions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective administrators, executors, legal representatives, heirs, successors and permitted assigns. If Franchisee is comprised of 2 or more persons, the obligations and liabilities to AFH of each of these persons will be joint and several.

Section 17.3 Notices. All notices, requests, consents and other communications required or permitted under this Agreement shall be in writing and shall be hand delivered by messenger or courier service, sent via facsimile, or mailed (airmail if international) by registered or certified mail, postage prepaid, return receipt requested, addressed on the signature page to this Agreement or to such other address as any party may designate by notice complying with the terms of this Section. Each such notice shall be deemed delivered (A) on the date delivered if by personal delivery, (B) on the date of transmission with confirmed answer back if by facsimile, so long as a copy of the confirmation is sent promptly via certified mail, return receipt requested, or (C) on the date upon which the return receipt is signed or delivery is refused, if mailed.

Section 17.4 Headings; Affiliate. The headings contained in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and shall not limit or otherwise affect in any way the meaning or interpretation of this Agreement. As used in this agreement, "affiliate" means any and all persons or entities that are or may control, be controlled by, own, be owned by or be under common control or ownership with AFH. The Introduction paragraphs are hereby incorporated into this Agreement.

Section 17.5 Severability.

(A) If any provision of this Agreement or any other agreement entered into pursuant to this Agreement is contrary to, prohibited by or deemed invalid under applicable law or regulation, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder of this Agreement (or those agreements) shall not be invalidated thereby and shall be given full force and effect so far as possible. If any provision of this Agreement may be construed in two or more ways, one of which would render the provision invalid or otherwise voidable or unenforceable and another of which would render the provision valid and enforceable, such provision shall have the meaning which renders it valid and enforceable.

(B) In addition to and without limiting the provisions of the foregoing Subsection (A), if any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of the Term than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by AFH is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions of this Agreement. AFH shall have the right, in its sole and absolute discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the

extent required to be valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement, or any specification, standard or operating procedure prescribed by AFH, any portion or portions which a Court may hold to be unenforceable in a final decision to which AFH is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

Section 17.6 Waivers. The failure or delay of either party at any time to require performance by the other party of any provision of this Agreement, even if known, shall not affect the right of such party to require performance of that provision or to exercise any right, power or remedy hereunder. Any waiver by either party of any breach of any provision of this Agreement should not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power or remedy under this Agreement. No notice to or demand on any party in any circumstance shall, of itself, entitle such party to any other or further notice or demand in similar or other circumstances.

Section 17.7 Enforcement Costs. If any civil action, arbitration or other legal proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees, sales and use taxes, court costs and all expenses even if not taxable as court costs (including, without limitation, all such fees, taxes, costs and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in that civil action, arbitration or legal proceeding, in addition to any other relief to which such party or parties may be entitled. Attorneys' fees shall include, without limitation, paralegal fees, investigative fees, administrative costs, sales and use taxes and all other charges billed by the attorney to the prevailing party.

Section 17.8 Specific Performance. Franchisee acknowledges that AFH will be irreparably damaged (and damages at law would be an inadequate remedy) if this Agreement is not specifically enforced. Therefore, in the event of a breach or threatened breach by Franchisee of any provision of this Agreement, then AFH shall be entitled, in addition to all other rights or remedies, to apply to any court of competent jurisdiction for an injunction restraining such breach, without being required to show any actual damage or to post an injunction bond, and/or to a decree for specific performance of the provisions of this Agreement.

Section 17.9 Jurisdiction and Venue. Any action or proceeding arising out of or relating to this Agreement and required to be in compliance with the terms of Section 17.23. Franchisee consents to the jurisdiction and venue described in Section 17.23.

Section 17.10 Remedies Cumulative. Except as otherwise expressly provided in this Agreement, no remedy in this Agreement conferred upon any party is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy hereunder shall preclude any other or further exercise thereof.

Section 17.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Confirmation of execution by electronic transmission of a facsimile signature page shall be binding upon any party so confirming.

Section 17.12 Consents, Approvals and Satisfaction. All consents or approvals required of AFH shall not be binding upon AFH unless the consent or approval is in writing and signed by the manager of AFH or some other officer of AFH acting pursuant to the express written direction of AFH's manager. No other officer, employee or agent of AFH shall have the authority to execute any consent or approval on behalf of AFH. AFH's consent or approval, whenever required, may be withheld if any default by Franchisee exists under this Agreement, or unless this Agreement expressly states otherwise, for any other reason in AFH's sole and absolute discretion. Anytime the satisfaction of AFH is required pursuant to this Agreement, unless this Agreement expressly states otherwise, such satisfaction shall be determined in AFH's sole and absolute discretion.

Section 17.13 Governing Law. This Agreement and all claims arising from the relationship between AFH and Franchisee will be governed by the laws of the State of Missouri, without regards to principles of conflicts of law. If, however, any provision of this Agreement would not be enforceable under the laws of the State of Missouri and the Franchised Facility is located outside of the State of Missouri, then the provision in question (and only that provision) will be interpreted and construed under the laws of the state where the Franchised Facility is located. Franchisee consents to the jurisdiction, venue and governing law set forth herein. If a state regulator requires an amendment to this Agreement, the amendment is attached hereto in a State Specific Addendum as Exhibit 7. AFH shall not, however, be precluded from contesting the validity, enforceability, or applicability of such laws or regulations in any action relating to this Agreement or to its rescission or termination.

Section 17.14 Preparation of Agreement. This Agreement shall not be construed more strongly against any party regardless of who is responsible for its preparation.

Section 17.15 Survival. All covenants, agreements, representations and warranties made in this Agreement or otherwise made in writing by any party pursuant hereto shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

Section 17.16 Third Parties. Unless expressly stated in this Agreement to the contrary, nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties hereto, AFH's affiliates (if any) and their respective legal representatives, successors and permitted assigns. Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

Section 17.17 Right of Performance. In the event that Franchisee shall default in performing any of its obligations under this Agreement, AFH shall have the right (but not the obligation) to perform Franchisee's obligations and shall be reimbursed by Franchisee for the actual costs of performing Franchisee's obligations plus ten percent (10%) of such actual costs as an administrative fee.

Section 17.18 Waiver of Jury Trial. FOR ANY ACTION NOT REQUIRED TO BE ARBITRATED BY THIS AGREEMENT, THE PARTIES HEREBY MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY.

Section 17.19 Exhibits. Each party shall deliver to the other copies of all relevant agreements, instruments and documents relating to the information on any exhibits to this Agreement upon proper notice, provided such copies are available to or in the possession of such party. Such attachments, however, will not take the place of information otherwise required on such exhibits. Each exhibit to this Agreement is made a part of this Agreement.

Section 17.20 Acknowledgments of Franchisee.

(A) Franchisee has had Opportunity to Conduct Due Diligence. Franchisee acknowledges that Franchisee has had the opportunity to independently investigate, analyze and construe both the business opportunity being offered hereunder and the terms and provisions of this Agreement itself, utilizing the services of such independent attorneys, accountants, or other advisers as Franchisee so elects.

(B) Receipt of Agreement and FDD. Franchisee acknowledges receipt of this Agreement and AFH's Franchise Disclosure Document at least fourteen (14) days before execution hereof or the making of any payment to AFH. In addition, if any unilateral modifications have been made to this Agreement (or if any blanks have been completed) Franchisee acknowledges that it had at least seven (7) days to review them.

(C) ACKNOWLEDGMENTS BY FRANCHISEE.

(i) FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY OR ON BEHALF OF AFH WHICH HAVE LED FRANCHISEE TO ENTER INTO THIS AGREEMENT AND FRANCHISEE HEREBY WAIVES ANY WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. FRANCHISEE UNDERSTANDS AND ACKNOWLEDGES THAT THE SUCCESS OF THE FRANCHISED FACILITY IS SPECULATIVE AND THAT WHETHER FRANCHISEE SUCCEEDS IN THE DEVELOPMENT OF THE FRANCHISED FACILITY IS DEPENDENT UPON FRANCHISEE'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND THE CONTROL OR INFLUENCE OF AFH. FRANCHISEE FURTHER UNDERSTANDS THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES, AND THAT AFH HAS MADE NO REPRESENTATION THAT FRANCHISEE WILL DO AS WELL AS ANY OTHER FRANCHISEE.

(ii) FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE AND EACH GUARANTOR HAS RECEIVED, READ AND UNDERSTANDS THIS AGREEMENT AND ITS ATTACHMENTS AND EXHIBITS; THAT FRANCHISEE AND EACH GUARANTOR HAS HAD AN OPPORTUNITY TO ASK AFH ALL QUESTIONS RELATING TO THIS AGREEMENT AND THE SYSTEM AND THAT AFH HAS ANSWERED ALL SUCH QUESTIONS TO FRANCHISEE'S AND EACH GUARANTOR'S COMPLETE SATISFACTION. FRANCHISEE ACKNOWLEDGES THAT BOTH IT AND ALL GUARANTORS HAVE READ, UNDERSTOOD AND COMPLETED THE QUESTIONNAIRE ATTACHED HERETO AS EXHIBIT 3.

(iii) FRANCHISEE UNDERSTANDS AND AGREES THAT AFH HAS NO OBLIGATION TO ACCEPT FRANCHISEE AS A FRANCHISEE AND MAY REFUSE TO GRANT A LICENSE TO FRANCHISEE FOR ANY REASON, OR NO REASON, WITHOUT DISCLOSING THE BASIS FOR ITS DECISION. FRANCHISEE FURTHER ACKNOWLEDGES THAT UNLESS AND UNTIL AFH SIGNS THIS AGREEMENT, FRANCHISEE IS NOT A FRANCHISEE OF AFH AND MAY NOT RELY UPON BECOMING A FRANCHISEE OF AFH.

(iv) FRANCHISEE IS SOLELY RESPONSIBLE FOR INVESTIGATING, UNDERSTANDING AND COMPLYING WITH THE FEDERAL, STATE AND LOCAL LAWS, REGULATIONS AND REQUIREMENTS APPLICABLE TO IT AND ITS FRANCHISED FACILITY. FRANCHISEE ACKNOWLEDGES THAT IS HAS CONTACTED AN ATTORNEY BEFORE SIGNING THIS AGREEMENT IN ORDER TO DETERMINE ITS LEGAL OBLIGATIONS AND EVALUATE THE POSSIBLE EFFECT ON ITS COST AND OPERATIONS. FURTHER,

FRANCHISEE ACKNOWLEDGES THAT PRIOR TO SIGNING THIS AGREEMENT, FRANCHISEE HAS OBTAINED FROM AN ATTORNEY SPECIALIZING IN HEALTH CARE LAW AND LICENSED TO PRACTICE LAW IN THE STATE WHERE THE FRANCHISED FACILITY OPERATES AND DELIVERED TO AFH A WRITTEN OPINION FROM THE ATTORNEY ("OPINION") THAT STATES THAT THE OPERATIONS OF THE FRANCHISED FACILITY IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT WILL COMPLY WITH APPLICABLE LAW (INCLUDING APPLICABLE LAWS REGARDING THE CORPORATE PRACTICE OF MEDICINE, FEE SPLITTING AND OTHER HEALTH CARE RULES AND REGULATIONS). IF MODIFICATIONS ARE NECESSARY IN ORDER TO COMPLY, THE OPINION MUST STATE WHAT TYPES OF MODIFICATIONS MUST BE MADE AND YOU WILL BE RESPONSIBLE FOR THE PREPARATION OF THE NECESSARY DOCUMENTS.

Section 17.21 Modification of Operations Manual. FRANCHISEE RECOGNIZES AND AGREES THAT, FROM TIME TO TIME, AFH MAY MAKE ADDITIONS, DELETIONS AND CHANGES TO THE OPERATIONS MANUAL. FRANCHISEE AGREES TO ACCEPT AND BE BOUND BY ANY SUCH ADDITIONS, DELETIONS AND CHANGES AS IF THEY WERE PART OF THIS AGREEMENT AT THE TIME OF EXECUTION OF THIS AGREEMENT. FRANCHISEE WILL MAKE SUCH EXPENDITURES IN CONNECTION WITH SUCH ADDITIONS, DELETIONS AND CHANGES AS AFH MAY REQUIRE FROM TIME TO TIME. FRANCHISEE AGREES THAT SUCH REVISIONS MAY BE MATERIAL IN THAT THEY MAY HAVE AN EFFECT ON THE OPERATION OF FRANCHISEE'S BUSINESS.

Section 17.22 Entire Agreement. The terms contained in this Agreement and all exhibits and documents referenced in this Agreement constitute the entire agreement between the parties regarding the subject matter herein and therein, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein; provided however, that nothing in this or any related agreement is intended to disclaim the representations AFH made in the Franchise Disclosure Document that was furnished to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of Franchisee's own independent investigation of the franchised business and not on reliance of or as a result of any representations made by AFH's owners, officers, directors, managers, employees, agents, representatives, attorneys, franchisees, area representatives, or brokers which are not contained in or are contrary to the terms set forth in this Agreement or of any representation in the franchise disclosure document.

Section 17.23 Dispute Resolution.

A. **Mediation.** Before any party may bring an action in court for any controversy, dispute or claim between AFH and Franchisee arising from this Agreement or the franchise relationship set forth in this Agreement, the parties must first have a conference with each other to try to resolve the dispute. If this fails to bring about a resolution, the dispute will first be submitted to non-binding mediation (the "Mediation") in St. Louis County, Missouri unless the parties mutually agree to another location. The Mediation shall be conducted in accordance with then-current AAA mediation rules (the "AAA Mediation Rules") except to the extent the AAA Mediation Rules differ from the terms of this Agreement, in which event the terms of this Agreement shall be applied. Notwithstanding the foregoing, the mediation does not have to be conducted under the AAA. AFH and Franchisee will select the mediator. If the parties cannot agree on the selection of a mediator, the mediation shall be conducted through the AAA who will make the selection of mediator using their rules and guidelines. The cost of the Mediation, including the mediator's fee and expenses, shall be paid by the Franchisee. All negotiations and mediation proceedings (including without limitation, discovery conducted therein, as well as all statements and settlement offers made by either party or the mediator in connection with the

Mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. If the parties, after a good faith effort to settle the dispute using Mediation, are unable to reach settlement, AFH and Franchisee agree that the dispute will be resolved according to the Sections below. Failure to submit the dispute to Mediation prior to commencing any litigation or arbitration proceeding shall be grounds for dismissal of the litigation or arbitration proceedings.

Notwithstanding the foregoing, the obligation of this Section to mediate will not be binding with respect to claims brought by AFH and relating to AFH's trademarks, service marks, patents, or copyrights, including the Proprietary Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by AFH for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute between the parties.

B. Litigation. Except as otherwise provided in this Agreement, all controversies, disputes or claims between AFH and Franchisee arising from this Agreement or the franchise relationship set forth in this Agreement shall be filed in the Federal District Court in St. Louis, MO when the grounds set forth in 28 U.S.C. § 1332 are present. Both parties and each guarantor of this Agreement irrevocably submit to the jurisdiction of this court and waive any objection to the application of Missouri law or to the jurisdiction or venue in this court. In the event that the above-referenced federal court does not have jurisdiction over the dispute, the parties shall submit to binding arbitration as provided below.

Notwithstanding the foregoing, any claims AFH has relating to its trademarks, service marks, patents, or copyrights, including the Proprietary Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by AFH for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute between the parties shall be brought in either federal or state courts in St. Louis County, MO. Both parties agree to submit to the jurisdiction of the state and federal court in St. Louis County, MO.

C. Arbitration. In the event that the federal court described above does not have subject matter jurisdiction over the dispute, the parties, subject to all other provisions above, will submit the dispute to binding arbitration conducted in St. Louis County, MO (unless the parties mutually agree otherwise). The arbitration proceeding will be conducted in accordance with the then-current commercial arbitration rules of the American Arbitration Association ("AAA Rules"), except to the extent the AAA Rules differ from the terms of this Agreement, in which event the terms of this Agreement will apply. Notwithstanding the foregoing, the arbitration does not have to be conducted under the AAA. The arbitrator must be mutually selected by the parties and must have at least 5 years of substantial experience in franchise law. Each party will be limited to 25 document requests, 15 interrogatories and 1 deposition unless otherwise agreed to between the parties. For purposes of this Section, if any dispute that names, involves or includes AFH, its respective affiliates, officers, directors, agents, brokers or employees, such persons or entities shall also be included in and made party to the arbitration proceeding to the extent such parties consent to proceeding forward in arbitration.

The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due),

specific performance, and attorneys' fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary, or consequential damages, to which the parties waive any right. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, or enforceability of this Section, including but not limited to, any claim that all or any part of this Section is void or voidable. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; or (2) make any award which extends, modified or suspends any lawful term of this Agreement. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Section except to the extent permitted by applicable law. The arbitrator must submit a reasoned award and this award must be consistent with the terms of this Agreement. If the arbitrator's award is not reasoned or not consistent with the terms of this Agreement, then notwithstanding the foregoing, AFH may appeal the arbitration award in Federal or State Court. An arbitration award or decision entered in any other case (whether or not AFH was a party) will not be binding on AFH in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, AFH and Franchisee will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding the Transfer, or the termination or expiration of the term of this Agreement. Except as provided in subsection A. above, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

D. Dispute Resolution Fee. In the event that the Franchisee or its guarantors have not complied with the provisions in this Section on Dispute Resolutions, Franchisee shall reimburse AFH for all of its expenses incurred in curing the Franchisee's breach (including, without limitation, AFH's attorneys' fees and costs related to dismissing and responding to any improperly filed claim) and pay the AFH a Dispute Resolution Fee of \$50,000 ("Dispute Resolution Fee"). Franchisee acknowledges and agrees that the AFH will be damaged by such breach. Franchisee agrees that a precise calculation of the full extent of the damages that AFH will incur from the breach of the Dispute Resolution provisions of this Agreement are difficult to determine and all parties desire certainty in this matter and agree that the Dispute Resolution Fee provided herein is reasonable and constitute liquidated damages and not a penalty. AFH has the right to collect these amounts in addition to exercising any and all other rights AFH may have for non-compliance under this Agreement.

Section 17.24 Limitation of Legal Actions.

(A) FRANCHISEE WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR PROSPECTIVE PROFITS OR SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR ANY CONDUCT ARISING OUT OF THIS AGREEMENT OR AFH'S RELATIONSHIP WITH FRANCHISEE.

(B) ANY DISAGREEMENT BETWEEN FRANCHISEE (AND ITS GUARANTORS AND OWNERS) AND AFH (AND ITS AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION AND FRANCHISEE

(AND ITS GUARANTORS AND OWNERS) WAIVE ANY RIGHT TO PROCEED AGAINST AFH (AND ITS AFFILIATES, OWNERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

(C) FRANCHISEE WILL BE BARRED FROM BRINGING ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR AFH'S RELATIONSHIP WITH FRANCHISEE, UNLESS A JUDICIAL PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISEE KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THAT CLAIM.

(D) AFH MAXIMUM AGGREGATE LIABILITY AND THE MAXIMUM AGGREGATE LIABILITY OF ANY OF AFH'S OFFICERS, OWNERS, DIRECTORS, MEMBERS, MANAGERS, EMPLOYEES, AFFILIATES, PARENTS OR SUBSIDIARIES RELATED TO ANY AND ALL CLAIMS RELATING TO OR ARISING FROM THIS AGREEMENT OR THE FRANCHISE RELATIONSHIP SET FORTH IN THIS AGREEMENT SHALL BE COLLECTIVELY LIMITED TO THE AMOUNT FRANCHISEE PAID TO AFH WITHIN THE PRIOR 12 MONTHS IMMEDIATELY BEFORE WRITTEN NOTICE OF ANY PROPER CLAIM IS RECEIVED BY AFH.

[SIGNATURE PAGE TO FOLLOW

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

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

FRANCHISEE:

By: _____
Name

Title

Address: _____

APEX FRANCHISE HOLDINGS, LLC

By: _____
Name

Title

Address: _____

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date (the "Agreement") by APEX FRANCHISE HOLDINGS, LLC (the "AFH"), and _____ a _____ ("Franchisee"), each of the undersigned ("Guarantor") personally and unconditionally (a) guarantees to AFH, and its successors and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee must punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each undersigned agrees to be personally and unconditionally bound by each and every undertaking, agreement and covenant set forth in the Agreement, including but not limited to, the restrictive covenants, including non-disclosure, non-solicitation and non-competition provisions contained in the Agreement, as well as the provisions in the Agreement relating to the Marks, indemnification, consequences of termination, expiration or Transfer provisions to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions. All of the foregoing obligations of the undersigned shall survive any expiration or termination of the Term of the Agreement or this Guaranty and Assumption of Obligations.

Each of the undersigned waives: (1) acceptance and notice of acceptance by AFH of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this guaranty is joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) liability is not contingent or conditioned upon pursuit by AFH of any remedies against Franchisee or any other person; and (4) liability is not diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which AFH may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which is continuing and irrevocable during the term of the Agreement.

Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, Franchisee and the other owners of Franchisee;

(2) Guarantor shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

(3) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Franchise Agreement by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement is impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of

any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

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

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

Further, undersigned also hereby consents to the applicability of the venue, governing law and jurisdiction provision in the Franchise Agreement to this Guaranty and Assumption of Obligations.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed their signatures on the same day and year as the Agreement was executed.

Print Name_____

Signature_____

Date_____

Address: _____

Print Name_____

Signature_____

Date_____

Address: _____

Print Name_____

Signature_____

Date_____

Address: _____

Print Name_____

Signature_____

Date_____

Address: _____

Print Name_____

Signature_____

Date_____

Address: _____

Print Name_____

Signature_____

Date_____

Address: _____

EXHIBIT 1

LOCATION, ASSIGNED TERRITORY AND PERMITTED SERVICES

This Exhibit 1 is to be completed after Franchisee signs the lease for the Location.

1. Section 1.1 Location: Franchisee's Initials _____

AFH's Initials _____

2. Section 1.3(A) Assigned Territory: Franchisee's Initials _____

AFH's Initials _____

3. Section 5.8(B) Permitted Services Franchisee's Initials _____

AFH's Initials _____

Franchisee is only permitted to provide the Permitted Services set forth below:

TYPES OF SERVICES	PERMITTED SERVICES IF CHECKED
Physical Therapy	
Occupational Therapy	
Speech / Language Therapy	
Aquatic Therapy	
Certified Hand Therapy	
Pediatric Therapy	
Home Health Services	
Performance / Sports Enhancement Training	
Work Conditioning / Work Hardening	
Functional Capacity Evaluations	
Ergonomic Evaluation / Job Analysis / Causation Analysis	
Employment Testing / Fit for Duty Testing	
Other	

TO TRANSFER TELEPHONE LISTINGS AND NUMBER

{00185350.DOC.}
24009437v19

EXHIBIT 3

QUESTIONNAIRE

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, APEX FRANCHISE HOLDINGS, LLC, (the "**Franchisor**") and you are preparing to enter into a Franchise Agreement for the operation of a Facility. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit and schedule attached to it? Yes ____ No ____
2. Have you received and personally reviewed the Franchisor's Uniform Franchise Disclosure Document that Franchisor provided to you?
Yes ____ No ____
3. Did you sign a receipt for the Uniform Franchise Disclosure Document indicating the date you received it?
Yes ____ No ____
4. Date on which you received the Uniform Franchise Disclosure Document and related Exhibits explaining the franchise.
_____, 20____
(month, day)
5. Date on which you received a completed copy, other than signatures, of the Franchise Agreement.
_____, 20____
(month, day)
6. Date on which you signed the Franchise Agreement.
_____, 20____
(month, day)
7. Have you discussed the benefits and risks of operating the Facility with an attorney, accountant, or other professional advisor, and do you understand those risks?
Yes ____ No ____
8. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
Yes ____ No ____
9. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the business other than what is discussed in Item 19 of the Uniform Franchise Disclosure Document?
Yes ____ No ____

10. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating the business?
Yes ____ No ____
11. Has any employee or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Uniform Franchise Disclosure Document?
Yes ____ No ____
12. Have you made an independent income and expenses projections for this franchise and the franchised business?
Yes ____ No ____
13. Do you understand that this franchise business may be impacted by other risks, including those outside your or our control such as local, national or global economic, political or social disruption, such as the 2020 COVID-19 outbreak and that such disruptions, and any preventative, protective, or remedial actions that federal, state, and local governments may take in response to a disruption may result in a period of business disruption, reduced customer demand, and reduced operations.
Yes ____ No ____

* * *

Please understand that your responses to these questions are important to Franchisor and that Franchisor will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. You are also representing that you have reviewed all of these questions and the answers with the other owners of the business and any of your representatives who had discussions with the Franchisor or any of its officers, agents, or employees. The responses from those people are also included by you above.

Dated on _____, 20__.

Franchise Applicant

Name: _____

Name: _____

Name: _____

Name: _____

EXHIBIT 4
BUSINESS ASSOCIATE AGREEMENT

BUSINESS ASSOCIATE AGREEMENT

THIS BUSINESS ASSOCIATE AGREEMENT ("BAA"), is made and entered into this ___ day of _____, 20___ ("Effective Date") by and between _____ (the "Covered Entity"), and Apex Franchise Holdings, LLC, and affiliates (the "Business Associate").

WITNESSETH:

WHEREAS, Business Associate and Covered Entity have entered into a separate Franchise Agreement (the "Underlying Agreement") whereby, among other activities, Business Associate uses and/or discloses protected health information in the performance of services for Covered Entity.

WHEREAS, the parties are committed to complying with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act ("HITECH"), and the rules and regulations promulgated thereunder, as amended.

THEREFORE, in furtherance of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS.

A. "HIPAA Rules" means the Privacy, Security, Breach Notification, and Enforcement Rules at 45 CFR Part 160 and Part 164, as amended. A reference in this BAA to a section in the HIPAA Rules means the section as in effect or as amended.

B. The following terms as used in this BAA shall have the meaning ascribed to them in the HIPAA Rules: breach, data aggregation, designated record set, disclosure, electronic media, health care operations, individual, minimum necessary, notice of privacy practices, protected health information ("PHI"), required by law, Secretary, security incident, subcontractor, unsecured protected health information, use, and workforce.

2. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE.

Business Associate agrees to:

A. Not use or disclose PHI other than as permitted or required by this BAA or as required by law;

B. Use appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI, to prevent use or disclosure of PHI other than as provided for by this BAA;

C. Report to Covered Entity any use or disclosure of PHI not provided for by this BAA of which it becomes aware, including breaches of unsecured PHI and any security incident of which it becomes aware. Such report shall be made no later than five (5) days after Business Associate, its workforce or any subcontractor discovers such unintended use or disclosure. Such report shall be provided to Covered Entity's designated Privacy Officer using the information set forth below the signature block;

D. Ensure that any subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate agree to the same restrictions, conditions, and requirements that apply to Business Associate with respect to such information;

E. Provide access, at the request of Covered Entity, and in a time and manner mutually agreed upon by Business Associate and Covered Entity, to PHI in a Designated Record Set, to the Covered Entity

or, as directed by the Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. Section 164.524;

F. Make any amendment(s) to PHI in a Designated Record Set as directed or agreed to by Covered Entity pursuant to 45 C.F.R. Section 164.526, or take other measures necessary to satisfy Covered Entity's obligations under 45 C.F.R. Section 164.526, in the time and manner mutually agreed upon by Business Associate and Covered Entity;

G. Maintain and make available the information required to provide an accounting of disclosures to the Covered Entity as necessary to satisfy Covered Entity's obligations under 45 CFR 164.528;

H. To the extent Business Associate is to carry out one or more of Covered Entity's obligation(s) under Subpart E of 45 CFR Part 164, comply with the requirements of Subpart E that apply to Covered Entity in the performance of such obligation(s); and

I. Make its internal practices, books, and records available to the Secretary for purposes of determining compliance with the HIPAA Rules.

3. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE.

A. Business Associate may use and disclose PHI to perform the services set forth in the Underlying Agreement. Business Associate shall not use or disclose PHI other than as permitted or required by this BAA or as required by law.

B. Business Associate agrees that when using or disclosing PHI or when requesting PHI, Business Associate shall limit PHI to the minimum necessary to accomplish the intended purposes of the use, disclosure or request, consistent with Covered Entity's minimum necessary policies and procedures.

C. Business Associate may not use or disclose PHI in a manner that would violate Subpart E of 45 CFR Part 164 if done by Covered Entity except for the specific uses and disclosures set forth below.

D. Business Associate may use PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate.

E. Business Associate may disclose PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided the disclosures are required by law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that the information will remain confidential and used or further disclosed only as required by law or for the purposes for which it was disclosed to the person, and the person notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

F. Business associate may provide data aggregation services relating to the health care operations of the Covered Entity.

4. PROVISIONS FOR COVERED ENTITY TO INFORM BUSINESS ASSOCIATE OF PRIVACY PRACTICES AND RESTRICTIONS.

A. Covered Entity shall notify Business Associate of any limitation(s) in the notice of privacy practices of Covered Entity under 45 CFR 164.520, to the extent that such limitation may affect Business Associate's use or disclosure of PHI.

B. Covered Entity shall notify Business Associate of any changes in, or revocation of, the permission by an individual to use or disclose his or her PHI, to the extent that such changes may affect Business Associate's use or disclosure of PHI.

C. Covered Entity shall notify Business Associate of any restriction on the use or disclosure of PHI that Covered Entity has agreed to or is required to abide by under 45 CFR 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

5. TERM AND TERMINATION.

A. Term. The term of this BAA shall commence as of the Effective Date first stated above, and shall continue in full force and effect until the Underlying Agreement between Business Associate and Covered Entity terminates or expires, unless sooner terminated as provided herein.

B. Termination for Cause. Business Associate authorizes termination of this BAA by Covered Entity, if Covered Entity determines Business Associate has violated a material term of this BAA and Business Associate has not cured the breach or ended the violation within the time specified by Covered Entity.

C. Obligations of Business Associate Upon Termination.

Upon termination of this BAA for any reason, Business Associate, with respect to PHI received from Covered Entity, or created, maintained, or received by Business Associate on behalf of Covered Entity, shall:

1. Retain only that PHI which is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities;

2. Return to Covered Entity or destroy the remaining PHI that Business Associate still maintains in any form;

3. Continue to use appropriate safeguards and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI to prevent use or disclosure of the PHI, other than as provided for in this Section, for as long as Business Associate retains the PHI;

4. Not use or disclose the PHI retained by Business Associate other than for the purposes for which such protected health information was retained and subject to the same conditions set out at Section 3(D)-Section 3(F) of this BAA which applied prior to termination; and

5. Return to Covered Entity or destroy the PHI retained by Business Associate when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities.

D. Survival. The obligations of business associate under this Section shall survive the termination of this Agreement.

6. MISCELLANEOUS.

A. Regulatory References. A reference in this BAA to a section in the HIPAA Rules means the section as in effect or as amended.

B. Amendment. The Parties agree to take such action as is necessary to amend this BAA from time to time as is necessary for compliance with the requirements of the HIPAA Rules and any other applicable law.

C. Interpretation. Any ambiguity in this BAA shall be interpreted to permit compliance with the HIPAA Rules.

D. This BAA sets forth the entire agreement of Covered Entity and Business Associate and supersedes all prior and contemporaneous negotiations, understandings and agreements, written or oral, concerning the subject matter hereof. Without limiting the foregoing, this BAA expressly amends, replaces and supersedes any prior Business Associate Agreements in effect between Covered Entity and Business Associate.

E. The parties acknowledge that the Underlying Agreement was fully negotiated between the parties. Notwithstanding anything to the contrary contained in this BAA, the Underlying Agreement is not superseded by this BAA and any and all limitations of liability negotiated and contained in the Underlying Agreement shall govern the parties' liability in connection with this BAA.

F. This BAA and any amendment hereto or waiver hereof may be signed in counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Any signature may be delivered by facsimile, which shall have the same effect as an original signature.

IN WITNESS WHEREOF, the parties, intending to be legally bound, have caused this BAA to be signed by their duly authorized representatives as of the Effective Date first written above.

COVERED ENTITY: _____

By: _____

Print: _____

Title: _____

Privacy Officer Contact Information:

Name: _____

Phone: _____

Email: _____

BUSINESS ASSOCIATE: Apex Franchise Holdings, LLC

By: _____

Print: _____

Title: _____

EXHIBIT 5

LEASE ADDENDUM

This LEASE ADDENDA (the "**Addenda**") is entered into this ____ day of _____, 20__, by and between _____ ("**Franchisee**") and _____ ("**Landlord**") for the premises located at _____, in the City of _____ and State of _____ (the "**Premises**").

WHEREAS, Franchisee has executed a Franchise Agreement with Apex Franchise Holdings, LLC ("**AFH**"); and

WHEREAS, the Franchise Agreement requires that the lease for the Premises (the "**Lease**") contain certain provisions; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein shall be applicable to the Lease, notwithstanding anything in the Lease to the contrary.

NOW, THEREFORE, in consideration of the mutual promises contained herein and the execution of the Lease, which execution is made simultaneously with this Addendum, Landlord and Franchisee hereby agree as follows:

1. Landlord agrees that Franchisee shall not otherwise assign the Lease or renew, amend or extend the term of the Lease without the prior written consent of AFH.

2. Landlord agrees to furnish to AFH copies of any and all letters and notices sent to Franchisee pertaining to the Lease at the same time that such letters and notices are sent to Franchisee. Landlord further agrees that if it intends to terminate the Lease, Landlord will give AFH at least thirty (30) days advance written notice of such intent, specifying in the notice all defaults that are the cause of the proposed termination. After the expiration of the period during which Franchisee may cure any default, AFH shall have an additional fifteen (15) days (or if there is no cure period, at least fifteen (15) days) to cure, at its sole option, any such defaults. AFH, or an affiliate of AFH, shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure the breach and succeed to Franchisee's rights under the Lease, and any renewals or extensions thereof.

3. Upon default, expiration or termination of the Franchise Agreement, or the Lease, and upon notice to Landlord, AFH or its designee shall have the right, without any obligation, to assume Franchisee's lease obligations, on the same terms and conditions available to Franchisee. Further, if Franchisee or any party with an interest in Franchisee transfers to AFH or any other party all of its or their interest in Franchisee or the franchise, the transferee shall have the right to assume the Lease on the same terms and conditions as contained in the Lease.

4. AFH shall have the right to enter the Premises and to make any reasonable modification or reasonable alteration necessary to protect AFH's interest and goodwill in the System (as defined in the Franchise Agreement) and the Marks (as defined in the Franchise Agreement). Landlord agrees that in such event, AFH shall not be liable for trespass or any other crime or tort. Further, AFH or its designated agents shall be permitted to enter the Premises for purposes of making inspections in accordance with the provisions of the Franchise Agreement.

5. Franchisee may assign to AFH all of its rights of further assignment at any time if the Landlord is given reasonable notice thereof. Such an assignment shall be effective only if accepted in writing by AFH.

6. Upon the request of AFH, Landlord shall provide AFH with copies of all reports, information or data in Landlord's possession with respect to sales made from the Premises.

7. Copies of any and all notices pertaining to the Lease shall also be sent to AFH at _____, or such other address as may be designated by AFH in writing.

8. AFH shall be a third-party beneficiary of this Addendum to the Lease and has the right, independently of Franchisee, to enforce all of its rights hereunder.

9. To the extent of any conflict between the terms and conditions of this Addenda and the Lease, this Addenda shall govern.

FRANCHISEE	LANDLORD
_____	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXHIBIT 6

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned, _____ ("**Assignor**"), hereby assigns, transfers and sets over unto APEX FRANCHISE HOLDINGS, LLC, a Missouri limited liability company ("**Assignee**") all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (the "**Lease**"), respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or a default or expiration of the franchise agreement by and by and between Assignor and Assignee for a Facility (the "**Franchise Agreement**"), or in the event of a default by Assignor under any document or instrument securing said Franchise Agreement or under any other agreement between Assignor and Assignee or its affiliates, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewal thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

IN WITNESS WHEREOF, the parties have signed this Assignment as of _____.

ASSIGNOR _____ By: _____ Name: _____ Title: _____	ASSIGNEE APEX FRANCHISE HOLDINGS, LLC By: _____ Name: _____ Title: _____
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EXHIBIT 7
STATE SPECIFIC ADDENDA

BILLING AND COLLECTION SERVICES AGREEMENT

THIS AGREEMENT (this "Agreement") is made and entered into by and between Apex Billing LLC ("AB"), and _____ a limited liability company organized under the laws of the State of _____ ("Client"), as of _____, 20__ (the "Effective Date").

In consideration of the covenants and agreements contained herein, Client and AB agree as follows:

1. **Services.** Beginning on the Commencement Date (as defined below), AB will perform the physical therapist practice management services set forth on Schedule 1 to this Agreement (the "Services") on behalf of Client. Client shall, on a timely basis and in a format reasonably acceptable to AB, provide the information set forth on Schedule 1 necessary for AB to perform such Services in an efficient manner (the "Client Responsibilities"). During the term of this Agreement, AB will be the sole provider to Client of all of the Services identified as "Reimbursement Management Services" on Schedule 1 to this Agreement and pay the fees set forth in Schedule 2 to this Agreement. In performing the Services hereunder, Client acknowledges that AB shall at all times be acting as an independent contractor.

2. **Term.** The initial term of this Agreement will be for ten (10) years (the "Initial Term") beginning on the date of the Franchise Agreement ("Franchise Agreement") between Client and Apex Franchise Holdings, LLC (the "Commencement Date"). This Agreement may not be terminated by Franchisee except as may be provided under the Franchise Agreement. AB shall have the right to terminate this Agreement upon the occurrence of one of the events listed in Section 11 below.

3. **Billing and Collection Services Fee.** Beginning as of the Commencement Date, Client agrees to pay AB the monthly fee set forth on Schedule 2 to this Agreement (the "Billing and Collection Services Fee"), which will be billable on the fifteenth (15th) day of each month.

4. **Bank Account.** A lockbox and/or bank account will be maintained in the name of Client at a bank designated by AB. All cash receipts will be deposited into the lockbox and/or bank account. AB will have no ownership rights in the lockbox or bank account and will have no right to negotiate or assert ownership of checks made payable to Client. Client will be responsible for all fees associated with such lockbox and/or bank account. Client reserves the right to modify or revoke such arrangements at any time. Client shall provide view only access to the lockbox or bank account to verify deposits made by 3rd Party Payors.

5. **Confidentiality.** AB agrees not to disclose, and to cause its employees, agents and representatives not to disclose, to anyone other than Client the terms of this Agreement, Client's business practices or other trade secrets or confidential information of Client or any information about any of Client's patients received in the course of performing the Services, except as required to perform its services hereunder or as otherwise legally required. Client agrees that AB may use Client information for data aggregation and/or research and statistical compilation purposes so long as Client and patient identifying information is kept confidential in accordance with applicable law. Client acknowledges that the software employed by AB in performing the Services (the "Software") is confidential and that AB is a licensee of the Software, and is the sole owner of all report formats and all reports generated by the Software that are produced for internal operational purposes and not generally made available to Client. Client agrees not to disclose and to cause its employees, agents and representatives not to disclose to anyone the terms of this Agreement, the Software, or any information it receives about the Software, AB's business practices or other trade secrets or confidential information of AB, except as legally required. Each party agrees that the other

party does not have an adequate remedy at law to protect its rights under this Section and agrees that the non-defaulting party will have the right to injunctive relief from any violation or threatened violation of this Section.

6. **Regulatory Restrictions.** Each party warrants that it is not currently listed by a Federal agency as excluded, debarred, or otherwise ineligible for participation in any Federal health care program. Each party agrees that it will not employ, contract with, or otherwise use the services of any individual whom it knows or should have known, after reasonable inquiry, (a) has been convicted of a criminal offense related to health care (unless the individual has been reinstated to participation in Medicare and all other Federal health care programs after being excluded because of the conviction), or (b) is currently listed by a Federal agency as excluded, debarred, or otherwise ineligible for participation in any Federal health care program and further agrees that it will immediately notify the other in the event that it, or any person in its employ, has been excluded, debarred, or has otherwise become ineligible for participation in any Federal health care program. Each party agrees to continue to make reasonable inquiry regarding the status of its employees and independent contractors on a regular basis by reviewing the General Services Administration's List of Parties Excluded from Federal Programs and the HHS/OIG List of Excluded Individuals/Entities.

7. **Compliance Programs.**

7.1 AB agrees that it will comply with all requirements of the Health Insurance Portability and Accountability Act and its implementing regulations ("HIPAA") applicable to AB.

7.2 AB and Client agree to abide by the terms and conditions of the "Business Associate Agreement" attached hereto as Schedule 5.

8. **Operating Procedures.** Client will be responsible for all matters related to Client's practice prior to the Commencement Date, including, but not limited to, Client's billings, collections, third party reimbursements, accounts receivable and refunds. Client agrees to provide or cause others to provide to AB accurate and complete insurance and demographic information as required by AB to perform the Services. Generally, Client will be responsible for assigning the codes, however, in the event that AB assigns the procedure and diagnostic codes, Client agrees to provide the necessary clinical information required by AB to perform such coding as described on Schedule 1(I). In the event that Client is assigning the procedure and diagnostic codes pursuant to Schedule 1 (II), Client shall be responsible for the accuracy, legality and appropriateness of such codes. AB agrees to perform the Services in accordance with industry practices in Client's specialty and geographic area and all material applicable laws, rules and regulations, including applicable third-party payer policies and procedures. Client acknowledges that AB has every incentive to perform the Services in a timely and proficient manner but that the timing and amount of collections generated by the Services are subject to numerous variables beyond the control of AB, including, without limitation, (a) the inability of third parties or systems beyond the control of AB to accurately process data, (b) the transmission to AB of inaccurate, incomplete or duplicate data, (c) untimely reimbursements or payer bankruptcies, (d) late charge documentation submissions by Client, and/or (e) managed care contract disputes between payers and Client. Therefore, AB makes no warranties or representations pertaining to the timing and amount of collections generated by the Services. Client acknowledges and agrees that Client is solely responsible for refunding any overpayments and processing any unclaimed property payments. Client agrees to hold AB harmless from and against any losses (including fines or penalties and interest) incurred by AB as a result of Client's failure to make such refunds and/or payments, provided that AB has performed its refund responsibilities as set forth on Schedule 1(I) for the refunds in question.

9. **Audits.** During the term of this Agreement, Client will have the right to engage, at its expense, independent, external, third-party auditors (the "Third-Party Auditors") for the purpose of

performing audits that may be considered necessary by Client to determine the accuracy and correctness of the accounting and internal control performed and maintained by AB. If Client engages Third-Party Auditors, who perform, or are associated with a group who performs, billing and accounts receivable management services substantially similar to any of the Services identified as "Reimbursement Management Services" on Schedule 1 to this Agreement, such Third-Party Auditors may not visit AB's processing facility or audit the actual billing and collection process. AB will cooperate by furnishing such Third-Party Auditors with any and all information as is reasonably necessary to perform and complete all audit procedures. Prior to performing such audits, Client will cause the Third-party Auditors to execute AB's "Confidentiality" Agreement. Client agrees that any such audit will be conducted at such times and in such a manner so as to avoid undue disruption of AB's operations.

10. **Non-Employment.** During the term of this Agreement and for a period of twelve (12) months following the termination of this Agreement, each party agrees not to employ, contract with for services, solicit for employment on its own behalf or on behalf of any third party, or have ownership in any entity which employs or solicits for employment, any individual who (i) was an employee of the other or its parent, affiliates or subsidiaries at any time during the preceding twelve (12) months and (ii) was materially involved in the provision of the Services hereunder without the prior written consent of the other party. Notwithstanding the foregoing, upon any termination of this Agreement, Client may rehire any individual who was employed by Client on the Effective Date, and who was hired by AB on or after such date. Each party agrees that the other party does not have an adequate remedy at law to protect its rights under this Section and agrees that the non-defaulting party will have the right to injunctive relief from any violation or threatened violation of this Section. This Section shall be in addition to, and not in lieu of, Article 15 of the Franchise Agreement.

11. **Termination by AB.** Notwithstanding the provisions of Section 2:

11.1 AB may terminate this Agreement immediately if Client defaults under any of the terms of this Agreement and such default is not cured within ten (10) days after AB delivers written notice of such default to Client; or

11.2 AB requires the use of third-party software to be used in the provision of the Services. Client agrees to execute any additional nondisclosure or proprietary material documentation that may be reasonably required by AB or any such third-party software licensor. If Client is unwilling to sign such additional documentation, AB may terminate this Agreement on the tenth (10th) business day after presenting such documentation if Client fails to complete such documentation during such time; or

11.3 If Client defaults under the Franchise Agreement, AB may terminate this Agreement at the same time as Apex Franchise Holdings, LLC terminates the term of the Franchise Agreement.

12. **Termination by Client.** Client may terminate this Agreement immediately if AB fails to cure any material breach of the "Business Associate Agreement" set forth on Schedule 5 to this Agreement within thirty (30) days of written notice from Client specifying the breach.

13. **Termination Procedures.** In the event this Agreement is terminated or expires, Client hereby requests, and AB agrees, that AB will return to Client, pursuant to the procedures set forth below, all materials provided to or gathered by AB for the provision of the Services hereunder. Client shall choose either the option set forth in Section 13.1 or the option set forth in Section 13.2 as a means of transferring its accounts receivable from AB to another provider of billing services (unless this Agreement is terminated by Client pursuant to Section 12, in which case only the procedures set forth in Section 13.2 will apply):

13.1 Upon the effective date of termination/expiration, AB shall cease to enter new patient and charge data into its computer system ("Computer System") on behalf of Client, but will (i) continue to perform the Services identified as "Reimbursement Management Services" on Schedule 1 to this Agreement, at the then-current rates hereunder, for a period of ninety (90) days with respect to all of Client's accounts receivable arising from charges rendered prior to the termination date (the "Workout Period"), (ii) thereafter discontinue processing such accounts receivable, (iii) deliver to Client, after full payment of all fees owed, a final list of accounts receivable and all other documentation provided to or gathered by AB for the provision of the Services, (iv) provide reasonable transitional services, as set forth on Schedule 4 to this Agreement, and (v) have no further obligations to Client. The parties agree that all applicable terms and conditions of this Agreement will be in full force and effect until the end of the Workout Period; or

13.2 (a) For Client's accounts receivable for which AB receives a Billing and Collection Services Fee based on a percentage of the Net Collections, on or before the effective date of termination/expiration, Client shall pay AB a one-time fee for the Services provided by AB during the immediately preceding months equal to the amount listed on Schedule 2 to this Agreement (the "Services Rendered Fee"). Upon the effective date of termination/expiration, AB shall (i) be immediately relieved of the obligation to provide any further Services on behalf of Client, (ii) deliver to Client, after full payment of all fees owed, including but not limited to the Services Rendered Fee, a final list of accounts receivable and all other documentation provided to or gathered by AB for the provision of the Services, (iii) provide reasonable transitional services, as set forth on Schedule 4 to this Agreement, and (iv) have no further obligations to Client. The Services Rendered Fee is in no way intended to limit the rights and remedies AB may have against Client arising out of any breach of this Agreement; and/or

(b) For Client's accounts receivable for which AB receives a Billing and Collection Services Fee based on a set dollar amount, upon the effective date of termination/expiration, AB shall (i) be immediately relieved of the obligation to provide any further Services on behalf of Client, (ii) deliver to Client, after full payment of all fees owed, a final list of accounts receivable and all other documentation provided to or gathered by AB for the provision of the Services, (iii) provide reasonable transitional services, as set forth on Schedule 4 to this Agreement, and (iv) have no further obligations to Client.

14. **Limitation of Liability; Claims Period.**

14.1 AB shall have no liability for the (a) inability of third parties or systems beyond the control of AB to accurately process data, or (b) transmission to AB of inaccurate, incomplete or duplicate data. In all other circumstances, it is expressly understood and agreed that each party's liability for all loss or damage incurred by the other party, arising from any cause whatsoever under this Agreement, to the extent that such loss or damage is caused by the other party, shall be limited to the sum of the Billing and Collection Services Fees paid by Client to AB during the term of this Agreement; provided, however, that each party's aggregate liability under this Agreement shall not exceed the Billing and Collection Services Fees paid by Client to AB during the term of this Agreement ("Limitation of Liability"). No proceeding or action arising out of this Agreement may be brought by either party more than twelve (12) months after the cause of action has arisen ("Claims Period").

14.2 Notwithstanding the foregoing, the Limitation of Liability and Claims Period set forth above shall not apply to any civil monetary fine or penalty and interest (but not overpayments) assessed against either party by Medicare, Medicaid or other third-party health insurance provider arising out of the sole negligence or willful misconduct of the other party in the performance of its obligations hereunder. Overpayments received by Client are the sole responsibility of Client.

14.3 Neither party shall in any event be liable to the other for any indirect, special, incidental, consequential or similar losses or damages suffered by such party or any third party, even if such party has been advised of the possibility of such damages.

14.4 The limitations set forth above reflect a deliberate and bargained for allocation of risks between AB and Client and constitute the basis of the parties' bargain, without which AB and Client would not have agreed to the terms and conditions of this Agreement.

15. **Notice.** All notices, requests, consents, payments, demands or other communications required or permitted to be given by the provisions of this Agreement shall be in writing and will be effective on the date it is delivered if hand delivered, will be effective on the date of receipt if sent or delivered by certified mail, postage pre-paid and return receipt requested or will be effective on the date of receipt if sent by national overnight delivery service to:

If to AB:

Apex Billing, LLC
Attn: Steven J. Oravec
15 Apex Drive
Highland, Illinois 62249
Facsimile: (618) 651-9225

If to Client:

Facsimile: _____

or at such other address(es) or to the attention of such other persons as the parties may from time to time designate in writing by notice as set forth above.

16. **Force Majeure.** Neither party shall be liable for any failure or delay in performing its obligations under this Agreement due in whole or in material part to any cause beyond its sole control, including but not limited to fire, accident, labor dispute or unrest, flood, riot, war, rebellion, insurrection, sabotage, terrorism, transportation delays, shortage of raw materials, energy or machinery, pandemics, epidemics or other public health emergencies of local, national or international concern, acts of God or of the civil or military authorities of a state or nation, or the inability, due to the aforementioned causes, to obtain necessary labor or facilities.

17. **Waiver.** The failure of either party to enforce any term or condition of this Agreement shall not be construed as a waiver by such party of such term or condition, nor shall a waiver of any breach of a term or condition of this Agreement on any one occasion constitute a waiver of any subsequent breach of the same or similar term or condition.

18. **Transfer.** AB has the absolute right to assign or delegate all or any part of its rights or obligations under this Agreement with or without the consent of Client. Upon the assignment and delegation by AB of its rights and obligations under this Agreement and delivery of written notice to Client of such assignment and delegation, AB shall be released from all obligations and liabilities pursuant to this

Agreement except for any liabilities from with AB may not be released under applicable law. Client understands and agrees that the rights and duties set forth in this Agreement are personal to Client. Therefore, Client shall not, without AB's prior written consent and in accordance with an assignment of the Franchise Agreement pursuant to Sections 11.2 and 11.3 of the Franchise Agreement, assign its rights or duties set forth in this Agreement.

19. **Dispute Resolution.**

A. **Mediation.** Before any party may bring an action in court for any controversy, dispute or claim between AB and Franchisee arising from this Agreement or the franchise relationship set forth in this Agreement, the parties must first have a conference with each other to try to resolve the dispute. If this fails to bring about a resolution, the dispute will first be submitted to non-binding mediation (the "Mediation") in St. Louis County, Missouri unless the parties mutually agree to another location. The Mediation shall be conducted in accordance with then-current AAA mediation rules (the "AAA Mediation Rules") except to the extent the AAA Mediation Rules differ from the terms of this Agreement, in which event the terms of this Agreement shall be applied. Notwithstanding the foregoing, the mediation does not have to be conducted under the AAA. AB and Client will select the mediator. If the parties cannot agree on the selection of a mediator, the mediation shall be conducted through the AAA who will make the selection of mediator using their rules and guidelines. The cost of the Mediation, including the mediator's fee and expenses, shall be paid by the Client. All negotiations and mediation proceedings (including without limitation, discovery conducted therein, as well as all statements and settlement offers made by either party or the mediator in connection with the Mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. If the parties, after a good faith effort to settle the dispute using Mediation, are unable to reach settlement, AB and Client agree that the dispute will be resolved according to the Sections below. Failure to submit the dispute to Mediation prior to commencing any litigation or arbitration proceeding shall be grounds for dismissal of the litigation or arbitration proceedings.

Notwithstanding the foregoing, the obligation of this Section to mediate will not be binding with respect to claims brought by AB and relating to trademarks, service marks, patents, or copyrights; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by AB for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute between the parties.

B. **Litigation.** Except as otherwise provided in this Agreement, all controversies, disputes or claims between AB and Client arising from this Agreement shall be filed in the Federal District Court in St. Louis, MO when the grounds set forth in 28 U.S.C. § 1332 are present. Both parties and each guarantor of this Agreement irrevocably submit to the jurisdiction of this court and waive any objection to the application of Missouri law or to the jurisdiction or venue in this court. In the event that the above-referenced federal court does not have jurisdiction over the dispute, the parties shall submit to binding arbitration as provided below.

Notwithstanding the foregoing, any claims AB has relating to trademarks, service marks, patents, or copyrights; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by AB for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed

necessary by such court to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute between the parties shall be brought in either federal or state courts in St. Louis County, MO. Both parties agree to submit to the jurisdiction of the state and federal court in St. Louis County, MO.

C. Arbitration. In the event that the federal court described above does not have subject matter jurisdiction over the dispute, the parties, subject to all other provisions above, will submit the dispute to binding arbitration conducted in St. Louis County, MO (unless the parties mutually agree otherwise). The arbitration proceeding will be conducted in accordance with the then-current commercial arbitration rules of the American Arbitration Association ("AAA Rules"), except to the extent the AAA Rules differ from the terms of this Agreement, in which event the terms of this Agreement will apply. Notwithstanding the foregoing, the arbitration does not have to be conducted under the AAA. The arbitrator must be mutually selected by the parties and must have at least 5 years of substantial experience in franchise law. Each party will be limited to 25 document requests, 15 interrogatories and 1 deposition unless otherwise agreed to between the parties. For purposes of this Section, if any dispute that names, involves or includes AB, its respective affiliates, officers, directors, agents, brokers or employees, such persons or entities shall also be included in and made party to the arbitration proceeding to the extent such parties consent to proceeding forward in arbitration.

The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due), specific performance, and attorneys' fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary, or consequential damages, to which the parties waive any right. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, or enforceability of this Section, including but not limited to, any claim that all or any part of this Section is void or voidable. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; or (2) make any award which extends, modifies or suspends any lawful term of this Agreement. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Section except to the extent permitted by applicable law. The arbitrator must submit a reasoned award and this award must be consistent with the terms of this Agreement. If the arbitrator's award is not reasoned or not consistent with the terms of this Agreement, then notwithstanding the foregoing, AB may appeal the arbitration award in Federal or State Court. An arbitration award or decision entered in any other case (whether or not AB was a party) will not be binding on AB in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, AB and Client will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding the Transfer, or the termination or expiration of the term of this Agreement. Except as provided in subsection A. above, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

D. Dispute Resolution Fee. In the event that the Client or its guarantors have not complied with the provisions in this Section on Dispute Resolutions, Client shall reimburse AB for all of its expenses incurred in curing Client's breach (including, without limitation, AB's attorneys' fees and costs

related to dismissing and responding to any improperly filed claim) and pay AB a Dispute Resolution Fee of \$50,000 ("Dispute Resolution Fee"). Client acknowledges and agrees that the AB will be damaged by such breach. Client agrees that a precise calculation of the full extent of the damages that AFH will incur from the breach of the Dispute Resolution provisions of this Agreement are difficult to determine and all parties desire certainty in this matter and agree that the Dispute Resolution Fee provided herein is reasonable and constitute liquidated damages and not a penalty. AB has the right to collect these amounts in addition to exercising any and all other rights AB may have for non-compliance under this Agreement.

20. **Miscellaneous.** This Agreement contains the entire agreement of the parties relative to the Services to be provided to Client and no representations, warranties, inducements, promises or agreements, oral or otherwise, between the parties not embodied in this Agreement will be of any force or effect. This Agreement specifically supersedes any prior written or oral agreements, understandings, negotiations and proposals between the parties relating to the provision of the Services. The section headings used herein are for convenience only and shall not be used in the interpretation of this Agreement. If any provision of this Agreement is determined to be invalid or unenforceable, such provision shall be deemed severable from the remainder of this Agreement and shall not cause the invalidity or unenforceability of the remainder of this Agreement. This Agreement has been mutually negotiated by the parties and/or the parties' counsel and shall be interpreted in accordance with its terms without favor to either party. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person, firm or corporation other than the parties hereto, and their successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, or result in such person, firm or corporation being deemed a third party beneficiary of this Agreement. Any amendments or changes to this Agreement will be in writing and will not be effective until executed by authorized representatives of both parties. AB and Client represent and warrant that they have the full power and authority to enter into this Agreement and that the person executing this Agreement has the full power and authority to do so.

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

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

AB : Apex Billing, LLC

CLIENT :

By:_____

By:_____

Print Name:_____

Print Name:_____

Title:_____

Title:_____

Date:_____

Date:_____

SCHEDULE 1

SCOPE OF SERVICES

I. **AB Reimbursement Management Services :**

- (a) Handle all accounts in accordance with all applicable laws.
- (b) Bill managed care accounts in accordance with the terms of Client's contracts. If no contract exists, bill such accounts in accordance with the rules of the state in which care was provided or, if no state rules apply, in accordance with AB's normal business procedures.
- (c) Provide electronic filing with Medicare, Medicaid and Blue Cross Blue Shield, and other third-party payers, where applicable.
- (d) Provide electronic filing with all major insurance carriers through the AB Exchange or other claims clearinghouse, where applicable.
- (e) Provide access, as available, to electronic remittance from Medicare and all other carriers, upon written request, where applicable.
- (f) Provide mailed or electronic patient statements and notices in accordance with AB's normal business procedures.
- (g) Provide a phone number to answer phone inquiries concerning patient account information.
- (h) Respond to inquiries received by mail from patients and/or third-party payers.
- (i) Receive all payment and reimbursement notices from Client's bank lockbox or bank account and post payments to the appropriate patient account.
- (j) File primary, secondary and tertiary insurance claims for patients and resubmit rejections and no action accounts.
- (k) Back-up data off Computer System every night and store back-ups off-site.
- (l) Follow up on delinquent insurance accounts.
- (m) Maintain Computer System with Computer System generated operational reports.
- (n) If Client requests AB to forward its unpaid billings to a debt collection agency or law firm ("Debt Collection Agent"), AB will transmit the information required by the Debt Collection Agent chosen by Client either by hard copy or electronically, in a mutually acceptable format, as requested by such Debt Collection Agent, pursuant to instructions provided to AB by Client.
- (o) If Client chooses to not have a 3rd Party Debt Collection Agent, AB and Client acknowledge that Client will act as its own Debt Collection Agent, and as such, Client will handle unpaid billings in accordance with AB's normal business procedures.
- (p) Prepare refund requests on an as needed basis for individual patients and insurance carriers to be prepared and issued by Client.
- (q) Make reasonable efforts to identify the owners of unclaimed property. Notify Client of any unclaimed property.
- (r) Provide therapist enrollment (and re-enrollment) and credentialing services for third-party payer contracts provided that Client provides the necessary information and secures the necessary signatures on completed enrollment forms in a timely manner.
- (s) Adjust the practice management system to reflect a zero balance for patient accounts with Debt Collection Agent which have been inactive for 6 months. Although these inactive accounts will remain with the Debt Collection Agent for collection, AB will no longer monitor these inactive accounts. In the event that payment on an inactive account is received, the prior adjustment will be reversed and if there is still a balance due, the account will again be monitored by AB for a period of 6 additional months.

II. Client Responsibilities:

- (a) On a timely basis and in a mutually acceptable format, provide the information necessary for AB to perform the Services in an efficient manner. Such information should include:
 - (1) patient's name, sex, date of birth, social security number, status (single, married, other);
 - (2) responsible party's name, address, telephone number, employer;
 - (3) insured's name (if different from patient), sex, date of birth, address, relationship to patient, insured's employer (if group policy), insured's employer's address;
 - (4) name of insurance company, address, policy certificate number, group policy number;
 - (5) all applicable charge documents;
 - (6) copy of consent to treat, release of information and insurance assignment of benefits, upon request by AB;
 - (7) HMO/PPO authorization numbers approvals (if applicable);
 - (8) copy of paid at time of service receipt (if applicable); and
 - (9) date of service, chief complaint, medical history and exam, treatment, final diagnosis and physical therapists' notes.
- (b) Obtain any necessary patient pre-certification, proper authorization to treat and verification of benefits. If Facility staff fails to obtain proper authorization for a patient, Facility staff may be required to appeal the claim at the Facility level.
- (c) Code each patient chart, including ICD-10 Codes AND CPT codes, procedural modifiers and HCPCS Level II regulatory modifiers.
- (d) Enter accurate demographic information and coding information into the practice management system.
- (e) Work with AB to establish electronic transmission of patients' demographic and financial information.
- (f) Provide access to one (1) or more members of Client's staff to answer questions regarding claims.
- (g) Notify AB of patients who qualify for free or reduced charge services due to financial hardship.
- (h) Send copies of workers' compensation notification of compensable injury forms.
- (i) Provide AB with Client's fee schedule for entry into the practice management system prior to the Commencement Date of this Agreement. AB will continue to update such fee schedule upon written notification to AB of any change to such fee schedule by Client.
- (j) Facilitate AB's report distribution of unallocated and/or unidentified funds or receipts, if applicable.
- (k) Provide AB with an electronic file, if available, of Client's referring physicians, including unique, identifying codes, UPIN and license numbers as of the Effective Date of this Agreement. Provide AB with electronic updates, if available, to this file, containing similar required data, on a minimum monthly basis.
- (l) Provide AB with copies of contracted agreements with managed care plans, including the negotiated fee schedules.
- (m) If Client requests AB to forward its unpaid billings to a Debt Collection Agent, Client shall:
 - (1) provide AB with written notice of the name and address of the Debt Collection Agent chosen by Client (any contract for the provision of collection services for Client's unpaid billings shall be between Client and the Debt Collection Agent chosen by Client);
 - (2) provide AB with written instructions on which unpaid billings shall be forwarded to such Debt Collection Agent; and
 - (3) if applicable, provide AB with written authorization to execute documents presented to AB and considered necessary for the collection of Client's

unpaid billings by such Debt Collection Agent on Client's behalf in accordance with the written instructions of Client. Client acknowledges and agrees that Client is solely responsible for the unpaid billings placed with such Collection Agent and further agrees to hold AB harmless from and against any fines or penalties incurred as a result of the placement of such unpaid billings with such Debt Collection Agent.

- (n) Sign and release refund checks for individual patient and carrier refunds prepared for Client's signature by AB.
- (o) If Client contracts with a therapist to provide services for Client, and such therapist cannot reassign its benefits to Client, Client will notify AB prior to such therapist beginning to provide services for Client. If AB is to provide the Services for such therapist, Client agrees that such therapist must enter into an agreement for the performance of the Services with AB with respect to such therapist's accounts receivable.
- (p) Prepare and release Client's annual unclaimed property return.
- (q) Authorize AB's ability to view Client's lockbox or deposit bank account and cause all payment and reimbursement notices from Client's bank lockbox to be sent to AB on a daily basis so that AB may timely post payments to the appropriate patient account.
- (r) Notify AB of relevant information concerning Client and all therapists in order for AB to provide the enrollment, re-enrollment and credentialing services. Further, if client hires a new therapist for full-time, part-time, per diem (PRN) employment, or contract employment, client is responsible to notify AB and submit the required information by the therapist's start of service. All information is required to be sent via Certified US Mail; Return Receipt Requested; to Apex Billing, LLC; Attn: Credentialing Department; 2491 Industrial Ct.; Suite 100; Highland, IL 62249. Failure to do so will result in Client or clinician not becoming credentialed and forfeiture of insurance payments for services rendered.
- (s) Provide names, detailed summary information and copies of applicable licenses for new therapists, in writing, for initiation of payer enrollment by AB, secure the necessary signatures on completed enrollment forms in a timely manner and coordinate the timely return of completed and signed therapist enrollment applications and electronic claim submission authorization forms for all therapists.
- (t) Secure adequate facility secretary coverage locally in the event that coverage is required.

SCHEDULE 2

SERVICE FEES

A. Calculation of Billing and Collections Fees. Beginning as of the Commencement Date through the first anniversary of the Commencement Date, Client agrees to pay AB the Billing and Collection Services Fee, payable on the fifteenth (15th) day of each month, as set forth below (check the appropriate method of billing; please note that option (i) shall be used to calculate fees unless Client is in a state that has laws that would prohibit a calculation of fees based upon Net Collections, in which case, the option (ii) shall be used):

(☐) (i) an amount equal to six percent (6%) of the Net Collections made by or through AB on Client's accounts receivable during the previous month for AB's provision of the Reimbursement Management Services.

(☐) (ii) an amount equal to _____ dollars (\$_____) per month for AB's provision of the Reimbursement Management Services; provided that if this option is chosen to calculate the Billing and Collection Services Fee, the first Billing and Collection Services Fee shall not be due until the first day of the month immediately succeeding the month in which the Client opened for business.

On the first anniversary of the Commencement Date and each anniversary thereafter, Client and AB shall renegotiate the fee stated above based on market conditions, Client's patient volume and projected Net Collections for the following year.

"Net Collections" means the total sum of all monies collected from managed care payors, or other third-party payors and patients (i.e., co-payments and deductible amounts) by or through AB for all clinical services rendered by Client (or Client's employees or agents), less amounts refunded or credited to a patient or a managed care payor or other third party payor as a result of overpayments, erroneous payments or bad checks. When unpaid billings are referred to a Collection Agent, the amount of Net Collections will include the net amount received by Client through the efforts of the Collection Agent after deducting the Collection Agent's fee. The selection of a Collection Agent is the responsibility of Client, and Client agrees to pay directly any Collection Agent commissions and/or fees and costs.

Client represents that it is entitled to bill globally and/or for the technical component for its accounts receivable and instructs AB to bill globally and/or for the technical component only in the categories authorized in the attached Exhibit A. In furtherance of this request, Client will complete the *Application For Global/Technical Billing*, attached hereto as Exhibit A.

B. Invoicing, Payment and Fee Change. Client will pay the Billing and Collection Services Fee as set forth above. Client will pay all other charges set forth in the Agreement within 15 days following receipt of invoice. Late payments by Client will result in a late payment charge equal to the lesser of one and one-half percent (1.5%) per month or the maximum monthly rate allowed by applicable law. Client agrees to reimburse AB for all costs and expenses, including reasonable attorneys' fees, incurred by AB in enforcing collection of any monies due to it under this Agreement. In addition to the foregoing and without waiver of its rights under Section 11.3 of the Agreement, AB may suspend the performance of the Services hereunder during any period in which invoices are past due without incurring any liability to Client.

Either party may request a change in the Billing and Collection Services Fee in the event of a material change in legislation, Client's business or other market conditions which results in a material change in either

the cost associated with AB's provision of the Services or AB's anticipated revenues under this Agreement. AB may request a change in the Billing and Collection Services Fee in the event (i) Client fails to disclose to AB, at or prior to the time this Agreement is executed, information relating to Client's practice, which information, if disclosed, would have led AB to propose a higher Billing and Collection Services Fee or (ii) any of the information provided by Client to AB upon which the assumptions set forth on Schedule 3 to this Agreement are based is or becomes inaccurate. In the event either party requests a change in the Billing and Collection Services Fee, the requesting party will provide the non-requesting party with ninety (90) days' prior written notice (the "Notice Period") of the requested change (the "Notice") and such fee change will be effective at the end of the Notice Period. If the non-requesting party provides the requesting party written notice during any such Notice Period that any such fee change request is unacceptable to the non-requesting party, the Agreement will terminate at the end of the Notice Period and the Billing and Collection Services Fees in place at that time will remain in effect until the end of the Workout Period, if any.

C. Additional Fees:

1. Postage: In addition to the Billing and Collection Services Fee, Client will remit to AB postage charges related to the provision of the Services during the previous month. Client also agrees to pay an amount equal to the increased cost of postage paid by AB in connection with the performance of the Services arising out of any increase in the U.S. Postal Service rates after the Effective Date.

2. Services Rendered Fee: In the event of termination of this Agreement, for any reason, if the option set forth in Section 13.2 is the procedure for transferring Client's accounts receivable to another entity pursuant to such termination, for Client's accounts receivable for which Client pays AB a Billing and Collection Services Fee based on a percentage of the Net Collections, the Services Rendered Fee shall be equal to one and one-half (1.5) times the average monthly invoice for the six (6) months immediately preceding the effective date of such termination. No Services Rendered Fee shall apply for Client's accounts receivable for which Client pays AB a Billing and Collection Services Fee based on a set dollar amount per transaction.

3. Managed Care Assistance Fee. AB will perform credentialing services at no charge for full-time therapists that are hired by Client to meet demand for increased business levels. In the event that a full-time therapist is hired to replace an existing full-time therapist, or if the therapist hired is a per diem (PRN), part-time, or contract employee, Client will be required to pay the current Managed Care Assistance Fee up to \$500 per therapist to credential said therapists in addition to the submission of the required forms in the required time frame as set forth in Schedule 2 attached hereto.

SCHEDULE 3

PRACTICE ASSUMPTIONS

The following assumptions are based on information Client has provided to AB. Based on these assumptions, AB has determined the collectability of Client's accounts receivable and has derived the schedule of Billing and Collection Services Fee set forth in Schedule 2 of the Agreement.

- | | | |
|----|---|------------|
| 1. | Average gross charges per month: | |
| 2. | Payer mix: | |
| | Self-Pay | % |
| | Medicare | % |
| | Commercial/PPO/HMO | % |
| | Other, Misc. | % |
| | Total | 100.0% |
| 3. | Average Net Collections per month: | \$_____.00 |
| 4. | Average number of procedures per month: | _____ |

SCHEDULE 4

TRANSITION SPECIFICS

Upon termination or expiration of this Agreement for any reason, AB agrees to help the practice management software company provide the following assistance to Client or Client's designated agent:

FORMAT

- Comma-Delimited (.csv) or Portable Document Format (.pdf)

MEDIA

- HIPAA compliant direct electronic transfer

FILE LAYOUT

- All fields identified with field length, optional field and description

FILE CODES – Include printed lists of file codes for the following fields, if applicable:

- Insurance company codes
- Procedure codes
- Diagnosis codes
- Payment, adjustment and write off codes
- Employer codes
- Attorney codes
- Case Manager codes
- Referral codes

DIALOGUE

- Practice management software company contact to review files and to answer general questions
- Once you receive the records, you will have the option to review the records for accuracy for 30 days

FINAL TRANSFER - A final HIPAA compliant direct electronic transfer with all patient accounts remaining on the practice management system to include:

- Demographics
- Insurance
- Charges
- Payments
- Clinical documentation
- Any electronic files that were uploaded to the system will be provided in the format in which they were uploaded

SCHEDULE 5

The parties agree to the terms and conditions of this Business Associate Agreement as follows:

BUSINESS ASSOCIATE AGREEMENT

THIS BUSINESS ASSOCIATE AGREEMENT ("BAA"), is made and entered into this _____ day of _____, 20____ ("Effective Date") by and between _____ (the "Covered Entity"), and Apex Billing, LLC and affiliates (the "Business Associate").

WITNESSETH:

WHEREAS, Business Associate and Covered Entity have entered into a separate Billing and Collection Services Agreement (the "Underlying Agreement") whereby, among other activities, Business Associate uses and/or discloses protected health information in the performance of practice management services for Covered Entity.

WHEREAS, the parties are committed to complying with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act ("HITECH"), and the rules and regulations promulgated thereunder, as amended.

THEREFORE, in furtherance of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS.

A. "HIPAA Rules" means the Privacy, Security, Breach Notification, and Enforcement Rules at 45 CFR Part 160 and Part 164, as amended. A reference in this BAA to a section in the HIPAA Rules means the section as in effect or as amended.

B. The following terms as used in this BAA shall have the meaning ascribed to them in the HIPAA Rules: breach, data aggregation, designated record set, disclosure, electronic media, health care operations, individual, minimum necessary, notice of privacy practices, protected health information ("PHI"), required by law, Secretary, security incident, subcontractor, unsecured protected health information, use, and workforce.

2. OBLIGATIONS AND ACTIVITIES OF BUSINESS ASSOCIATE.

Business Associate agrees to:

- A. Not use or disclose PHI other than as permitted or required by this BAA or as required by law;
- B. Use appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI, to prevent use or disclosure of PHI other than as provided for by this BAA;
- C. Report to Covered Entity any use or disclosure of PHI not provided for by this BAA of which it becomes aware, including breaches of unsecured PHI and any security incident of which it becomes aware. Such report shall be made no later than five (5) days after Business Associate, its workforce or any subcontractor discovers such unintended use or disclosure. Such report shall be provided to Covered Entity's designated Privacy Officer using the information set forth below the signature block;

- D. Ensure that any subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate agree to the same restrictions, conditions, and requirements that apply to Business Associate with respect to such information;
- E. Provide access, at the request of Covered Entity, and in a time and manner mutually agreed upon by Business Associate and Covered Entity, to PHI in a Designated Record Set, to the Covered Entity or, as directed by the Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. Section 164.524;
- F. Make any amendment(s) to PHI in a Designated Record Set as directed or agreed to by Covered Entity pursuant to 45 C.F.R. Section 164.526, or take other measures necessary to satisfy Covered Entity's obligations under 45 C.F.R. Section 164.526, in the time and manner mutually agreed upon by Business Associate and Covered Entity;
- G. Maintain and make available the information required to provide an accounting of disclosures to the Covered Entity as necessary to satisfy Covered Entity's obligations under 45 CFR 164.528;
- H. To the extent Business Associate is to carry out one or more of Covered Entity's obligation(s) under Subpart E of 45 CFR Part 164, comply with the requirements of Subpart E that apply to Covered Entity in the performance of such obligation(s); and
- I. Make its internal practices, books, and records available to the Secretary for purposes of determining compliance with the HIPAA Rules.

3. PERMITTED USES AND DISCLOSURES BY BUSINESS ASSOCIATE.

- A. Business Associate may use and disclose PHI to perform the services set forth in the Underlying Agreement. Business Associate shall not use or disclose PHI other than as permitted or required by this BAA or as required by law.
- B. Business Associate agrees that when using or disclosing PHI or when requesting PHI, Business Associate shall limit PHI to the minimum necessary to accomplish the intended purposes of the use, disclosure or request, consistent with Covered Entity's minimum necessary policies and procedures.
- C. Business Associate may not use or disclose PHI in a manner that would violate Subpart E of 45 CFR Part 164 if done by Covered Entity except for the specific uses and disclosures set forth below.
- D. Business Associate may use PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate.
- E. Business Associate may disclose PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided the disclosures are required by law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that the information will remain confidential and used or further disclosed only as required by law or for the purposes for which it was disclosed to the person, and the person notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

- F. Business associate may provide data aggregation services relating to the health care operations of the Covered Entity.

4. PROVISIONS FOR COVERED ENTITY TO INFORM BUSINESS ASSOCIATE OF PRIVACY PRACTICES AND RESTRICTIONS.

- A. Covered Entity shall notify Business Associate of any limitation(s) in the notice of privacy practices of Covered Entity under 45 CFR 164.520, to the extent that such limitation may affect Business Associate's use or disclosure of PHI.
- B. Covered Entity shall notify Business Associate of any changes in, or revocation of, the permission by an individual to use or disclose his or her PHI, to the extent that such changes may affect Business Associate's use or disclosure of PHI.
- C. Covered Entity shall notify Business Associate of any restriction on the use or disclosure of PHI that Covered Entity has agreed to or is required to abide by under 45 CFR 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

5. TERM AND TERMINATION.

- A. Term. The term of this BAA shall commence as of the Effective Date first stated above, and shall continue in full force and effect until the Underlying Agreement between Business Associate and Covered Entity terminates or expires, unless sooner terminated as provided herein.
- B. Termination for Cause. Business Associate authorizes termination of this BAA by Covered Entity, if Covered Entity determines Business Associate has violated a material term of this BAA and Business Associate has not cured the breach or ended the violation within the time specified by Covered Entity.
- C. Obligations of Business Associate Upon Termination.

Upon termination of this BAA for any reason, Business Associate, with respect to PHI received from Covered Entity, or created, maintained, or received by Business Associate on behalf of Covered Entity, shall:

1. Retain only that PHI which is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities;
2. Return to Covered Entity or destroy the remaining PHI that Business Associate still maintains in any form;
3. Continue to use appropriate safeguards and comply with Subpart C of 45 CFR Part 164 with respect to electronic PHI to prevent use or disclosure of the PHI, other than as provided for in this Section, for as long as Business Associate retains the PHI;
4. Not use or disclose the PHI retained by Business Associate other than for the purposes for which such protected health information was retained and subject to the same conditions set out at Section 3(D)-Section 3(F) of this BAA which applied prior to termination; and
5. Return to Covered Entity or destroy the PHI retained by Business Associate when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities.

D. Survival. The obligations of business associate under this Section shall survive the termination of this Agreement.

6. MISCELLANEOUS.

A. Regulatory References. A reference in this BAA to a section in the HIPAA Rules means the section as in effect or as amended.

B. Amendment. The Parties agree to take such action as is necessary to amend this BAA from time to time as is necessary for compliance with the requirements of the HIPAA Rules and any other applicable law.

C. Interpretation. Any ambiguity in this BAA shall be interpreted to permit compliance with the HIPAA Rules.

D. This BAA sets forth the entire agreement of Covered Entity and Business Associate and supersedes all prior and contemporaneous negotiations, understandings and agreements, written or oral, concerning the subject matter hereof. Without limiting the foregoing, this BAA expressly amends, replaces and supersedes any prior Business Associate Agreements in effect between Covered Entity and Business Associate.

E. The parties acknowledge that the Underlying Agreement was fully negotiated between the parties. Notwithstanding anything to the contrary contained in this BAA, the Underlying Agreement is not superseded by this BAA and any and all limitations of liability negotiated and contained in the Underlying Agreement shall govern the parties' liability in connection with this BAA.

F. This BAA and any amendment hereto or waiver hereof may be signed in counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Any signature may be delivered by facsimile, which shall have the same effect as an original signature.

IN WITNESS WHEREOF, the parties, intending to be legally bound, have caused this BAA to be signed by their duly authorized representatives as of the Effective Date first written above.

COVERED ENTITY: _____ BUSINESS ASSOCIATE: Apex Billing, LLC

By: _____ By: _____

Print: _____ Print: _____

Title: _____ Title: _____

Privacy Officer Contact Information:

Name: _____

Phone: _____

Email: _____

EXHIBIT A

This application for global and/or technical billing (this "Application") is part of the Agreement between Apex Billing, LLC ("AB") and _____ ("Client"), effective as of _____ (the "Effective Date").

APPLICATION FOR GLOBAL AND/OR TECHNICAL BILLING

Application Submitted By:

Name

Office

Phone number

CLIENT ATTESTATION

Per _____: **[PLEASE CHECK CORRECT OPTION(S)]**

___ (1) the following sites meet the criteria, including Medicare's reassignment requirements, for billing global services and AB is instructed to bill those services with both a professional and technical component as a single line, global service or as required by the payer.

Sites: _____

___ (2) the following sites are enrolled in Medicare as an office practice and meet Medicare's reassignment requirements, therefore, these sites are entitled to bill globally and AB is instructed to bill those services with both a professional and technical component as a single line, global service or as required by the payer.

Sites: _____

CLIENT SIGNATURE: _____

EXHIBIT 9

PROMISSORY NOTE AND PERSONAL GUARANTY

PROMISSORY NOTE

Principal Amount: \$ _____

St. Louis, Missouri

Dated: The ____ day of _____, 20__

FOR VALUE RECEIVED, _____, a _____ corporation / limited liability company (“Maker”), hereby promises to pay to the order of APEX FRANCHISE HOLDINGS, LLC, a Missouri limited liability company (“Holder”), in lawful money of the United States of America, the total principal sum of _____ Thousand Dollars (\$ _____) (“Principal”), together with Ten Percent (10%) simple interest and any default interest as set forth below (“Interest”) thereon from the date hereof.

The Principal and Interest hereunder shall be payable by Maker in Sixty (60) equal consecutive monthly installments each of _____ and ____/100ths Dollars (\$ _____) with the first installment due on or before the _____ day of _____, 201__ and the second through sixtieth installments due on or before the _____ day of each subsequent consecutive month until the principal and interest is fully paid. Unless and until written notice to the contrary is given by Holder, all payments hereunder shall be sent to Apex Franchise Holdings, LLC, Attn: Steve J. Oravec, 15 Apex Drive, Highland, Illinois 62249.

Notwithstanding the foregoing, Maker may prepay any portion of Principal or Interest at any time without penalty. All payments hereunder shall be applied first against fees and charges payable hereunder, then to interest and then to reduction of principal. Partial prepayments will not excuse any scheduled payments due hereunder. No amounts prepaid or repaid hereunder may be reborrowed.

This Note is delivered in connection with that certain Franchise Agreement between Maker and Apex Franchise Holdings, LLC dated as of the date hereof (the “Franchise Agreement”).

All Principal and Interest shall become due and payable, immediately at the option of Holder after the occurrence of an Event of Default (as defined below). From and after the date of an Event of Default, the unpaid principal balance of this Note shall bear interest at the rate of either twelve percent (12%) per annum or the highest rate allowed by law, whichever is lower, until such Event of Default is fully cured to the satisfaction of Holder. In addition, after any Event of Default, Holder may exercise any right or remedy available to Holder at law or in equity.

Any one or more of the following shall constitute an “Event of Default”:

1. Maker defaults in the payment of all or part of the Principal or Interest when due, and said default continues for ten (10) days after receipt by Maker of written notice thereof;
2. Maker breaches any obligation or covenant set forth in the Franchise Agreement;
3. Maker applies for, consents to or acquiesces in the appointment of a trustee, receiver or other custodian for Maker or for its property or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for Maker or for a substantial part of its property and is not discharged within sixty (60) days; and
4. Any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law is commenced against Maker and remains for sixty (60) days undismissed or is consented to or acquiesced in by Maker.

Notwithstanding anything herein to the contrary, in the event of a Transfer as defined under the Franchise Agreement, all Principal and Interest shall become due and payable, immediately at the option of Holder.

Maker and all others who may become liable for the payment of all or any part of the obligations due under this Note do hereby severally waive presentment and demand for payment, notice of dishonor, notice of intention to accelerate, notice of acceleration, protest and notice of protest and non-payment and all other notices of any kind. No extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note or any other agreement between Holder and any other person shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Maker and any other person who may become liable for the payment of all or any part of the obligations under this Note. No notice to, or demand on, Maker shall be deemed to be a waiver of the obligation of Maker or of the right of Holder to take further action without further notice or demand as provided for in this Note. The remedies provided to Holder under this Note shall be cumulative and concurrent, and shall be in addition to every other right or remedy now or hereafter provided by law or equity. The failure or delay in exercising any such right or remedy shall not be construed as a release or waiver thereof. If this Note is not paid when due, Maker and any endorsers hereof agree to pay all reasonable costs of collection, including a reasonable amount for attorneys' fees. This obligation shall survive payment of this Note.

This Note shall be governed by and interpreted in accordance with Missouri law, without regard to conflict of law rules. Notwithstanding anything to the contrary contained in the Franchise Agreement, any dispute regarding this Note shall be subject to the exclusive jurisdiction of the state courts in and for the County of St. Louis, Missouri (or, if there is federal jurisdiction, the United States District Court located in the City of St. Louis, Missouri), and the parties agree to submit to the personal and exclusive jurisdiction and venue of these courts. Maker hereby waives its rights to a trial by jury to full extent permitted by law. If the application of any provision of this Note to any particular facts or circumstances is for any reason held to be invalid, illegal or unenforceable by a court, arbitration panel or other tribunal of competent jurisdiction, then the validity, legality and enforceability of such provision as applied to any other particular facts or circumstances, and the other provisions of this Note, shall not in any way be affected or impaired thereby and such provision shall be enforced to the maximum extent possible so as to effect the intent of the parties.

The following is added pursuant to Section 432.047 R.S.Mo.; as used below "borrower(s)" shall mean Maker and "creditor" shall mean Holder:

ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER(S)) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, Maker has caused this Note to be executed and delivered as of the date first above written.

“MAKER”

By: _____

Printed Name: _____

Title: _____

STATE OF _____)
) SS.
COUNTY OF _____)

On this _____ day of _____, 20__, before me personally appeared _____, known personally to me to be the _____ of _____, and that he or she, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the entity by himself or herself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

NOTARY PUBLIC

(Notarial Seal)
My Commission Expires:

PERSONAL GUARANTY

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby individually and unconditionally, jointly and severally guarantees to (“Holder”) and its successors and assigns, the timely payment and performance by _____, a _____ corporation / limited liability company (“Maker”) of all amounts and obligations which become due and payable pursuant to the above Promissory Note. This Personal Guaranty may not be modified or terminated except in a writing executed by the undersigned and Holder. The Personal Guaranty is absolute and unconditional and will not be affected by any change, extension or modification of the underlying Promissory Note.

_____, Individually

Printed Name: _____

STATE OF _____)
) SS.
COUNTY OF _____)

On this ____ day of _____, 20____, before me personally appeared _____, known to me to be the same persons who subscribed to the foregoing instrument and acknowledged that they signed, sealed and delivered the said instrument as their free and voluntary act for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

NOTARY PUBLIC

(Notarial Seal)
My Commission Expires:

_____, Individually
Printed Name: _____

STATE OF _____)
) SS.
COUNTY OF _____)

On this ____ day of _____, 20____, before me personally appeared _____, known to me to be the same persons who subscribed to the foregoing instrument and acknowledged that they signed, sealed and delivered the said instrument as their free and voluntary act for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

NOTARY PUBLIC

(Notarial Seal)
My Commission Expires:

EXHIBIT 10

WMO AMENDMENT TO FRANCHISE AGREEMENT

WMO AMENDMENT TO
THE FRANCHISE AGREEMENT

This WMO Amendment (“WMO Amendment”) is entered into on the ___ day of _____, 20___, by and between Apex Franchise Holding, LLC (“AFH”) and _____ (“Franchisee”) and guaranteed by Franchisee’s Guarantors (“Guarantors”) which amends and modifies the Franchise Agreement (defined below).

WHEREAS, Franchisee and AFH are parties to a Franchise Agreement dated _____, for an ApexNetwork Physical Therapy Facility located at _____ (“Franchise Agreement”); and

WHEREAS, Franchisee wants to have its physical therapist(s) and/or occupational therapists (“Therapists”) provide limited Services in the office of a licensed doctor of medicine or doctor of osteopathy (“MD Office(s)”) on a periodic basis;

WHEREAS, AFH is willing to allow Franchisees to do so in accordance with the terms and conditions set forth herein and in accordance with the Working in Medical Offices Program (“WMO Program”) which is described in detail in the Manual which may be changed from time to time; and

NOW, THEREFORE, the parties agree to modify the Franchise Agreement as follows:

1.

1. Representation by Franchisee. Franchisee acknowledges that AFH is relying on the Opinion Letter provided by Franchisee’s attorney who specializes in healthcare law in the state where the Facility is located. Further Franchisee represents that it will comply with all state, federal and local laws regarding its participation in this WMO Program, including but not limited to all “Healthcare Laws” as defined in this section. Franchisee will be solely responsible for making sure it adequate insurance coverage is obtained in order to participate in the WMO Program, that all Therapists who participate in the WMO Program are properly credentialed and that all medical information with government sponsored and private insurance is updated correctly. “Healthcare Laws” means any of the following that are applicable to Franchisee: (i) Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, 42 U.S.C. § 1395nn and the regulations promulgated thereunder; (ii) Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute) and the regulations promulgated thereunder; (iii) TRICARE, 10 U.S.C. § 1071 et seq. and the regulations promulgated thereunder; (iv) the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b) and the regulations promulgated thereunder; (v) the False Claims Act, 31 U.S.C. §§ 3729-3733 and the regulations promulgated thereunder; (vi) the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812 and the regulations promulgated thereunder; (vii) the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58 and the regulations promulgated thereunder; (viii) the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b and the regulations promulgated thereunder; (ix) the Exclusion Laws, 42 U.S.C. § 1320a-7 and the regulations promulgated thereunder; (x) federal and state health care fraud and abuse (including false claims) laws and regulations; (xi) federal and state law and regulations governing the privacy and/or security of personally identifiable information; (xii) all federal and state law, statutes, regulations and orders of the United States Department of Health and Human Services and the FDA; and (xiii) all federal and state law, statutes, regulations and orders applicable to health insurance, employee welfare benefit plans, utilization review, establishing, marketing and managing health care provider networks and case management.

2. Section I.C Grant. Add the following: “Notwithstanding the foregoing, Franchisee will be permitted to provide some Services at the additional location(s) listed in Exhibit A to this WMO Amendment in accordance with the term of the Franchise Agreement as hereby amended and the Manual.”

3. Section 3.1 (B) Royalty Fees. Add the following: “As a point of clarification, all revenue collected on behalf of the Franchisee based on the Services its Therapists provide in the MD Office(s) (“Additional Revenue”) shall be included in the “Net Collections” or the “number of claims submitted” in order to determine the amount of the Royalty Fees that Franchisee must pay to AFH. As a point of further clarification, “Additional Revenue” shall include any payments received by Franchisee from MD Office under a Services Agreement as permitted under Option 1 and any collections from Payors by Franchisee arising from Option 2, with the terms “Option 1”, “Option 2”, “Services Agreement” and “Lease” having such definitions as set forth in the Manual. This Additional Revenue is not to be included in Net Collections for the purposes of determining the Marketing Contribution (Section 3.1 (D) of the Franchise Agreement) or Franchisee’s minimum local marketing expenditures (Section 8.2 of the Franchise Agreement). Royalty Fees will continue to be paid through the Payment System outlined in Section 3.4 of the Franchise Agreement.”
4. Section 8.2 Local Marketing. Add the following: “Notwithstanding anything to the contrary, Franchisee is not permitted to advertise that it is located at or having its Therapists provide Services at the MD Office.”
5. Section 9.3 Additional Reports. Add the following: “Franchisee shall provide AFH, or its affiliates, with financial reports regarding the amounts collected by Franchisee for the Services provided by its Therapists at the MD Office in the manner and frequency that AFH requires. In addition, Franchisee shall provide AFH with the following agreements: (i) Administrative Services Agreement (“ASA”) it enters into with the MD Office and will also provide any changes or amendments to the ASA; and (ii) the Lease or Services Agreement between the MD Office and Franchisee.”
6. Termination. This WMO Amendment may be terminated by the Franchisee upon 30 days written notice to the AFH. Franchisee’s termination of the WMO Amendment shall not be considered a default under the Franchise Agreement. However, Franchisee’s failure to comply with the terms of this WMO Amendment and the procedures in the Manual will constitute a default under the Franchise Agreement and, if not cured, can be grounds for termination of the Franchise Agreement by the AFH.
7. Release. Franchisee and its Guarantors, for themselves, their successors, assigns, do hereby remise, release and forever discharge AFH and its subsidiaries, divisions, and affiliates (including but not limited to Apex Physical Therapy, L.L.C and Apex Billing, LLC) and their respective successors, assigns, directors, officers, shareholders, agents, attorneys and employees, of and from any claims, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character, or description, whether known or unknown, vested or contingent, which Franchisee or its Guarantors, or any of them, now owns or holds, or at any time heretofore owned or held, or may at any time own or hold, arising prior to and including the date of this Agreement. Franchisee and its Guarantors, each hereby represent that no third party has or claims an interest in any claim released by this Agreement.
8. The execution of this WMO Amendment Franchise Agreement does not imply that Franchisee is in full compliance with the Franchise Agreement and does not constitute a waiver of AFH right to enforce Franchisee’s prior obligations under the Franchise Agreement.”
9. Except as modified by this WMO Amendment, all of the terms of the Franchise Agreement and the Guaranty and Assumption of Obligations shall remain in full force and effect. This WMO Amendment hereby forms a part of and is incorporated into the Franchise Agreement.

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

FRANCHISEE:

By: _____
Name

Title

Address: _____

APEX FRANCHISE HOLDINGS, LLC

By: _____
Name

Title

Address: _____

GUARANTORS:

EXHIBIT A

MD OFFICE(S)

The location of the MD Office is _____.

EXHIBIT D

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EXHIBIT E
GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE (the “**General Release**”) is made by the undersigned (hereinafter “**Releasor**”) for the benefit of APEX FRANCHISE HOLDINGS, LLC, a Missouri limited liability company (hereinafter, “**AFH**”), on this ____ day of _____, 20____.

RECITALS:

WHEREAS, Releasor is an AFH franchisee and operates an AFH franchised facility at _____ pursuant to that certain franchise agreement (the “**Franchise Agreement**”) dated _____;

WHEREAS, Releasor desires to renew its franchise with AFH or desires AFH’s consent to _____ in connection with the Franchise Agreement; and

WHEREAS, certain states require certain changes be made to this General Release specific to such state.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, Releasor hereby agrees, covenants and promises as follows:

1. Releasor, on behalf of itself and each of the persons and entities described in Section 2 hereof, hereby absolutely and forever releases, remises and discharges AFH and each of the persons and entities described in Section 3 hereof, from any and all claims, demands, damages, liabilities, costs (including, but not limited to reasonable attorneys’ fees, accounting fees or experts’ fees, and the costs of litigation, arbitration or other proceedings), expenses, liens, losses, charges, audits, investigations, injunctions, orders, rulings, subpoenas, controversies, obligations, debts, loans, interest, dues, accounts, awards, reckonings, bonds, bills, covenants, promises, undertakings, variances, trespasses, judgments, executions, sums of money owed, arbitrations, suits, decisions, proceedings, verdicts entered, issued, made or rendered and causes of action of every kind and nature whatsoever, whether now known or unknown, suspected or unsuspected, which Releasor now has, owns or holds, or at any time heretofore ever had, owned or held, or could, shall or may hereafter have, own or hold, pertaining to, arising out of or in connection with the Franchise Agreement, any related agreements or the franchisor-franchisee relationship between Releasor and AFH. Notwithstanding the foregoing, if this General Release is entered into in conjunction with the renewal, assignment or transfer of the Franchise Agreement, the foregoing release shall not apply to any liability under any state franchise law which governs this Release.

2. Releasor hereby understands and agrees that this General Release shall extend to and be binding upon any and all of Releasor’s past, present and future officers, directors, owners, employees, representatives, agents, trustees, successors, affiliates and assigns, and their respective insurers and underwriters. If more than one party shall execute this General Release, the term “**Releasor**” shall mean and refer to each of the parties executing this General Release, and all such parties shall be bound by its terms, jointly and severally.

3. Releasor hereby understands and agrees that this General Release shall extend to and inure to the benefit of AFH and any and all of AFH’s past, present and future officers, directors, owners, employees, representatives, agents, trustees, successors, affiliates and assigns, and their respective insurers and underwriters.

4. Releasor hereby understands and agrees that this General Release supersedes any prior agreement, oral or written, with respect to its subject matter. Releasor understands and agrees that no

representations, warranties, agreements or covenants have been made by AFH with respect to this General Release, other than those expressly set forth herein, and that in executing this General Release, Releasor is not relying upon any representations, warranties, agreements or covenants not expressly set forth in this General Release.

5. This General Release may not be changed except in a writing signed by the person(s) against whose interest such change shall operate. This General Release and all acts and transaction under it shall in all respects be interpreted, enforced and governed by the internal laws of the state of Missouri without regard to principles of conflicts of law.

6. If any provision of this General Release is found or declared invalid or unenforceable by any arbitrator, court or other competent authority having jurisdiction, such finding or declaration shall not invalidate any other provision hereof and this General Release shall thereafter continue in full force and effect except that such invalid or unenforceable provision, and (if necessary) other provisions hereof, shall be reformed by such arbitrator, court or other competent authority so as to effect insofar as is practicable, the intention of the parties set forth in this General Release, provided that if such arbitrator, court or other competent authority is unable or unwilling to effect such reformation, the invalid or unenforceable provision shall be deemed deleted to the same extent as if it had never existed.

7. Releasor hereby certifies that Releasor has read all of this General Release and fully understands all of the same, and that Releasor has executed this General Release only after having received full legal advice and disclosure as to Releasor's rights from legal counsel of Releasor's choice.

IN WITNESS WHEREOF, each Releasor party hereto has executed this General Release effective as the day and year first above written.

RELEASOR:

By:_____

Name:_____

Title:_____

EXHIBIT F

LIST OF FRANCHISEES

ARIZONA

ApexNetwork Sierra Vista, PLLC
569 W. 4th Street
Benson, AZ 85602
520-586-2274

ApexNetwork Sierra Vista, PLLC
2151 S. Highway 92, Suite 106
Sierra Vista, AZ 85635
520-335-1615

ARKANSAS

Northwest Physical Ability Testing Center, PA
4001 Wagon Wheel Road
Springdale, AR 72762
479-725-3072

Northwest Physical Ability Testing Center, PA
1615 Persimmon
Rogers, AR 72756
479-725-3702

FLORIDA

Advantage Physical Therapy, LLC
906 S. Federal Highway, Suite B
Boynton Beach, FL 33435
877-224-4354

Advantage Physical Therapy, LLC
3639 W. Woolbright Road
Boynton Beach, FL 33436
561-404-0203

DM Rehab Core, LLC
289 SW Stonegate Terrace #101
Lake City, FL 32024
386-401-4309

ACT Physical Therapy
14899 Tamiami Trail
North Port, FL
417-773-2157

ILLINOIS

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JKH Management, LLC
412 W. Bethalto Drive
Bethalto, IL 62010
618-717-0628
LMT of Illinois, LLC
2323A Old Plank Road
Chester, IL 62233
618-826-2949

LMT of Illinois, LLC
1005 S. Main Street, Suite D
Columbia, IL 62236
618-281-3433

Midwest PCW PT, LLC
849 South Route 51, Suite D
Forsyth, IL 62535
217-872-2244

Summit Physical Therapy Services, LLC
5701 Godfrey Road
Godfrey, IL 62035
618-433-9919

Midwest PCW PT, LLC
1330 North State Hwy 121
Mount Zion, IL 62549
217-864-0820

Rehab Management Group, LLC
210 Hartman Lane, Suite 500
O'Fallon, IL 62269
618-589-9000

Midwest PCW PT, LLC
1000 W. Spresser Street
Taylorville, IL 62568
217-777-2739

Summit Physical Therapy Services, LLC
919 Illinois Route 3
Waterloo, IL 62298
618-939-3400

JKH Management, LLC
1138 Vaughn Road
Wood River, IL 62095
618-259-1100

MISSOURI

P2 Enterprises, LLC
2605 S. Brentwood Boulevard
Brentwood, MO 63144
314-815-5455

Back 2 Motion, LLC
7873 Highway N
Dardenne Prairie, MO 63368
636-229-1777

Bennett Rehab Services, LLC
524 Old Smizer Mill Road
Fenton, MO 63026
636-600-1300

Back 2 Motion, LLC
12674 Dorsett Road
Maryland Heights, MO 63146
314-384-9049

P2 Enterprises, LLC
4100 Lindell Boulevard
St. Louis, MO 63108
314-361-6100

Revolution Physical Therapy, LLC
2705 Dougherty Ferry Road, Suite 104
St. Louis, MO 63122
314-394-3319

VIRGINIA

ApexNetwork Virginia, LLC
406 N Main Street
Bridgewater, VA 22812
540-628-8638

ApexNetwork Virginia, LLC
200 Leaksville, Road
Luray, VA 22832
540-743-0502

SIGNED FRANCHISE AGREEMENT BUT NOT OPENED

None

AFFILIATE OWNED FACILITIES

ARIZONA

Buckeye, AZ
980 South Watson Road, Suite 101
Buckeye, AZ
623-289-1916

Drexel Heights, AZ
3000 W. Valencia Rd., Ste 234
Drexel Heights, AZ 85746
520-303-9006

Canyon Trails
833 South Cotton Lane, Suite E-110
Goodyear, AZ 85338
623-207-5833

Estrella Mountain Ranch
17720 W. Elliot Rd
Goodyear, AZ 85338
623-274-3343

Marana, AZ
13862 N Sandario Rd., Ste 140
Marana, AZ 85653
520-467-4354

Mesa, AZ
9233 East Cadence Parkway, Suite 104
Mesa, AZ 85212

Peoria, AZ
28620 N. El Mirage Road, suite B102
Peoria, AZ
888-433-7993

Rio Rico, AZ
1279 Frontage Rd., Suite H
Rio Rico, AZ 85648
520-375-2127

Rancho Sahuarita, AZ
770 W. Sahuarita Rd.; Ste 190

Sahuarita, AZ 85629
520-399-7568

Robson Ranch, AZ
5251 North Robson Blvd., Suite 3
Eloy, AZ 85131
520-666-2110

San Tan Valley, AZ
37591 N. Gantzel Road, Suite 101
San Tan Valley, AZ 85140
804-412-8922

Surprise, AZ
13968 West Waddell, Suites A & B
Surprise, AZ 85379
888-978-1404

Surprise - North, AZ (Asante)
16350 Pat Tillman Blvd.; Ste 102
Surprise, AZ 85387
480-863-5201

Sterling Grove, AZ
17200 W. Peoria Ave.; Ste 122
Surprise, AZ 85388
623-274-3018

Tucson, AZ
4889 W. Ajo Highway, Suite 135
Tucson, AZ 85757
520-578-4000

Vail, AZ
13370 East Mary Ann Cleveland Way, Suite 101
Vail, AZ 85641
520-689-7144

Verrado, AZ
4175 N Pioneer Drive, Suite 101-A
Verrado, AZ 85396
623-289-1593

ARKANSAS

Centerton, AR
1128 East Centerton Boulevard
Centerton, AR 72719
479-464-3548

FLORIDA

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Boca Raton, FL
9060 Kimberly Blvd, Suite 44
Boca Raton, FL 33434
561-482-7474

Greenacres, FL
6724 Forest Hill Blvd
Greenacres, FL 33413
561-433-2009

Palm Beach, FL
2875 S Ocean Blvd., Suite 105
Palm Beach, FL 33480
561-533-9833

ILLINOIS

Aviston, IL
820 Steel Bridge Street
Aviston, IL 62216
618-574-1824

Beardstown, IL
1350 Grand Avenue
Beardstown, IL 62618
217-350-0361

Belleville, IL
144 Lincoln Place Court, Suite 1
Belleville, IL 62221
618-233-5163

Belleville, IL
3030 Frank Scott Parkway West, Suite 9
Belleville, IL 62223
618-526-7801

Breese, IL
538 Mason Drive
Breese, IL 62230
618-526-7801

Collinsville, IL
1099 Beltline Road, Suite 400
Collinsville, IL 62234
618-477-8550

Freeburg, IL
251 Marketplace Drive, Suite 2
Freeburg, IL, 62243

618-539-5900

Gillespie, IL
609 Litchfield Road
Gillespie, IL 62033
618-280-4405

Glen Carbon, IL
4280 State Route 159, Suite 3
Glen Carbon, IL 62034
618-288-4233

Granite City, IL
1503 Lindell Blvd
Granite City, IL 62040
618-709-4125

Greenville, IL
200 Healthcare Drive
Greenville, IL 62246
618-664-2626

Highland, IL
15 Apex Drive
Highland, IL 62249
618-651-0444

Lebanon, IL
628 S. Madison St.
Lebanon, IL 62254
618-310-3459

Maryville, IL
4996 State Route 159, Ste B
Maryville, IL 62062
618-288-4677

Mascoutah, IL
610 S Jefferson Street
Mascoutah, IL 62258
618-803-4123

Smithton, IL
4017 State Route 159, Suite 102
Smithton, IL 62285
618-222-8155

Troy, IL
427 Edwardsville Road, Suite 2
Troy, IL 62294
618-505-1398

KENTUCKY

Irvine, KY
1232 Richmond Road, Suite A
Irvine, KY 40336
606-717-0255

Morehead, KY
272 Kroger Center Drive
Morehead, KY 40351
606-393-0304

Mt. Sterling, KY
513 N. Maysville Road
Mt. Sterling, KY 40353
859-878-2890

Stanton, KY
156 W. College Ave
Stanton, KY 40380
606-393-6505

MAINE

Lebanon, ME
291 Carl Broggi Highway, Unit 2
Lebanon, ME 04027
207-457-6037

MISSOURI

Ballwin, MO
884 Woods Mill Road, Suite 200
Ballwin, MO 63011
636-238-4910

Chesterfield, MO
13732 Olive Boulevard
Chesterfield, MO 63017
636-486-0019

Oakville, MO
4500 Telegraph Road, Suite 204
St. Louis, MO 63104
314-487-1227

Springfield, MO
3322 A National Avenue

Springfield, MO 65804
417 -881-9333

Sunset Hills, MO
4590 S. Lindbergh Blvd. Ste. 120
Sunset Hills, MO 63127
314-200-4903

Webster Groves, MO
8567 Watson Road, Suite C
Webster Groves, MO 63119
314-732-1553

NEW MEXICO

Albuquerque, NM
3400 NM-528, Ste 106A
Albuquerque, NY 87114
505-800-7810

Bloomfield, MN
204A W Broadway Avenue
Bloomfield, NM 87413
505-333-7217

Gallup, NM
510 W. Maloney, Suite C
Gallup, NM 87301
505-488-2615

Kirtland, NM
4206 HWY 64, Suite A1
Kirtland, NM 87417
505-258-4175

Taos, NM
834 Paseo de Pueblo Sur
Taos, NM 87571
575-613-1093

TEXAS

Celina, TX
3248 Preston Road, Suite 110
Celina, TX 75009
214-851-4500

Leon Springs
24200 IH-10 West, Suite 107
San Antonio, TX 78257

210-504-4430

Port Isabel, TX
112 W. Queen Isabella Blvd., Suite A
Port Isabel, TX 78578
956-410-1005

San Antonio, TX
2838 N Loope 1604 E. Ste 102
San Antonio, TX 78232
201-591-2074

VIRGINIA

Ruther Glen, VA
18121 Jefferson Davis Highway, Suite 1
Ruther Glen, VA 22546
804-412-8922

FRANCHISEES WHICH LEFT THE SYSTEM

(The list of franchisees which have been terminated, cancelled, not renewed, transferred, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Application Date.) If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Service First of Northern California, Inc.
102 W. Bianchi Road (never opened)
Stockton, CA 95207
209-644-6300

P2 Enterprises, LLC
9666 Olive Boulevard, Suite 210
Olivette, MO 63132
314-449-6467

EXHIBIT G
FINANCIAL STATEMENTS

UNAUDITED FINANCIALS

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

None

APEX FRANCHISE HOLDINGS, LLC

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2024 and 2023

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Independent Auditors' Report

To the Members
APEX Franchise Holdings, LLC
Highland, Illinois

Opinion

We have audited the financial statements of APEX Franchise Holdings, LLC (the Company) which are comprised of the balance sheets as of December 31, 2024 and 2023, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of APEX Franchise Holdings, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' 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.

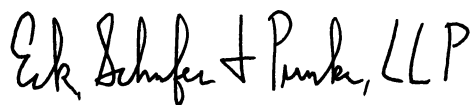
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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.



Springfield, Illinois
March 14, 2025

APEX Franchise Holdings, LLC

BALANCE SHEETS

December 31

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 198,094	\$ 198,687
Restricted cash - marketing fund	37,893	40,227
Accounts receivable	192,163	195,251
Prepaid expenses	<u>13,701</u>	<u>21,708</u>
Total assets	<u>\$ 441,851</u>	<u>\$ 455,873</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 224,125	\$ 137,051
Current portion of note payable	<u>22,063</u>	<u>63,193</u>
Total current liabilities	246,188	200,244
NONCURRENT LIABILITIES		
Note payable, net of current portion	<u>-</u>	<u>22,063</u>
Total liabilities	246,188	222,307
Members' equity	<u>195,663</u>	<u>233,566</u>
Total liabilities and members' equity	<u>\$ 441,851</u>	<u>\$ 455,873</u>

The accompanying notes are an integral part of these financial statements.

APEX Franchise Holdings, LLC

STATEMENTS OF INCOME AND MEMBERS' EQUITY

December 31

	<u>2024</u>	<u>2023</u>
REVENUES		
Royalty fees	\$ 1,810,007	\$ 1,721,131
Marketing fund contributions	454,939	426,894
Initial franchise fees	-	3,500
Other franchise fees	<u>46,941</u>	<u>19,217</u>
Total revenues	2,311,887	2,170,742
Operating, general and administrative expenses	<u>1,219,682</u>	<u>1,116,158</u>
Income from operations	1,092,205	1,054,584
OTHER INCOME (EXPENSE)		
Interest income	7,801	2,110
Interest expense	(3,966)	(5,029)
Other income	<u>230</u>	<u>381</u>
Total other income (expense)	<u>4,065</u>	<u>(2,538)</u>
Income before income taxes	1,096,270	1,052,046
Income taxes	<u>47,717</u>	<u>35,104</u>
NET INCOME	1,048,553	1,016,942
Members' distributions	(1,086,456)	(1,076,029)
MEMBERS' EQUITY AT BEGINNING OF YEAR	<u>233,566</u>	<u>292,653</u>
MEMBERS' EQUITY AT END OF YEAR	<u>\$ 195,663</u>	<u>\$ 233,566</u>

The accompanying notes are an integral part of these financial statements.

APEX Franchise Holdings, LLC

STATEMENTS OF CASH FLOWS

December 31

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,048,553	\$ 1,016,942
Adjustments to reconcile the change in net assets to net cash flows from operating activities		
Changes in operating assets and liabilities		
Accounts receivable	3,088	(4,897)
Prepaid assets	8,007	(21,708)
Accounts payable	<u>87,074</u>	<u>(33,284)</u>
Net cash flows from operating activities	1,146,722	957,053
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	125,000
Payments on long-term debt	(63,193)	(39,744)
Members' distributions	<u>(1,086,456)</u>	<u>(1,076,029)</u>
Net cash flows from financing activities	<u>(1,149,649)</u>	<u>(990,773)</u>
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(2,927)	(33,720)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>238,914</u>	<u>272,634</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 235,987</u>	<u>\$ 238,914</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash paid for income taxes	<u>\$ 47,816</u>	<u>\$ 35,104</u>
Cash paid for interest	<u>\$ 3,966</u>	<u>\$ 5,029</u>

The accompanying notes are an integral part of these financial statements.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

APEX Franchise Holdings, LLC (the Company) was formed August 20, 2007. The Company engages in the marketing and selling of franchises of Apex Physical Therapy, managing the business as a franchisor. Such franchises enable the franchisee to utilize the logos, marketing, methods, billing services and administrative expertise of members and employees of the Company.

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

2. Cash, Cash Equivalents, and Restricted Cash

For purposes of reporting cash flows, the Company considers all highly-liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 198,094	\$ 198,687
Restricted cash	<u>37,893</u>	<u>40,227</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 235,987</u>	<u>\$ 238,914</u>

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Cash, Cash Equivalents, and Restricted Cash - Continued

Restricted cash consists of cash collected for the marketing fund, usage of which is restricted to meet the costs of maintaining, administrating, directing, developing and conducting marketing activities, including but not limited to, website and internet marketing and development, continued marketing brochure refinement and development, promotional item refinement and development, research and development of new marketing and sales concepts, development of billboard, newspaper, and print ad design concepts, and employing a director and agencies to provide assistance in these areas, defraying such salaries, administrative costs and overhead the Company may incur and other purposes the Company deems beneficial to the Company's franchisees.

3. Accounts Receivable

The carrying amount of accounts receivable approximates fair value. Accounts receivable are recorded when invoices are issued. The Company considered relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported accounts receivable and deemed an allowance for credit loss was not necessary at December 31, 2024 and 2023.

4. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three through seven years. Acquisitions of property and equipment in excess of \$ 2,500 with a useful life greater than one year are capitalized.

At December 31, 2024 and 2023, the Company's property and equipment were fully depreciated.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Revenue Recognition

The Company follows Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. Under this standard, revenue is measured based on the amount of consideration specified in a contract with a customer. Revenue is recognized when and as the performance obligations under the terms of the contract are satisfied, which generally occurs with the transfer of control of the goods or services to the customer. The Company's revenues are recorded in four primary categories: royalty fees revenue, marketing fund contributions, initial franchise fees revenue, and other franchise fees revenue. The Company has elected not to disaggregate revenue as the Company's various revenue streams all result in the recognition of revenue at a point in time.

Royalty Fees Revenue and Marketing Fund Contributions

The Company's primary performance obligation under the franchise agreement is granting certain rights to use the Company's system and proprietary marks. Under ASC 606, franchise rights are considered symbolic intellectual property, the revenue from which is recognized over time using a measure of progress that reflects the franchisor's pattern of performance. The Company's franchise agreements call for each franchisee to pay a monthly royalty fee in consideration for the franchise rights. The royalty fee is 8% of net collections unless the franchised facility is in an area that has a law prohibiting a fee splitting arrangement, in which case, the royalty fee is a flat fee based on the number of claims the franchisee submitted in the prior month for all clinical services rendered by the franchisee. Because the royalty fee is based on either net collections or number of claims, revenue is recognized at a point in time when the underlying service has been performed and revenue earned.

The franchise agreement also requires all franchisees to pay a monthly marketing contribution in an amount equal to 2% of the net collections for the prior calendar month. The marketing funds are maintained and operated by the Company and are used to meet the costs of maintaining, administering, directing, developing, and conducting marketing activities. The marketing fund may not be used for the purpose of selling additional franchises. Because the marketing fund is used to promote the brand (rather than an individual location), the services are not separable from the franchise right. As such, the marketing services are not considered a separate performance obligation and revenue is recognized at a point in time.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Revenue Recognition - Continued

Initial Franchise Fees Revenue

The Company has adopted Accounting Standards Update (ASU) 2021-02, Franchisors - Revenue from Contracts with Customers (Subtopic 952-606). The amendments in ASU 2021-02 provide a practical expedient related to ASC 606 that permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise rights if the services are consistent with those included in a predefined list within the ASU. These services include site selection assistance, assistance in obtaining facilities and preparing the facilities for their intended use, personnel training, preparation and distribution of manuals, bookkeeping, information technology, and advisory services, and inspection, testing, and other quality control programs. Additionally, the amendments in ASU 2021-02 provide an accounting policy election to recognize the pre-opening services as a single performance obligation. The Company uses the practical expedient to account for their pre-opening services as distinct from the franchise right and as a single performance obligation.

The Company's franchise agreements call for each franchisee to pay an initial franchise fee of \$ 35,000 in consideration for the pre-opening services. The Company has selected the franchisee opening date as the single measure of progress to apply the performance obligation. As such, revenue is recognized at a point in time.

The Company applies this methodology consistently to contracts with similar characteristics. The Company has assessed that they do not provide any other services inconsistent with the list above that should be accounted for as separate performance obligations.

Other Franchise Fees Revenue

The Company also recognizes revenue for other miscellaneous franchise fees including termination fees, insufficient funds fees, licensing fees, and others. The Company has a separate contract for franchise terminations; however, there are no performance obligations of the Company. Similarly, management has not identified other contracts or performance obligations in relation to their other miscellaneous franchise fees. As such, these fees are recognized as revenue at a point in time, when received (earned).

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and included in operating, general, and administrative expenses. Advertising and marketing costs for the years ended December 31, 2024 and 2023, were \$ 164,975 and \$ 266,572, respectively.

7. Income Taxes

The Company follows accounting principles generally accepted in the United States of America which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Tax positions for the open tax years as of December 31, 2024 were reviewed, and it was determined that no provision for uncertain tax positions is required.

8. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from these estimates.

9. Subsequent Events

The Company assessed events that have occurred subsequent to December 31, 2024 through March 14, 2025, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No event has occurred that would require adjustment to or disclosure in the financial statements.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE B - RELATED PARTY TRANSACTIONS

The individual owners of the Company also own other business enterprises which are considered to be related parties due to common ownership and are not consolidated in the accompanying financial statements. The following transactions with related parties are recognized in the accompanying financial statements:

Royalty fees from related parties for the years ended December 31, 2024 and 2023 totaled \$ 826,866 and \$ 776,198, respectively. Marketing fund contributions for the years ended December 31, 2024 and 2023 total \$ 209,408 and \$ 193,741, respectively. Total revenues from related parties for the years ended December 31, 2024 and 2023 totaled \$ 1,036,274 and \$ 970,809, respectively. Accounts receivable due from related parties were \$ 89,479 and \$ 91,208 at December 31, 2024 and 2023, respectively.

The Company reimbursed related parties for various operating, general, and administrative expenses throughout the year. Expenses paid to related parties for the years ended December 31, 2024 and 2023 total \$ 1,064,373 and \$ 847,311, respectively. Of this total, \$ 685,246 and \$ 561,641 was for contract labor expense, respectively. Accounts payable due to related parties were \$ 203,475 and \$ 137,051 at December 31, 2024 and 2023, respectively.

The Company is indebted to a related party. The note payable requires monthly payments of \$ 5,597 at an interest rate of 7.0%. The outstanding balance of the note payable was \$ 22,063 and \$ 85,256 at December 31, 2024 and 2023, respectively. Interest expense on the related party note payable totaled \$ 3,966 and \$ 5,029 for the years ended December 31, 2024 and 2023, respectively.

NOTE C - INCOME TAXES

Federal income taxes on net earnings are payable personally by the partners since the Company has elected to be taxed as a partnership. Accordingly, no provision has been made for deferred or currently payable federal income taxes.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE C - INCOME TAXES - Continued

For the years ended December 31, 2024 and 2023, the Company elected to pay the Pass-through Entity (PTE) tax to the States of Arkansas, Arizona, Illinois, Missouri, New Mexico and Virginia. Once the election was made, the Company became liable for Arkansas, Arizona, Illinois, Missouri, New Mexico and Virginia income tax. The Company recognized income tax expense of \$ 47,638 and \$ 31,132 related to PTE tax during the years ended December 31, 2024 and 2023, respectively.

Additionally, the Company is liable for Illinois Replacement Tax. The Company recognized income tax expense of \$ 79 and \$ 3,972 related to Illinois Replacement Tax during the years ended December 31, 2024 and 2023, respectively.

NOTE D - CONCENTRATIONS

At December 31, 2024 and for the year then ended, two franchisees accounted for 21.79% of total accounts receivable and 23.08% of total revenue.

At December 31, 2023 and for the year then ended, two franchisees accounted for 23.71% of total accounts receivable and 25.37% of total revenue.

The Company maintains cash balances at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$ 250,000. At various times during the year, the balance exceeded the insured amount. The Company has not experienced any losses in such accounts as of December 31, 2024, and through the date of this report.

APEX FRANCHISE HOLDINGS, LLC

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2023 and 2022

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Independent Auditors' Report

To the Members
APEX Franchise Holdings, LLC
Highland, Illinois

Opinion

We have audited the financial statements of APEX Franchise Holdings, LLC (the Company) which are comprised of the balance sheet as of December 31, 2023, and the related statements of income and members' equity, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of the Company for the year ended December 31, 2022, were audited by other auditors whose report dated March 7, 2023, expressed an unmodified opinion on those statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of APEX Franchise Holdings, LLC as of December 31, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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.

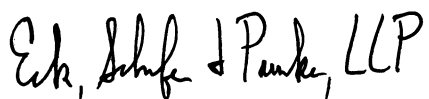
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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.



Springfield, Illinois
March 8, 2024

APEX Franchise Holdings, LLC

BALANCE SHEETS

December 31

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 198,687	\$ 193,465
Restricted cash - marketing fund	40,227	79,169
Accounts receivable	195,251	190,354
Prepaid expenses	<u>21,708</u>	<u>-</u>
Total assets	<u>\$ 455,873</u>	<u>\$ 462,988</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 137,051	\$ 170,335
Current portion of note payable	<u>63,193</u>	<u>-</u>
Total current liabilities	200,244	170,335
NONCURRENT LIABILITIES		
Note payable, net of current portion	<u>22,063</u>	<u>-</u>
Total liabilities	222,307	170,335
Members' equity	<u>233,566</u>	<u>292,653</u>
Total liabilities and members' equity	<u>\$ 455,873</u>	<u>\$ 462,988</u>

The accompanying notes are an integral part of these financial statements.

APEX Franchise Holdings, LLC

STATEMENTS OF INCOME AND MEMBERS' EQUITY

December 31

	<u>2023</u>	<u>2022</u>
REVENUES		
Royalty fees	\$ 1,721,131	\$ 1,580,879
Marketing fund contributions	426,894	394,577
Initial franchise fees	3,500	-
Other franchise fees	<u>19,217</u>	<u>35,968</u>
Total revenues	2,170,742	2,011,424
Operating, general and administrative expenses	<u>1,116,158</u>	<u>1,093,621</u>
Income from operations	1,054,584	917,803
OTHER INCOME (EXPENSE)		
Interest income	2,110	-
Interest expense	(5,029)	-
Other income	<u>381</u>	<u>488</u>
Total other income (expense)	<u>(2,538)</u>	<u>488</u>
Income before income taxes	1,052,046	918,291
Income taxes	<u>35,104</u>	<u>3,435</u>
NET INCOME	1,016,942	914,856
Members' distributions	(1,076,029)	(963,191)
MEMBERS' EQUITY AT BEGINNING OF YEAR	<u>292,653</u>	<u>340,988</u>
MEMBERS' EQUITY AT END OF YEAR	<u>\$ 233,566</u>	<u>\$ 292,653</u>

The accompanying notes are an integral part of these financial statements.

APEX Franchise Holdings, LLC

STATEMENTS OF CASH FLOWS

December 31

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,016,942	\$ 914,856
Adjustments to reconcile the change in net assets to net cash flows from operating activities		
Changes in operating assets and liabilities		
Accounts receivable	(4,897)	(42,026)
Prepaid assets	(21,708)	-
Accounts payable	<u>(33,284)</u>	<u>103,134</u>
Net cash flows from operating activities	957,053	975,964
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	125,000	-
Payments on long-term debt	(39,744)	-
Members' distributions	<u>(1,076,029)</u>	<u>(963,191)</u>
Net cash flows from financing activities	<u>(990,773)</u>	<u>(963,191)</u>
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(33,720)	12,773
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>272,634</u>	<u>259,861</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 238,914</u>	<u>\$ 272,634</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash paid for income taxes	<u>\$ 35,104</u>	<u>\$ 3,435</u>
Cash paid for interest	<u>\$ 5,029</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

APEX Franchise Holdings, LLC (the Company) was formed August 20, 2007. The Company engages in the marketing and selling of franchises of Apex Physical Therapy, managing the business as a franchisor. Such franchises enable the franchisee to utilize the logos, marketing, methods, billing services and administrative expertise of members and employees of the Company.

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

2. Cash, Cash Equivalents, and Restricted Cash

For purposes of reporting cash flows, the Company considers all highly-liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 198,687	\$ 193,465
Restricted cash	<u>40,227</u>	<u>79,169</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 238,914</u>	<u>\$ 272,634</u>

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Cash, Cash Equivalents, and Restricted Cash - Continued

Restricted cash consists of cash collected for the marketing fund, usage of which is restricted to meet the costs of maintaining, administrating, directing, developing and conducting marketing activities, including but not limited to, website and internet marketing and development, continued marketing brochure refinement and development, promotional item refinement and development, research and development of new marketing and sales concepts, development of billboard, newspaper, and print ad design concepts, and employing a director and agencies to provide assistance in these areas, defraying such salaries, administrative costs and overhead the Company may incur and other purposes the Company deems beneficial to the Company's franchisees.

3. Accounts Receivable

The carrying amount of accounts receivable approximates fair value. Accounts receivable are recorded when invoices are issued. The Company considered relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported accounts receivable and deemed an allowance for credit loss was not necessary at December 31, 2023 and 2022.

4. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three through seven years. Acquisitions of property and equipment in excess of \$ 2,500 with a useful life greater than one year are capitalized.

At December 31, 2023 and 2022, the Company's property and equipment were fully depreciated.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Revenue Recognition

The Company follows Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. Under this standard, revenue is measured based on the amount of consideration specified in a contract with a customer. Revenue is recognized when and as the performance obligations under the terms of the contract are satisfied, which generally occurs with the transfer of control of the goods or services to the customer. The Company's revenues are recorded in four primary categories: royalty fees revenue, marketing fund contributions, initial franchise fees revenue, and other franchise fees revenue. The Company has elected not to disaggregate revenue as the Company's various revenue streams all result in the recognition of revenue at a point in time.

Royalty Fees Revenue and Marketing Fund Contributions

The Company's primary performance obligation under the franchise agreement is granting certain rights to use the Company's system and proprietary marks. Under ASC 606, franchise rights are considered symbolic intellectual property, the revenue from which is recognized over time using a measure of progress that reflects the franchisor's pattern of performance. The Company's franchise agreements call for each franchisee to pay a monthly royalty fee in consideration for the franchise rights. The royalty fee is 8% of net collections unless the franchised facility is in an area that has a law prohibiting a fee splitting arrangement, in which case, the royalty fee is a flat fee based on the number of claims the franchisee submitted in the prior month for all clinical services rendered by the franchisee. Because the royalty fee is based on either net collections or number of claims, revenue is recognized at a point in time when the underlying service has been performed and revenue earned.

The franchise agreement also requires all franchisees to pay a monthly marketing contribution in an amount equal to 2% of the net collections for the prior calendar month. The marketing funds are maintained and operated by the Company and are used to meet the costs of maintaining, administrating, directing, developing, and conducting marketing activities. The marketing fund may not be used for the purpose of selling additional franchises. Because the marketing fund is used to promote the brand (rather than an individual location), the services are not separable from the franchise right. As such, the marketing services are not considered a separate performance obligation and revenue is recognized at a point in time.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Revenue Recognition - Continued

Initial Franchise Fees Revenue

The Company has adopted Accounting Standards Update (ASU) 2021-02, Franchisors - Revenue from Contracts with Customers (Subtopic 952-606). The amendments in ASU 2021-02 provide a practical expedient related to ASC 606 that permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise rights if the services are consistent with those included in a predefined list within the ASU. These services include site selection assistance, assistance in obtaining facilities and preparing the facilities for their intended use, personnel training, preparation and distribution of manuals, bookkeeping, information technology, and advisory services, and inspection, testing, and other quality control programs. Additionally, the amendments in ASU 2021-02 provide an accounting policy election to recognize the pre-opening services as a single performance obligation. The Company uses the practical expedient to account for their pre-opening services as distinct from the franchise right and as a single performance obligation.

The Company's franchise agreements call for each franchisee to pay an initial franchise fee of \$ 35,000 in consideration for the pre-opening services. The Company has selected the franchisee opening date as the single measure of progress to apply the performance obligation. As such, revenue is recognized at a point in time.

The Company applies this methodology consistently to contracts with similar characteristics. The Company has assessed that they do not provide any other services inconsistent with the list above that should be accounted for as separate performance obligations.

Other Franchise Fees Revenue

The Company also recognizes revenue for other miscellaneous franchise fees including termination fees, insufficient funds fees, licensing fees, and others. The Company has a separate contract for franchise terminations; however, there are no performance obligations of the Company. Similarly, management has not identified other contracts or performance obligations in relation to their other miscellaneous franchise fees. As such, these fees are recognized as revenue at a point in time, when received (earned).

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

6. Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and included in operating, general, and administrative expenses. Advertising and marketing costs for the years ended December 31, 2023 and 2022, were \$ 266,572 and \$ 118,395, respectively.

7. Income Taxes

The Company follows accounting principles generally accepted in the United States of America which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Tax positions for the open tax years as of December 31, 2023 were reviewed, and it was determined that no provision for uncertain tax positions is required.

8. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from these estimates.

9. Subsequent Events

The Company assessed events that have occurred subsequent to December 31, 2023 through March 8, 2024, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No event has occurred that would require adjustment to or disclosure in the financial statements.

10. Reclassifications

Certain 2022 reclassifications have been made to conform to the 2023 presentation.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE B - RELATED PARTY TRANSACTIONS

The individual owners of the Company also own other business enterprises which are considered to be related parties due to common ownership and are not consolidated in the accompanying financial statements. The following transactions with related parties are recognized in the accompanying financial statements:

Royalty fees from related parties for the years ended December 31, 2023 and 2022 totaled \$ 776,198 and \$ 717,284, respectively. Marketing fund contributions for the years ended December 31, 2023 and 2022 total \$ 193,741 and \$ 181,089, respectively. Total revenues from related parties for the years ended December 31, 2023 and 2022 totaled \$ 970,809 and \$ 913,841, respectively. Accounts receivable due from related parties were \$ 91,208 and \$ 86,357 at December 31, 2023 and 2022, respectively.

The Company reimbursed related parties for various operating, general, and administrative expenses throughout the year. Expenses paid to related parties for the years ended December 31, 2023 and 2022 total \$ 847,311 and \$ 762,820, respectively. Of this total, \$ 561,641 and \$ 636,202 was for contract labor expense, respectively. Accounts payable due to related parties were \$ 137,051 and \$ 161,057 at December 31, 2023 and 2022, respectively.

The Company is indebted to a related party. The note payable requires monthly payments of \$ 5,597 at an interest rate of 7.0%. At December 31, 2023, the outstanding balance of the note payable was \$ 85,256. Interest expense on the related party note payable totaled \$ 5,029 for the year ended December 31, 2023.

NOTE C - INCOME TAXES

Federal income taxes on net earnings are payable personally by the partners since the Company has elected to be taxed as a partnership. Accordingly, no provision has been made for deferred or currently payable federal income taxes.

APEX Franchise Holdings, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE C - INCOME TAXES - Continued

For the year ended December 31, 2023, the Company elected to pay the Pass-through Entity (PTE) tax to the States of Arkansas, Arizona, Illinois, Missouri, New Mexico and Virginia. Once the election was made, the Company became liable for Arkansas, Arizona, Illinois, Missouri, New Mexico and Virginia income tax. The Company recognized income tax expense of \$ 31,132 related to PTE tax during the year ended December 31, 2023. No provision was made for deferred or currently payable state income taxes during the year ended December 31, 2022.

Additionally, the Company is liable for Illinois Replacement Tax. The Company recognized income tax expense of \$ 3,972 and \$ 3,435 related to Illinois Replacement Tax during the years ended December 31, 2023 and 2022, respectively.

NOTE D - CONCENTRATIONS

At December 31, 2023 and for the year then ended, two franchisees accounted for 23.71% of total accounts receivable and 25.37% of total revenue.

At December 31, 2022 and for the year then ended, three franchisees accounted for 38.0% of total accounts receivable and two franchisees accounted for 34.0% of total revenue.

The Company maintains cash balances at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$ 250,000. At various times during the year, the balance exceeded the insured amount. The Company has not experienced any losses in such accounts as of December 31, 2023, and through the date of this report.

EXHIBIT H
STATE SPECIFIC ADDENDA

STATE LAW ADDENDUM - CALIFORNIA

“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 FRANCHISE DISCLOSURE DOCUMENT.”

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code Sections 31000 *et seq.*, the franchise disclosure document and Franchise Agreement for Apex Franchise Holdings, LLC for use in the State of California shall be amended as follows:

Item 3 of the FDD is supplemented to include the following:

Neither we nor any person identified in Item 2 of the FDD 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. 78a *et seq.*, suspending or expelling such person from membership in such association or exchange.

Other provisions:

California Business & Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the California Business & Professions Code Sections 20000 through 20043, the California Business & Professions Code Sections 20000 through 20043 controls.

The Franchise Agreement provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination, expiration or transfer of the franchise. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code 20040.5, Code of Civil Procedure Section 1281, and Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement require application of the law of the State of Missouri. This provision may not be enforceable under California law.

Waiver of jury trial and the restriction on the statute of limitations may not be enforceable under California law.

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

You must sign a release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business Professions Code 2000 through 20043).

OUR WEBSITE IS www.apexnetworkfranchise.com and www.apexnetworkkpt.com OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

Section 31125 of the California Corporation 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, prior to a solicitation of a proposed material modification of an existing franchise.

Section 650 of the California Business and Professional Code restricts fee splitting.

The highest interest rate allowed by law in California is 10% annually.

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.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

Dated on the day of _____, 20__.

Apex Franchise Holdings, LLC

By: _____
_____, _____

Franchisee: _____

By: _____
_____, _____

STATE LAW ADDENDA-ILLINOIS

Notwithstanding anything contained in the foregoing Franchise Agreement and Franchise Disclosure Document ("FDD") to the contrary, the following provisions of the Illinois Franchise Disclosure Act ("Act") shall apply to any franchise located in the State of Illinois, which shall control to the extent of any inconsistency:

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Section 19 of the Illinois Franchise Disclosure Act sets forth the conditions and notice requirement for termination of a franchise agreement.

Section 20 of the Illinois Franchise Disclosure Act sets forth the conditions of non-renewal of a franchise agreement, along with the compensation requirements.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

APEX FRANCHISE HOLDINGS, LLC

FRANCHISEE

By:_____

By:_____

Date:_____

Date:_____

STATE LAW ADDENDUM – VIRGINIA

Notwithstanding anything contained in the foregoing Franchise Agreement and Franchise Disclosure Document ("FDD") to the contrary, the following provisions of the Virginia Retail Franchising Act shall apply to any franchise or franchisee located in the State of Virginia, which shall control to the extent of any inconsistency:

The following is added to Item 17.h. of the FDD, and corresponding provisions in the Franchise Agreement:

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.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

State Effective Dates

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

This 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
Illinois	Pending
Virginia	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT I

RECEIPT

(Your 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 Apex Franchise Holdings, LLC offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Iowa law, if applicable, we must provide this disclosure document to you at your 1st personal meeting to discuss the franchise or 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. Under Michigan law, if applicable, we must provide this disclosure document to you at least 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, if applicable, we must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Apex Franchise Holdings, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: _____, Apex Franchise Holdings, LLC, 3322 S. National Avenue, Springfield, MO 65807, (618) 651-0444; and _____.

Issuance Date: April 24, 2024

I have received a Disclosure Document dated April 24, 2024, that included the following Exhibits:

- A. List of State Administrators
- B. Agents for Service of Process
- C. Franchise Agreement
- D. Operations Manual Tables of Contents
- E. General Release
- F. List of Franchisees
- G. Financial Statements
- H. State Specific Addenda
- I. Receipts

Date

By:
Its:

Please keep this copy of the Receipt for your records.

RECEIPT
(Our Copy)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Apex Franchise Holdings, LLC offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Iowa law, if applicable, we must provide this disclosure document to you at your 1st personal meeting to discuss the franchise or 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. Under Michigan law, if applicable, we must provide this disclosure document to you at least 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, if applicable, we must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Apex Franchise Holdings, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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- G. Financial Statements
- H. State Specific Addenda
- I. Receipts

Date

By:
Its:

Please sign this copy of the Receipt, date your signature and return it to Andrew Kordelewski, Apex Franchise Holdings, LLC, 3322 S. National Avenue, Springfield, MO 65807. Alternately, you may fax the completed document to 618-421-4298.