

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.

SERGIO ESTRADA,
on behalf of himself and all others
similarly situated,

Plaintiff,

v.

**CLASS ACTION
JURY TRIAL DEMANDED**

QC FRANCHISE GROUP, LLC, a South
Carolina limited liability company,
REGENCARE 1142, LLC d/b/a QC
KINETIX DORAL, a Florida limited
liability company, and MED-DEN
FUNDING LLC, a Nebraska limited
liability company,

Defendants.

_____/

CLASS ACTION COMPLAINT

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Plaintiff Sergio Estrada files this class action complaint on behalf of himself and all others similarly situated against Defendants QC Franchise Group, LLC, Regencare 1142, LLC d/b/a QC Kinetix Doral, and Med-Den Funding, LLC d/b/a Proceed Finance.

INTRODUCTION

1. This action arises from a calculated and deceptive business model—one that systematically prioritizes profits over patient care—orchestrated by three entities operating in concert: the franchisor, QC Franchise Group, LLC (“QC Corporate”); its local franchisee, Regencare 1142, LLC (“QC Kinetix Doral”) (QC Corporate and QC Kinetix Doral, collectively, “QC Defendants”); and their financier, Med-Den Funding, LLC (“Med-Den”) (QC Defendants and Med-Den, collectively, “Defendants”).

2. QC Corporate markets a “turnkey” clinic system to non-medical investors, promising high returns driven by volume sales. To achieve those returns, Defendants have standardized a predatory patient-intake process across Florida: they lure elderly and desperate consumers into clinics with deceptive advertisements promising both miracle cures and lucrative financing offers and then subject them to a high-velocity sales pitch designed to extract maximum payment before the patient can scrutinize the product or the price.

3. The primary engine of this scheme is a uniform omission from all advertising by QC Corporate and its Florida franchisees—including QC Kinetix Doral—of any disclosure regarding the legality or effectiveness of the treatment. The QC Defendants market “regenerative” and “stem cell” injections as proven, accessible alternatives to surgery and cures for chronic pain. In reality, the FDA has not approved these products for pain management. Recognizing this danger, the Florida Legislature enacted section 458.3245, Florida Statutes, effective July 1, 2025, which mandates that any advertisement for these therapies must disclose their lack of FDA approval. The

QC Defendants have ignored and continue to ignore this mandate. To protect their conversion rates, they disseminate standardized advertisements throughout Florida that purposefully omit both the required statutory warning and any reference to the experimental nature of the injections. This uniform omission renders their services materially misleading, legally misbranded, and worthless at the point of sale.

4. Defendants' deception is not limited to the medicine. To mitigate the sticker shock of their unapproved treatments, the QC Defendants target consumers with written promises of "0% Interest" and "Payment Plans starting as low as \$100 per month" in their advertisements. This is a bait-and-switch. Once patients are inside the clinic and committed to the procedure, the actual financing provided by Med-Den flips the script. The loans often carry interest rates exceeding 9.99% and impose additional fees. The QC Defendants, in concert with Med-Den, conceal these discrepancies by rushing patients through a click-wrap application while failing to disclose that the generic questions constitute a loan application, thereby bypassing the disclosures that would reveal the scheme.

5. The QC Defendants' scheme mirrors conduct recently condemned by federal regulators. On January 8, 2025, for instance, the Federal Trade Commission ("FTC") announced a permanent ban and a \$5.1 million judgment against one stem-cell treatment provider for orchestrating a nearly identical fraud: training clinicians to deceptively market unproven stem cell therapies to elderly and disabled consumers using a vault of misleading advertisements. Despite this clear federal warning—that utilizing a turnkey model to sell unproven regenerative cures to vulnerable consumers is illegal—the QC Defendants, in concert with Med-Den, have persisted. They continue to use the franchise model to scale deception, insulating themselves from liability while their local clinics exploit the very population the FTC seeks to protect.

6. Plaintiff Sergio Estrada, an 87-year-old vulnerable adult, is the face of this dual exploitation. He was lured in by advertisements that omitted mention that the treatment lacked FDA approval and promised both a non-surgical cure and 0% financing. He received neither. Instead, staff at QC Kinetix Doral took control of his phone—going so far as to create a Gmail account for him to sign their documents when they realized he did not have an email of his own—and saddled him with high-interest debt for an unapproved, illegally marketed treatment. In fact, the QC Defendants completed the loan application and asked him to sign the loan documents without telling him he was taking out a loan, ensuring he wouldn't have a chance to review any truth-in-lending disclosures or the contract he had purportedly signed. He brings this action to hold Defendants accountable for this calculated scheme.

PARTIES, JURISDICTION, AND VENUE

7. Plaintiff Estrada is the representative of the members of the putative class.

8. Plaintiff Estrada is an 87-year-old resident of Miami-Dade County, Florida. He is a “vulnerable adult” as defined by Florida Statute § 415.102(28) due to the infirmities of aging. Plaintiff Estrada purchased the medical services and entered into the financing agreements at issue in this case.

9. Defendant QC Franchise Group, LLC is a South Carolina limited liability company with its principal place of business in Charlotte, North Carolina. It is the franchisor of the QC Kinetix system and conducts business throughout Florida.

10. Defendant Regencare 1142, LLC d/b/a QC Kinetix Doral is a Florida limited liability company with its principal place of business in Doral, Florida. It owns and operates the clinic where Plaintiff Estrada was treated.

11. Defendant Med-Den Funding, LLC d/b/a Proceed Finance is a Nebraska limited liability company with its principal place of business in Lincoln, Nebraska. It is a consumer lender that finances treatments for patients of the QC Defendants in Florida.

12. This Court has subject-matter jurisdiction over this case under the Class Action Fairness Act of 2005. *See* 28 U.S.C. § 1332(d). The proposed class exceeds 100 members, the aggregate amount in controversy exceeds \$5,000,000, and minimal diversity exists because Plaintiff Estrada is a citizen of Florida while two Defendants are citizens of different states (South Carolina and Nebraska). This Court also has supplemental jurisdiction under 28 U.S.C. § 1367 to the extent any of Plaintiff Estrada's claims fall outside this Court's original subject-matter jurisdiction.

13. This Court has personal jurisdiction over QC Corporate under Fla. Stat. § 48.193(1)(a)(2) because it committed a tortious act within this state. QC Corporate controlled, approved, and disseminated the deceptive advertisements that Plaintiff Estrada viewed in Florida. Under Florida law, a defendant commits a tortious act within this state when it directs deceptive telephonic, electronic, or written communications into Florida that cause injury to a resident. Additionally, QC Corporate is subject to jurisdiction under § 48.193(1)(a)(1) because it operates, conducts, engages in, or carries on a business venture in this state by selling franchises, collecting royalties, and managing a network of clinics throughout Florida.

14. This Court has personal jurisdiction over Med-Den under Fla. Stat. § 48.193(1)(a)(2) because it committed a tortious act within Florida by facilitating a fraudulent and deceptive financing scheme that targeted Plaintiff Estrada in Florida and because it is operating, conducting, engaging in, or carrying on a business or business venture in this state. Med-Den systematically provides financing to Florida consumers, directs funds into the state, and collects

interest payments from Florida residents. This continuous cycle of lending constitutes a business venture under Florida law. Additionally, jurisdiction is proper under § 48.193(1)(a)(2) because Med-Den committed a tortious act within Florida by facilitating a deceptive financing scheme that caused financial injury to Plaintiff Estrada in Florida.

15. This Court has personal jurisdiction over QC Kinetix Doral because it is a Florida limited liability company with its principal place of business in Doral, Florida. As a citizen of this state, it is subject to the general jurisdiction of this Court.

16. Venue is proper in this District under 28 U.S.C. § 1391(b)(2) because the events giving rise to the claims—the advertisement, the medical consultation, and the execution of the loan documents—occurred in Miami, Florida, which is within this District.

17. All conditions precedent to this action have occurred, been performed, or have been waived.

FACTUAL ALLEGATIONS

I. The QC Defendants’ Deceptive Marketing Scheme: Peddling Unproven Injections as Proven Medical Solutions.

18. The QC Defendants present themselves to the public as a cutting-edge medical provider and sanctuary for those suffering from chronic pain.

19. Their marketing materials are saturated with the iconography of legitimate medicine: professionals in white coats, anatomical diagrams of joints, and technical-sounding terminology. The QC Defendants, however, are not primarily medical providers. They are a sales organization. Their services are not cures for chronic conditions, but they *promise* to be.

20. The core of the QC Defendants’ “regenerative” treatment is the injection of Platelet-Rich Plasma (“PRP”) and Bone Marrow Concentrate.

21. In their marketing and on their authorization forms, the QC Defendants explicitly label their treatments as stem cell procedures. This labeling is the engine of their fraudulent and deceptive practices. By invoking the phrase “stem cell,” the QC Defendants elicit the perception that they are using cutting-edge science to regrow lost cartilage and repair torn tendons. They present a biological possibility as a medical certainty, promising results that neither the scientific community nor the FDA has validated.

22. This deception is memorialized in the QC Defendants’ paperwork. The standard patient authorization form—used, upon information and belief, uniformly across all Florida locations—categorizes the procedure as “BONE MARROW (STEM CELL).” A true and correct copy of the “AUTHORIZATION FOR NON-ABLATIVE CLASS IV LASER, PLASMA/PRP/A2M, AND BONE MARROW (STEM CELL) PROCEDURES” that QC Kinetix Doral presented to Plaintiff Estrada is attached hereto as **Exhibit A**.

23. By using this specific terminology on a medical consent form, the QC Defendants confer a false legitimacy on the procedure, leading reasonable consumers to believe they are purchasing a scientifically validated and FDA-approved stem cell therapy.

24. The QC Defendants’ marketing strategy ruthlessly exploits a specific fear: the fear of invasive surgery. Their advertisements frequently juxtapose the agony and downtime of surgery with the ease and natural recovery allegedly available from their injections. In fact, the QC Defendants’ primary trademark—emblazoned on every document—is “NON-SURGICAL REGENERATION,” suggesting that their injections are a viable substitute for surgery. In reality, however, for patients with bone-on-bone arthritis, they are often merely an expensive delay.

25. This false dichotomy is central to the QC Defendants' print advertising. A representative advertisement circulated by the QC Defendants appeared in the Save coupon book distributed in both the Miami Herald and Miami El Nuevo Herald on July 6, 2025, and is shown below and attached hereto as **Exhibit B**.

CHRONIC PAIN?

Knees | Shoulders | Hip | Back | Neck | Arms | Wrists | Feet | Osteoarthritis

DON'T REPLACE IT - REGENERATE IT

Our treatments are designed to address the root cause of the pain by repairing and restoring the tissue without drugs or surgery.

SUMMER SPECIAL

\$500 OFF

AND UP TO 12 MONTHS
0% INTEREST ON ANY
TREATMENT

NO SURGERY

NO STEROIDS

NO DOWNTIME

QC Kinētix®
NON-SURGICAL REGENERATION

CALL TODAY & SCHEDULE
QCKinetix.com
305-703-0080

9 LOCATIONS!

- Aventura
- Boca Raton
- Boynton Beach
- Coral Gables
- Doral
- Pembroke Pines
- Tamarac
- West Palm Beach
- Palmetto Bay

Sander Fernandez, MD
Medical Director

QCCMAA070625FC

26. This advertisement depicts damaged joints and warns consumers against “drugs [and] surgery,” instead offering “NON-SURGICAL REGENERATION” as the only logical alternative. *See* Ex. B.

27. A similar advertisement containing an offer for “Payment Plans starting as low as \$100 per month” was circulated by the QC Defendants in the Save coupon book distributed on or around February 10, 2026:



Image 1: Print advertisement in the Save coupon book distributed on or about February 10, 2026.

28. Most critically, the QC Defendants’ advertising omits the single most important fact about their products: the lack of FDA approval. *See id.*

29. The FDA has not approved PRP, stem cells, or bone marrow concentrate for the treatment of musculoskeletal pain, osteoarthritis, or joint degeneration. The QC Defendants do not disclose this lack of approval anywhere in their glossy brochures and advertisements.

30. This message and the material omission is not limited to print. The QC Defendants blanket the Florida airwaves with a coordinated multimedia campaign. As shown in the various screenshots below, the QC Defendants' video advertisements open with footage of figures in agony. These images are juxtaposed with bright, high-definition footage of "cured" patients enjoying activities like fishing, walking on the beach, and lifting a child in the air.



Composite Image 2: Screenshots from QC Kinetix South Florida YouTube advertisement, found at the following link as of the date of this filing: <https://www.youtube.com/watch?v=r4lzLyFyPfM>.



Composite Image 3: Screenshots from QC Kinetix South Florida YouTube advertisement, found at the following link as of the date of this filing: <https://www.youtube.com/watch?v=c6FRf0nuFRY>.



Composite Image 4: Screenshots from QC Kinetix South Florida YouTube advertisement, found at the following link as of the date of this filing: https://www.youtube.com/watch?v=h_M8wWK_LLw.

31. The advertisements' primary taglines include: "Non-Surgical Regeneration," "Relieve your pain," "Avoid Surgery," "No Surgeries," and "No Downtime." They claim that "non-surgical regeneration" is available for pain in the knee, lower back, hip, shoulder, elbow, foot, hand, wrist, ankle, tendons, ligaments, muscle, "and more."



Image 5: Screenshot from QC Kinetix South Florida YouTube advertisement, found at the following link as of the date of this filing: <https://www.youtube.com/watch?v=r4lzLyFpFm>.

32. Just like their print counterparts, the QC Defendants' video advertisements are defined by what they omit. At no point during these commercials, whether on television or

YouTube,¹ does a narrator, on-screen text, or text in the video description box disclose that the FDA has not approved these treatments. Viewers in Florida are shown a medical solution with no downtime but are never told that the federal agency responsible for drug safety considers the procedure experimental for the reasons for which they are advertised. Upon information and belief, the QC Defendants utilize a similar script for radio spots broadcast throughout Florida. These audio advertisements repeat the regenerative and non-surgical promises to a captive audience of commuters and talk-radio listeners.

33. This calculated silence extends to the radio as well. Like the video and print ads, the QC Defendants' radio spots fail to disclose that the promoted stem cell and biologic treatments have never been approved by the FDA for the reasons for which they are advertised.

34. Across every medium—print, video, and audio—the message is uniform: QC Kinetix can deliver a medical cure. QC Kinetix, however, fails to disclose the medical reality.

II. Florida's Express Prohibition on Deceptive Stem Cell Marketing.

35. The failure to disclose FDA-approval described above is a matter of public safety addressed by specific legislation in Florida.

36. In 2025, the Florida Legislature enacted Chapter 2025-185, codified as section 458.3245, Florida Statutes.

37. As noted in the Senate Bill Analysis accompanying the legislation, the State recognized that “[t]he FDA has issued warnings about the widespread marketing of unapproved regenerative medicine products, noting that approval is granted only after rigorous evaluation in

¹ The QC Defendants maintain a repository of just some of these deceptive advertisements on their public YouTube channels: <https://www.youtube.com/@QCKSouthFlorida> and <https://www.youtube.com/@QCKinetixNational>. A representative example of these video advertisements can be seen at the following link as of the date of this filing: <https://www.youtube.com/watch?v=Hq1Bagv8UjY>.

clinical trials to ensure safety and efficacy” and “has received reports of serious adverse events associated with unapproved regenerative medicine therapies, including blindness, tumor formation, and infections.” See Staff of Fla. S. Comm. on Approp. on Health & Human Servs., *Bill Analysis & Fiscal Impact Statement*, C.S. S.B. 1768, at 3 (Apr. 9, 2025), attached hereto as **Exhibit C**.

38. To prevent these harms, the newly enacted statute expressly regulates “stem cell therapy,” which it defines as “a treatment involving the use of afterbirth placental perinatal stem cells, or human cells, tissues, or cellular or tissue-based products, which complies with the regulatory requirements provided in this section.” Fla. Stat. § 458.3245(2)(d).

39. As alleged above, the QC Defendants explicitly market their services as “stem cell” procedures to the public.

40. To protect consumers from these potentially dangerous treatments, the statute imposes a strict disclosure requirement on all advertising:

A physician who conducts stem cell therapy pursuant to this section ***shall*** include the following in ***any form*** of advertisement:

THIS NOTICE MUST BE PROVIDED TO YOU UNDER FLORIDA LAW. This physician performs one or more stem cell therapies that have not yet been approved by the United States Food and Drug Administration. You are encouraged to consult with your primary care provider before undergoing any stem cell therapy.

§ 458.3245(5)(a) (all caps in original) (emphasis added).

41. The statute further dictates that this notice must be “clearly legible and in a type size no smaller than the largest type size used in the advertisement.” Fla. Stat. § 458.3245(5)(b).

42. The QC Defendants have ignored and, thus, violated this statute. As alleged above, their advertisements in Florida—whether in print, video, or radio—uniformly fail to include the statutory warning.

III. QC Corporate's Control Over the Instrumentalities of the Fraudulent and Deceptive Practices.

43. The proof that the QC Defendants run a sales system rather than a medical practice is found in QC Corporate's own governing constitution: the 2025 Franchise Disclosure Document ("FDD"), a copy of which is attached hereto as **Exhibit D**. This FDD governed the franchise system at all times relevant to this Complaint.

44. The FDD is a federally mandated legal instrument under 16 C.F.R. § 436 that defines the limits of the franchisee's independence.

45. The FDD proves that the deceptive practices alleged herein are not the result of isolated errors by rogue clinic owners, but are specific requirements codified by QC Corporate.

46. The FDD establishes that QC Corporate retained the right to control—and actually controlled—every material aspect of the patient experience, as it dictates what the clinics sell, how they sell it, and precisely what they are allowed to say to the public. *See* Ex. D at 30–33 (Item 8), 35–46 (Item 11), 102–19 (Franchise Agreement § 8, Ex. A to FDD).

47. Specifically, franchisees are not free to source their own medical supplies or determine their own treatment protocols.

48. Under Item 8 of the FDD, franchisees are contractually forced to purchase the proprietary biologics kit and specific medical supplies exclusively from the franchisor or its designated affiliates:

You must purchase medical kits only from us, or our designated affiliates. Medical kits contain an assemblage of proprietary components that are specified for each type of injection procedure provided every time a client receives a medical procedure at your Franchised Business. For any of these items, we have the right in our sole discretion to designate ourselves, our affiliates, or a third-party as the sole supplier for a particular item.

Ex. D, at 30–31.

49. By mandating the source of the product, QC Corporate ensures that every clinic, including QC Kinetix Doral, sells the exact same unapproved FDA treatment, turning the franchisees into distributors and QC Corporate into the direct supplier of the treatment.

50. The uniformity of the deceptive advertising is also contractually mandated.

51. Item 8 of the FDD provides that “[f]ranchisees will be required to place all local TV and radio marketing and all digital marketing through our designated suppliers.” *Id.* at 31.

52. The FDD also requires that QC Corporate approve or prepare **all** advertising: “All marketing and promotion of your Franchise by you in any medium must be conducted in a professional and dignified manner and must conform to our specified standards and requirements. You must submit samples of all advertising or promotional plans and materials that you desire to use to us for approval if such has not been prepared or previously approved by us.” *Id.* at 31–32.

53. Item 11 of the FDD strictly prohibits franchisees like QC Kinetix Doral from creating independent marketing materials. Instead, franchisees must use only the advertising ecosystem created, approved, and circulated by QC Corporate: “Before you open your Business, we will: . . . (11) Approve or disapprove samples of all local advertising and promotional materials not prepared or previously approved by us which are submitted by you. (Franchise Agreement, Sections 6 and 8)[.]” *Id.* at 37.

54. Item 11 also admits that the deceptive advertisements originate directly from corporate headquarters: “The source of the advertising will come from our in-office advertising department or may, in the future, come from a national or local advertising agency. We reserve the right to determine in our sole discretion the composition of all territories and market areas for the implementation and development of such programs.” *Id.* at 38.

55. This control is contractually binding through the Franchise Agreement attached as Exhibit A to the FDD. *Id.* at 81–178.

56. Section 8.9 of the Franchise Agreement strips the franchisees of the right to independent commercial speech:

In order to further protect the System and our goodwill, Franchisee shall . . .

(e) Use only the types of equipment, supplies and services so as to conform to Franchisor’s specifications. This includes using Franchisor’s approved vendors in addition to Franchisor’s requirements regarding franchise equipment, promotional items, advertising and marketing materials as detailed in the Manual all of which may be revised by Franchisor, at Franchisor’s sole discretion, from time to time;

. . .

(l) Conduct any advertising, promotion and/or public relations in any medium in a dignified manner and shall conform to our standards and requirements as set forth in the Operations Manual;

Id. at 107–08 (§ 8.9(e), (l)).

57. This control is further codified in the confidential Operations Manual, which franchisees are contractually obligated to follow under Section 8 of the Franchise Agreement.

58. The Table of Contents for the Operations Manual, a copy of which is attached to the FDD, reveals that QC Corporate micromanages every specific channel of communication used to solicit patients.²

59. The Manual dedicates specific subsections to “Marketing to the Consumer” (§ 8:3.1), “Radio Advertising” (§ 8:3.5), “Television Advertising” (§ 8:3.6), “Print Advertising” (§ 8:3.8), “YouTube” (§ 8:4.5), and “Social Media” (§ 8:4). *Id.* at 225–29. This granularity

² Plaintiff Estrada does not currently possess the full text of the Operations Manual, as QC Corporate classifies it as a trade secret and restricts its distribution solely to franchisees. Plaintiff Estrada relies here on the Table of Contents, which was disclosed in the FDD, and intends to seek production of the full Operations Manual during discovery to further particularize the specific deceptive scripts and protocols mandated by the franchisor.

confirms that the deceptive print, video, and radio advertisements described above were not ad-hoc creations of local staff.

60. Thus, when a potential patient in Florida sees a radio, video, or print advertisement promising a cure for joint pain and omitting any notion of lack of FDA approval, that message was authored, approved, and distributed by QC Corporate.

61. This control extends to the digital realm, ensuring that no local clinic can offer a competing, truthful narrative online. Specifically, the FDD provides:

Franchisee agrees and acknowledges that maintenance and any changes, edits or updates to the website and/or any Website promotions over the Internet must be performed by Franchisor, its affiliates and/or approved vendors. . . . Franchisee may neither establish nor use any Website without Franchisor's prior written approval and if such approval is granted Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information on a website.

Id. at 48.

62. Finally, QC Corporate forces franchisees to fund this deception through a mandatory "Brand Development Fund." *Id.* at 99.

63. Franchisees must pay 1% of their Gross Revenue to this Fund, which QC Corporate uses to "support ongoing technology . . . [and] for such advertising as we, in our sole discretion, may deem appropriate." *Id.*

64. Beyond the corporate fund, QC Corporate forces franchisees to spend massive sums on advertising in their local markets.

65. The FDD and Franchise Agreement dictate that franchisees must "initially spend \$10,000 to \$20,000 for grand advertising" before they even open. *Id.* at 40.

66. Once open, the spending mandate accelerates aggressively. The FDD states that by the sixth month, a franchisee is required to spend "up to \$40,000 per month per location." And in

larger markets, the mandate is even more extreme: “In large markets, such as Los Angeles, for example, the monthly advertising could be as high as \$75,000.” *Id.*

67. To ensure that this massive budget is spent only on the deceptive corporate scripts, QC Corporate locks the franchisees into a closed loop of vendors: “Currently, franchisees are required to place all local TV and radio marketing and all digital marketing through our designated suppliers.” *Id.*

68. Through the Franchise Agreement, QC Corporate ensures compliance with these mandates through the threat of termination:

Franchisor may terminate the franchise and all rights granted to Franchisee thereunder without affording Franchisee any opportunity to cure the breach/default and effective immediately upon Franchisor notifying Franchisee in writing thereof, if Franchisee or any of its Owners does any of the following:

(29) Fails or refuses to: (i) cease using and/or remove any items from the Franchised Business deemed to constitute a violation of this Agreement by Franchisor; (ii) sell or offer Services according to Franchisor’s standards and specifications; and/or (iii) purchase supplies, software, advertising and marketing materials from Franchisor, its affiliates or approved vendors and suppliers

Id. at 147–48.

69. Through this contractual architecture, QC Corporate has built a sales and marketing machine where the deception is centrally authored, mandatorily funded, and strictly enforced.

IV. The FTC’s and State Attorney Generals’ Explicit Condemnation of the “Regenerative” Medicine Business Model.

70. The QC Defendants operate in the shadow of a direct federal prohibition.

71. The FTC, as the nation’s primary consumer protection authority, has explicitly condemned the exact business model employed by QC Corporate.

72. On March 11, 2024, the FTC secured a dispositive victory against a parallel “stem cell” network in *Federal Trade Commission v. Peyroux*, No. 1:21-cv-03329 (N.D. Ga.). A copy of the Order Granting Summary Judgment is attached hereto as **Exhibit E**.

73. The Commission successfully established that marketing stem cell therapy as “comparable or superior to surgery” is false and misleading. See Ex. E, at 38–42. This prohibition strikes at the very essence of QC Kinetix’s “Non-Surgical Regeneration” trademark.

74. The Commission further established that representations regarding the ability of these injections to “cure, treat, or mitigate” osteoarthritis and joint pain are legally deceptive and unsupported by competent and reliable scientific evidence. *Id.*

75. Crucially, the FTC’s enforcement action targeted the architect of the scheme rather than just the local clinics, establishing that a corporate entity is liable when it furnishes the means for others to commit fraud. *Id.* at 44–46. This includes providing deceptive marketing materials, scripts, and logos. *Id.*

76. This federal finding eliminates any notion that QC Corporate is a mere licensor. QC Corporate provides the FDD-mandated advertisements and the “Non-Surgical” branding and, therefore, furnishes the precise instrumentalities of deception that the FTC has proscribed.

77. The FTC’s crusade against this industry culminated on December 26, 2024, when it secured a permanent injunction banning the *Peyroux* defendants from advertising, marketing, promoting, or offering for sale stem cell therapy for orthopedic conditions. A copy of the order granting the permanent injunction is attached hereto as **Exhibit F**.

78. At least one state’s attorney general has also cracked down on the deceptive marketing tactics employed by similar stem cell entities as the QC Defendants. On November 25, 2025, the Iowa District Court for Polk County entered a sweeping judgment and permanent

injunction against a chain of “regenerative medicine” clinics in *State of Iowa ex rel. Brenna Bird v. Travis Broughton*, Case No. EQCE086086. The order is attached hereto as **Exhibit G**.

79. Finding multiple violations of the Iowa’s Consumer Fraud Act, the court determined that the clinics’ “stem cell” and “exosome” advertising had no reasonable basis and was intended to “mislead the targeted customers, primarily the elderly with chronic and/or painful medical conditions for which they received little or no relief from traditional medical treatments.” Ex. G at 20.

80. Echoing the exact predatory financial and upsell tactics utilized by the QC Defendants in this case, the Iowa court explicitly condemned the stem cell clinics’ sales model. The court noted that the “significant expense of the treatments, including encouraging consumers to purchase more doses, was a cynical means of portraying the treatments as exclusive and valuable.” *Id.* at 20-21.

81. As a result of this fraud, the court ordered over \$810,000 in consumer restitution and levied enhanced civil penalties specifically for the targeting and exploitation of older individuals.

82. The QC Defendants continue to market the same unproven “cures” for the same orthopedic conditions and use the same non-surgical comparisons that the FTC has deemed unlawful.

V. Med-Den Funding and the Predatory “Closing” Mechanism.

83. The deceptive advertising and statutory violations described above have an important purpose: to drive patients into a high-pressure sales environment where the Defendants can extract the patients’ savings.

84. The financial commitment required is staggering. A standard “QC Kinetix Treatment Plan,” a copy of which was handed to Plaintiff Estrada during his visit and is attached hereto as **Exhibit H**, lists the baseline cost for a first treatment area at \$9,500. The treatment plan quotes \$4,700 for each additional area treated at the same time. For example, a patient seeking relief for bilateral knee pain faces an immediate, upfront demand of \$14,200.

85. The initial payment is merely the entry fee. The Treatment Plan prescribes a regimen of four subsequent sessions—“Visit 2” through “Visit 5”—spanning a period of three months, for “Alpha 2 Macroglobulin (A2M) Therapy,” “Bone Marrow Aspirate Concentrate (BMAC) Therapy,” “Platelet Rich Plasma (PRP) Therapy,” and “Plasma Therapy.” Ex. H.

86. Crucially, the Treatment Plan fails to disclose the specific costs for these four additional visits. Upon information and belief, the cost to complete each step in the plan is similar to the initial payment, potentially quintupling a patient’s financial exposure after they have committed to the first visit.

87. To facilitate this multi-stage extraction, the financing is often structured as a hybrid trap. Patients are frequently signed up for a fixed loan to cover the initial treatment, while simultaneously being enrolled for a revolving line of credit. This secondary credit line lies in wait, pre-approved to absorb the costs of the inevitable follow-up treatments, ensuring that the Defendants can extract future revenue without running a new credit check.

88. Many elderly patients living on fixed incomes cannot afford these sums out-of-pocket. To overcome this barrier, the QC Defendants utilize a captive financing partner: Med-Den, which does business as “Proceed Finance.”

89. The link between the treatment and the financing is explicit. On the face of Exhibit H, for example, next to the price, the clinic staff handwrote the word “Proceed” and the amount

“9,000,” suggesting that the medical consultation is seamlessly fused with the financial transaction. The patient is not given a prescription and sent home but rather sold a loan product in the exam room.

90. This fusion is not accidental. Upon information and belief, QC Corporate trains its franchisees and their staff to handle the loan application for the patient.

91. Rather than allowing the patient to apply privately, QC Kinetix Doral clinic staff pressure patients to complete financing applications on the spot—often without even disclosing that they are applying for a loan.

92. The staff member then guides the patient through the electronic application, often clicking through the truth-in-lending disclosures on the patient’s behalf or dismissing the high-interest terms as standard paperwork.

93. This “concierge” service ensures that the patient focuses solely on the monthly payment rather than the staggering total cost of the debt.

94. Upon information and belief, this aggressive push for financing is driven by a hidden financial incentive. Plaintiffs allege that the QC Defendants and Med-Den operate a pay-to-play or rebate arrangement.

95. Upon information and belief, the QC Defendants receive a direct or indirect financial benefit—whether structured as a fee, commission, bonus, or rebate—from Med-Den for every loan originated, brokered, or facilitated through its platform.

96. This arrangement creates an undisclosed conflict of interest: the “Patient Care Coordinators,” as referenced in the FDD,³ advising the patient is not merely assisting with payment

³ **“Sales Training.** Franchisees are required to ensure that their Patient Care Coordinators (PCCs) complete Sales Training, which is delivered virtually over the course of one (1) day. This training focuses on best practices for patient consultations and effective sales strategies designed to support

options but is actively incentivized to sell high-interest debt to generate revenue for the franchise network.

97. Upon approval of the loan application and prior to delivery of the treatment, Med-Den or a third-party partner bank transfers the principal amount directly to the QC Kinetix clinic. The clinic gets paid immediately and assumes no risk while the patient is left with a long-term loan obligation to Med-Den or the third-party bank, and Med-Den collects its fees for brokering the transaction.

VI. How Defendants Targeted and Exploited Plaintiff Estrada Through Deceptive Marketing and Sales Tactics.

98. Plaintiff Sergio Estrada is a resident of Miami-Dade County, Florida. He is a layperson with no specialized medical training.

99. Plaintiff Estrada is 87 years old. His ability to perform normal activities of daily living and provide for his own care is impaired due to the infirmities of aging. Among other things, Plaintiff Estrada suffers from cognitive and physical decline consistent with that of an aging individual, including chronic joint pain that limits his mobility and his ability to care for himself.

100. In or around July and August 2025, Plaintiff Estrada was exposed to the QC Defendants' pervasive marketing campaign. Plaintiff Estrada regularly receives Save coupon books inside the Miami El Nuevo Herald newspaper, which is delivered to his home.

101. Starting in July 2025, Plaintiff Estrada began seeing advertisements from QC Kinetix in these Save coupon books. The advertisements promoted QC Kinetix's regenerative medical treatments, claiming they could treat chronic pain—including in the knees, shoulders, hip,

clinic growth and patient conversion. The program is accessible through our Learning Management System (LMS) and includes optional live support sessions to reinforce key concepts and provide real-time guidance. Sales Training is an essential component of onboarding and ongoing development for PCCs." Ex. D at 46.

back, neck, arms, wrists, feet, and osteoarthritis—without any surgery, steroids, or downtime. The advertisements featured a photograph of a man in a white coat, captioned “Sander Fernandez, MD,” identified as the “Medical Director.”

102. These advertisements did not contain the mandatory notice required by Florida Statute § 458.3245(5)(a), nor did they disclose that the treatment is not approved by the FDA.

103. The advertisements listed nine QC Kinetix locations in Florida: Aventura, Boca Raton, Boynton Beach, Coral Gables, Doral, Pembroke Pines, Tamarac, West Palm Beach, and Palmetto Bay. They stated, “CALL TODAY & SCHEDULE,” and listed a single phone number and a link to the QC Kinetix website (QCKinetix.com).

104. Plaintiff Estrada saw three QC Kinetix advertisements throughout July and August 2025 in his Save coupon book. During the week of August 4, 2025, Plaintiff Estrada reviewed one of those advertisements, dated July 6, 2025, which is attached as **Exhibit B**. This advertisement promoted a “Summer Special” offering “\$500 off and up to **12 months 0% interest** on any treatment.”

105. After reviewing this advertisement, Plaintiff Estrada called the listed number and scheduled an appointment at QC Kinetix Doral for August 8, 2025. To book the appointment, the representative asked for Plaintiff Estrada’s name, address, phone number, and health insurance information.

106. On August 8, 2025, Plaintiff Estrada visited QC Kinetix Doral. His wife drove him to the appointment and accompanied him into the clinic.

107. When Plaintiff Estrada entered the clinic, he was instructed to sit down and was handed an iPad. Plaintiff Estrada explained that he did not know how to use the iPad and that he only speaks Spanish. One of the receptionists offered to assist. Speaking to Plaintiff Estrada in

Spanish, the receptionist asked him for general information about himself and input his responses into the iPad. Critically, although the QC Kinetix Doral staff communicated with Plaintiff Estrada exclusively in Spanish throughout his visit, all documents presented to him—including medical authorizations, treatment plans, and financing paperwork—were in English. At no point did anyone translate or explain the contents of these documents to him.

108. The receptionist then escorted Plaintiff Estrada to an examination room and informed him that the “doctor is coming.” Shortly thereafter, Estefania Parra, APRN, FNP-BC, entered the room and introduced herself as a nurse.

109. Plaintiff Estrada explained to Ms. Parra that he had pain in his knee and wanted to avoid surgery if possible. Ms. Parra told him that they could treat his pain with injections.

110. Plaintiff Estrada was then moved to an office, where the receptionist presented him with a Treatment Plan written entirely in English. As shown in the Treatment Plan, QC Kinetix Doral staff diagnosed Plaintiff Estrada with “Left Knee” pain and quoted him a price of \$9,000 for the treatment. *See* Ex. H.

111. The receptionist did not explain the various visits that would be necessary as part of the Treatment Plan, did not provide a copy of the Treatment Plan in Spanish, and did not translate or explain the document’s contents. Instead, the receptionist simply instructed Plaintiff Estrada to “sign here” at the bottom of the page.

112. When Plaintiff Estrada indicated he could not pay \$9,000 in cash, the QC Kinetix Doral staff immediately pivoted to financing, without ever running his insurance despite having collected his insurance information—all to give the clinic medical legitimacy and Plaintiff Estrada the impression that it would be covered. As evidenced by the handwritten note—“Proceed

\$9,000”—on the Treatment Plan, the medical decision and the financial transaction were fused into a single event.

113. Using Plaintiff Estrada’s iPhone, the QC Kinetix Doral staff processed a loan application for him on the spot.

114. Because Plaintiff Estrada is elderly and not digitally literate, he did not have an email address—a requirement to process the digital loan application. To bypass this obstacle, QC Kinetix Doral staff created a Gmail account for him on the spot: sergioestrada1938@gmail.com.

115. The staff entered this newly created email address into the Proceed Finance application on Plaintiff Estrada’s iPhone. As part of their predatory scheme, they never informed Plaintiff Estrada that they were processing a loan application on his behalf.

116. By controlling the email account, QC Kinetix Doral ensured that Plaintiff Estrada would never receive a welcome packet, truth-in-lending disclosures, or payment notifications from the lender. They effectively severed his ability to monitor his own debt.

117. QC Kinetix Doral staff then moved Plaintiff Estrada to a treatment room, where they drew his blood, left the room to process it, and returned with his “treatment.”

118. At this point, Ms. Parra asked Plaintiff Estrada if he had ever received any injections in his knee before. He responded that he had not.

119. Ms. Parra inserted a port into Plaintiff Estrada’s left knee and proceeded to give him two injections through the port. She explained that the treatment was a “new” type of treatment comprised of “mother stem cells” that would “cure his pain *immediately*.”

120. As Plaintiff Estrada was receiving the second injection, QC Kinetix Doral staff presented the iPhone to him. Rather than allowing him to scroll through the loan terms, they navigated directly to the signature blocks and instructed him to sign. They did not provide him

with an opportunity to review the full terms of the agreement—let alone disclose that he was signing a loan agreement. The loan application and all associated documents were in English, and no one translated or explained them to Plaintiff Estrada.

121. Although Plaintiff Estrada had been lured, in part, by advertisements promising 0% interest for the first twelve months, the loan processed by QC Kinetix Doral staff carried an annual percentage rate of 9.99% from the outset.

122. On the loan application, attached hereto as **Exhibit I**, Plaintiff Estrada's gross annual income is listed as \$15,000.

123. Despite knowing that Plaintiff Estrada lived on a poverty-level fixed income of just \$1,250 per month, the QC Defendants and Med-Den Funding approved a \$9,000 loan—representing 60% of his annual income—with a monthly payment of \$166.69. The loan agreement is attached hereto as **Exhibit J**.

124. Upon information and belief, the QC Defendants did not stop at the \$9,000 loan. Using the credentials they controlled, they opened a revolving line of credit in Plaintiff Estrada's name to cover the remainder of the visits contemplated in the Treatment Plan.

125. Plaintiff Estrada was never evaluated by a medical doctor for a traditional diagnosis. Instead, he was seen only by a Patient Care Coordinator.

126. The QC Kinetix Doral staff assured Plaintiff Estrada that the treatment would repair and regenerate damaged tissue in his knee, thereby allowing him to avoid surgery.

127. At no point during this sales consultation did the QC Kinetix Doral staff inform Plaintiff Estrada that the treatment was experimental or disclose that it has not been approved by the FDA.

128. On his way out of the clinic, Plaintiff Estrada requested a physical copy of his treatment paperwork. QC Kinetix Doral staff provided him with a dense medical authorization form-written entirely in English, which is attached hereto as **Exhibit A**. Staff instructed Plaintiff Estrada to sign the form without translating or explaining its contents. He signed.

129. The injections that Plaintiff Estrada received did not work. His pain persists.

130. Two or three days after the failed treatment, Plaintiff Estrada's granddaughter discovered the Med-Den Financing application still open on his iPhone. She noticed the email address associated with the application and asked Plaintiff Estrada for the password. He did not know it, but his granddaughter found it written on a sticky note that QC Kinetix Doral staff had given him. She logged into the Gmail account and discovered that her grandfather had been approved for a loan.

131. Plaintiff Estrada's family members immediately called Med-Den in an attempt to mitigate the damage. They requested copies of the loan documentation, which Med-Den provided via email as PDFs. They also requested a refund of the \$9,000 principal from both Med-Den and QC Kinetix Doral.

132. QC Kinetix Doral refused. Plaintiff Estrada's family members even drove to the clinic and demanded a refund in person, but clinic staff refused to speak with them.

133. Plaintiff Estrada also sought relief from Med-Den, the financier.

134. Med-Den refused to cancel the loan in full, as \$4,950 of the principal had already been disbursed. However, as a result of Plaintiff Estrada's demands, Med-Den cancelled \$4,050 of the remaining loan balance.

135. Med-Den continues to demand monthly payments from Plaintiff Estrada's limited fixed income, effectively acting as the enforcer for the QC Defendants' deceptive and misleading conduct.

136. Plaintiff Estrada is one of many victims of the Defendants' deceptive and unfair trade practices. His experience—being lured by deceptive advertising, shielded from the mandatory disclosure that the treatments are not FDA-approved, diagnosed without any meaningful physical examination, deceived into signing a predatory loan without being told it was a loan, and receiving treatment that failed—is typical of those resulting from the turnkey system sold by QC Corporate, put into action by QC Kinetix Doral, and financed by Med-Den Funding.

137. Across Florida, thousands of other vulnerable individuals find themselves in the same position: saddled with high-interest debt for a medical procedure that was illegally marketed.

138. This class action is meant to hold the Defendants accountable for the thousands they have swindled, to strip them of their ill-gotten gains, and to ensure that their deceptive promises are subjected to the truth.

CLASS ALLEGATIONS

I. Class Definitions

139. Plaintiff Estrada brings this action on his own behalf, and on behalf of all persons similarly situated, under Rules 23(a) and (b)(2) or (b)(3) of the Federal Rules of Civil Procedure. This action satisfies the numerosity, commonality, typicality, adequacy, predominance, and superiority requirements of those provisions. Plaintiff Estrada seeks to certify the following proposed class and subclasses:

The Florida Class:

All persons who, within the applicable statute of limitations, purchased regenerative or stem cell medical services from a QC Kinetix clinic located in the

State of Florida, whether operated directly by the QC Franchise Group, LLC or by its franchisees, subsidiaries, or affiliates.

The Florida Financing Subclass:

All members of the Florida Class who entered into a loan, line of credit, or other financing agreement brokered, facilitated, originated through, or administered by Med-Den Funding, LLC (d/b/a Proceed Finance), its subsidiaries, affiliates, or its partner banks, to pay for regenerative or stem cell medical services.

The Doral Subclass:

All members of the Florida Class who purchased regenerative or stem cell medical services from the QC Kinetix clinic located in Doral, Florida operated by Defendant Regencare 1142, LLC d/b/a QC Kinetix Doral.

The Doral Financing Subclass:

All members of the Doral Subclass Class who entered into a loan, line of credit, or other financing agreement brokered, facilitated, originated through, or administered by Med-Den Funding, LLC (d/b/a Proceed Finance), its subsidiaries, affiliates, or its partner banks, to pay for said medical services.

140. Excluded from each class are (1) the Defendants, their employees, officers, directors, legal representatives, heirs, successors, and wholly or partly owned subsidiaries or affiliated companies; (2) class counsel and their employees; and (3) the judicial officers and their immediate family members and associated court staff assigned to this case. Claims for any personal physical injuries related to the treatments are also excluded.

141. Plaintiff Estrada reserves the right to modify, expand, or amend the definitions of the proposed classes following the discovery period and before the Court determines whether class certification is appropriate.

142. Plaintiff Estrada also reserves the right to seek the certification of classes with respect to particular issues under Federal Rule of Civil Procedure 23(c)(4).

143. Certification of the Plaintiff Estrada's claims for class-wide treatment is appropriate because the Plaintiff Estrada can prove the elements of his claims on a class-wide basis using the

same evidence as would be used to prove these elements in individual actions alleging the same claims.

II. Numerosity

144. This action satisfies the requirements of Federal Rule of Civil Procedure 23(a)(1). There are thousands of consumers in Florida who purchased unapproved regenerative or stem cell treatments from a QC Kinetix clinic in the State of Florida, whether operated directly by the QC Defendants or by their franchisees, subsidiaries, or affiliates.

145. The identity of class members is ascertainable. They can be easily identified through the patient ledgers and financial records of the QC Defendants, as well as the loan databases maintained by Med-Den and its partner banks. Plaintiff Estrada anticipates providing appropriate notice to each certified class and subclass in compliance with Federal Rules of Civil Procedure 23(c)(2)(A) or (B), to be approved by the Court after class certification, or as ordered by the Court under Federal Rule of Civil Procedure 23(d).

III. Commonality

146. This action satisfies the requirements of Federal Rules of Civil Procedure 23(a)(2) and 23(b)(3) because there are questions of law and fact that are common to each of the classes. These common questions predominate over any questions affecting only individual class members. The predominating common questions include (among other things):

- a. Whether the QC Defendants' advertisements violated Fla. Stat. § 458.3245 by failing to include the mandatory disclosure that the stem cell therapies are not approved by the FDA;
- b. Whether the marketing of non-surgical regeneration or stem cell treatment as a cure or alternative to surgery constitutes a deceptive trade practice under FDUTPA;
- c. Whether QC Corporate furnished the means and instrumentalities of the fraud by controlling and mandating the deceptive marketing materials used by local franchisees;

- d. Whether a reasonable consumer would likely be misled by the Defendants' uniform misrepresentations and omissions;
- e. Whether Med-Den operated a predatory financing scheme that integrated seamlessly with the QC Defendants' high-pressure sales tactics;
- f. Whether the financing agreements are void or unenforceable due to the illegality of the underlying medical sales transaction;
- g. Whether Plaintiff and the class members suffered damages as a result of purchasing treatments that were marketed in violation of Florida law; and
- h. Whether damages, restitution, equitable, injunctive, declaratory, or other forms of relief are warranted.

IV. Typicality

147. This action satisfies the requirements of Federal Rule of Civil Procedure 23(a)(3) because Plaintiff Estrada's claims are typical of the claims of each of the class members, as all class members were and are similarly affected and their claims arise from the Defendants' same wrongful conduct.

148. Each class member was exposed to the same uniform marketing campaign. Each class member was subjected to the same standardized sales process and deprived of the same mandatory statutory disclosure.

149. Furthermore, the members of the Florida Financing Subclass and Doral Financing Subclass were all funneled through the same Med-Den digital loan portal. The relief Plaintiff Estrada seeks in this action is typical of the relief sought for the absent class members.

V. Adequacy of Representation

150. Plaintiff Estrada is an adequate representative under Federal Rule of Civil Procedure 23(a)(4). Plaintiff Estrada will fairly and adequately protect the interests of the class members. Plaintiff Estrada is committed to the vigorous prosecution of this action and there is no

hostility or conflict between or among Plaintiff Estrada and the unnamed class members. Plaintiff anticipates no difficulty managing this case as a class action.

151. To prosecute this case, Plaintiff Estrada has chosen the undersigned law firm, which has substantial experience in prosecuting large and complex class actions, as well as the financial resources to meet the costs associated with the vigorous prosecution of this type of case. Plaintiff Estrada and his counsel will fairly and adequately protect the interests of all class members.

VI. Superiority/Predominance

152. This action satisfies the requirements of Federal Rule of Civil Procedure 23(b)(3). A class action is superior to other available methods for the fair and efficient adjudication of the rights of the class members. The joinder of individual class members is impracticable because of the vast number of class members who purchased these deceptively marketed treatments.

153. Because the monetary damages suffered by each individual class member may be relatively small, the expense and burden of individual litigation would make it difficult or impossible for individual class members to redress the wrongs done to each of them individually, such that most or all class members would have no rational economic interest in individually controlling the prosecution of specific actions. The burden imposed on the judicial system by individual litigation by even a small fraction of the class members would be enormous.

154. In comparison to piecemeal litigation, class action litigation presents far fewer management difficulties, far better conserves the resources of both the judiciary and the parties, and far more effectively protects the rights of each class member. The benefits to the legitimate interests of the parties, the Court, and the public resulting from class action litigation substantially outweigh the expenses, burdens, inconsistencies, economic infeasibility, and inefficiencies of individualized litigation. Class adjudication is simply superior to other alternatives under Federal Rule of Civil Procedure 23(b)(3)(D).

155. Plaintiff is unaware of any obstacles likely to be encountered in managing this case that would preclude its maintenance as a class action. Rule 23 provides the Court with the authority and flexibility to maximize the efficiencies and benefits of the class mechanism and reduce management challenges. The Court may, on Plaintiff Estrada's motion or on its own determination, certify nationwide and statewide classes for claims sharing common legal questions; use the provisions of Federal Rule of Civil Procedure 23(c)(4) to certify particular claims, issues, or common questions of law or of fact for class-wide adjudication; certify and adjudicate bellwether class claims; and employ Federal Rule of Civil Procedure 23(c)(5) to divide any class into subclasses.

VII. Requirements of Federal Rule of Civil Procedure 23(b)(2)

156. The Defendants have acted or failed to act in a manner generally applicable to the class members in the Florida Class, the Florida Financing Subclass, the Doral Subclass, and the Doral Financing Subclass, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to either or all of the classes.

CLAIMS FOR RELIEF

COUNT I

**Violation of the Florida Deceptive and Unfair Trade Practices Act ("FDUTPA")
Unfair and Deceptive Marketing and Sales Practices
(Against QC Corporate on behalf of the Florida Class)
(Against QC Kinetix Doral on behalf of the Doral Subclass)**

157. Plaintiff Estrada incorporates by reference paragraphs 1 through 156 as though set forth herein.

158. Plaintiff Estrada, the members of the Florida Class, and the members of the Doral Subclass are "consumer[s]" engaged in "trade or commerce" within the meaning of FDUTPA. Fla. Stat. § 501.203(7), (8).

159. The QC Defendants engage in “trade or commerce” within the meaning of FDUTPA. Fla. Stat. § 501.203(8).

160. FDUTPA prohibits “[u]nfair methods of competition, unconscionable acts or practices, and unfair or deceptive acts or practices in the conduct of any trade or commerce.” Fla. Stat. § 501.204(1).

161. The QC Defendants engaged in a uniform scheme of unfair and deceptive trade practices that violated FDUTPA by employing standardized marketing and in-clinic sales processes designed to extract maximum payment before patients could scrutinize the product or the price.

162. Specifically, QC Corporate engaged in these unfair and deceptive trade practices against the Florida Class by furnishing the means and instrumentalities of this scheme. Pursuant to its Franchise Disclosure Document and Operations Manual, QC Corporate authored, mandated, and enforced standardized training, corporate sales scripts, advertisements, and uniform clinic policies across all Florida locations.

163. QC Kinetix Doral executed these franchisor-mandated policies locally against the Doral Subclass.

164. Pursuant to this uniform corporate system, the QC Defendants executed these unfair and deceptive practices by:

- a. Representing that the non-surgical regeneration and stem cell treatments have characteristics that they do not have, including that they are proven alternatives to surgery and cures to chronic pain;
- b. Representing that the non-surgical regeneration and stem cell treatments are medically approved for the purpose for which they are advertised, which they are not;
- c. Failing to disclose that the non-surgical regeneration and stem cell treatments are not approved by the FDA, even though they knew that such information was material to consumers;

- d. For advertisements disseminated on or after July 1, 2025, failing to include the mandatory statutory notice required by Florida Statute § 458.3245(5)(a)-(b), which operates as a statute that proscribes unconscionable, deceptive, or unfair acts or practices, thereby committing a *per se* deceptive trade practice;
- e. Systematically utilizing clinic-controlled digital tablets as a point-of-sale system and retaining custody of consumers' cellular devices to strictly control the flow of information, preventing patients from privately reviewing the terms of their medical and financial agreements;
- f. Rushing patients through electronic signatures as a matter of standard operating procedure, without allowing them time to read the dense, standardized documents;
- g. Enforcing a uniform policy of failing to provide patients with translated forms or physical copies of medical authorizations prior to accepting payment;
- h. Utilizing non-physician "Patient Care Coordinators" rather than medical doctors to conduct the initial patient evaluation and execute the high-pressure financial close;
- i. Utilizing a standardized "Treatment Plan" document that intentionally obscures the total, long-term cost of the multi-visit regimen to secure the patient's initial financial commitment;
- j. Systematically fusing the medical consent process with the loan application process, training staff to act as "concierge" financial brokers who input patient data and bypass mandatory financial disclosures on the patient's behalf; and
- k. Uniformly omitting the material fact that the non-surgical regeneration and stem cell treatments are not approved by the FDA at any point during the standardized sales consultation.

165. The QC Defendants' standardized, high-pressure sales tactics, coupled with their failure to disclose the material fact that such treatments have not been approved by the FDA, had a tendency or capacity to mislead; tended to create a false impression in consumers; and were likely to deceive reasonable consumers, including Plaintiff Estrada, the Florida Class members, and the Doral Subclass members, about the characteristics, safety, efficacy, and true value of such treatments.

166. When deciding whether to purchase treatment from a QC Kinetix clinic, Plaintiff Estrada, the Florida Class members, and the Doral Subclass members were subjected to this

uniform process and had no reasonable way to know that the non-surgical regeneration and stem cell treatments were not approved by the FDA and did not have “regenerative” capabilities.

167. Plaintiff Estrada, the Florida Class members, and the Doral Subclass members had no reason to believe that the treatments were not approved by the FDA or otherwise medically approved for the purpose in which they are advertised, especially in light of The QC Defendants’ prominent display of a photograph of a man in a white coat, identified as “Sander Fernandez, MD,” QC Kinetix Doral’s “Medical Director”—imagery deliberately designed to confer the legitimacy of FDA-approved medicine on treatments that lack any such approval.

168. These material misrepresentations and omissions were likely to deceive a consumer acting reasonably in the same circumstances, and proximately caused the ascertainable losses suffered by Plaintiff Estrada, the Florida Class, and the Doral Subclass.

169. Plaintiff Estrada, the Florida Class members, and the Doral Subclass members were injured as a result of the QC Defendants’ conduct because Plaintiff Estrada, the Florida Class members, and the Doral Subclass members traveled to obtain the treatments and paid to obtain FDA-approved treatments and instead received and overpaid for ineffective and unapproved services.

170. Had they been aware of these facts, and had they been permitted to review their medical and financial agreements free from the QC Defendants’ uniform high-pressure tactics, Plaintiff Estrada, the Florida Class members, and the Doral Subclass members either would have paid less for their treatments or would not have purchased the treatments at all.

171. Plaintiff Estrada, the Florida Class members, and the Doral Subclass members are entitled to recover their actual damages, including out-of-pocket losses from obtaining FDA-approved medical treatments and economic damages at the point of sale equal to the difference

between the value of the treatments as promised and the value of the treatments as delivered. *See* Fla. Stat. § 501.211(2). Plaintiff Estrada, the Florida Class members, and the Doral Subclass members are also entitled to recover their attorneys' fees. *See* Fla. Stat. § 501.2105(1).

172. Plaintiff Estrada, the Florida Class members, and the Doral Subclass members are thus entitled to declaratory and injunctive relief under § 501.211(1), including a declaration that the QC Defendants' deceptive and unfair conduct violates FDUTPA and harms the consuming public, and an injunction prohibiting further such violations.

173. Plaintiff Estrada, the Florida Class members, and the Doral Subclass members were aggrieved by the QC Defendants' misrepresentations and omissions because he paid a price premium for the treatments.

174. Plaintiff Estrada, the Florida Class members, and the Doral Subclass members have also suffered and will continue to suffer irreparable harm if the QC Defendants continues to engage in deceptive, unfair, and unreasonable practices.

175. Plaintiff Estrada, on behalf of the Florida Class members and the Doral Subclass members, requests that the Court award actual damages, declare that the QC Defendants' sales tactics violate FDUTPA, issue an order requiring the QC Defendants to cease their deceptive and unfair sales practices (including requiring the QC Defendants to notify the Florida Class members and the Doral Subclass members of the non-surgical regeneration and stem cell treatments' proven efficacy and lack of FDA-approval), and award Plaintiff Estrada, the Florida Class members, and the Doral Subclass members' attorneys' fees and costs. Plaintiff Estrada, the Florida Class members, and the Doral Subclass members also requests any other just and proper relief available under FDUTPA.

COUNT II
Violation of FDUTPA
Unfair and Deceptive Financing Practices
(Against QC Corporate and Med-Den on behalf of the Florida Financing Subclass)
(Against QC Kinetix Doral on behalf of the Doral Financing Subclass)

176. Plaintiff Estrada incorporates by reference paragraphs 1 through 156 as though set forth herein.

177. Plaintiff Estrada, the members of the Florida Financing Subclass, and the members of the Doral Financing Subclass are “consumer[s]” engaged in “trade or commerce” within the meaning of FDUTPA. Fla. Stat. § 501.203(7), (8).

178. The QC Defendants and Med-Den engage in “trade or commerce” within the meaning of FDUTPA. Fla. Stat. § 501.203(8).

179. FDUTPA prohibits “[u]nfair methods of competition, unconscionable acts or practices, and unfair or deceptive acts or practices in the conduct of any trade or commerce.” Fla. Stat. § 501.204(1).

180. The QC Defendants and Med-Den engaged in unfair and deceptive trade practices that violated FDUTPA by executing a coordinated bait-and-switch scheme, advertising uniform financial lures—including but not limited to 0% interest financing, low monthly payments, and promising gift cards—to induce consumers to visit the clinics and purchase the non-surgical regeneration and stem cell treatments, when such financing was not actually available.

181. The QC Defendants and Med-Den executed these unfair and deceptive trade practices through their distinct but intertwined roles:

- a. QC Corporate created, approved, and mandated the dissemination of print, video, and radio advertisements throughout Florida promising various financial lures, including “0% Interest,” “Payment Plans starting as low as \$100 per month,” and gift cards, to induce the Florida Financing Subclass to visit QC Kinetix clinics;

- b. QC Kinetix Doral utilized this false and misleading advertising locally to solicit patients in South Florida and induce the Doral Financing Subclass to visit its clinic;
- c. Once consumers were inside a QC Kinetix clinic, staff were trained to seamlessly pivot from the advertised promotional offers to high-interest Med-Den financing without disclosing that the advertised promotional rates were unavailable;
- d. Med-Den provided the point-of-sale software and digital interfaces that allowed clinic staff to act as unlicensed brokers, seamlessly funneling patients from medical consultations into high-interest loans;
- e. Med-Den designed and operated a system that allowed clinic staff to bypass traditional lending safeguards and withhold mandatory truth-in-lending disclosures from consumers;
- f. Med-Den knowingly or recklessly disregarded that QC Kinetix clinic staff were trained to pivot from advertised promotional offers (such as “0% Interest”) to high-interest Med-Den financing without disclosing that the advertised rates were unavailable; and
- g. Med-Den processed, brokered, and funded loans carrying annual percentage rates of 9.99% or higher, and collected lucrative fees on those transactions, from vulnerable consumers who had been induced into the clinics by promises of promotional financing.

182. The QC Defendants’ and Med-Den’s unfair or deceptive acts or practices—including misrepresenting that their treatments could be financed at 0% interest and on favorable payment terms while utilizing a digital platform designed to conceal the true terms—had a tendency or capacity to mislead; tended to create a false impression in consumers; and were likely to deceive reasonable consumers, including Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members, about the financing options available for the treatments.

183. When deciding whether to seek out treatment from the QC Defendants and obtain financing from Med-Den, Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members had no reasonable way to know that the financing options

available for the treatments actually carried interest rates of 9.99% or higher, nor that the clinic staff controlling the digital tablets and cellular devices were enrolling them in high-interest debt. The QC Defendants misrepresented or omitted material facts about the financing options available for treatments, and the QC Defendants misled Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members.

184. The QC Defendants and Med-Den possessed superior knowledge as to the financing terms and the mechanics of the point-of-sale portal. Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members had no reason to believe that financing for the treatments would carry interest in excess of 0% in light of the QC Defendants' advertisements promising 0% interest and favorable terms.

185. These uniform misrepresentations, omissions, and bait-and-switch tactics were likely to deceive a consumer acting reasonably in the same circumstances, and proximately caused the ascertainable losses suffered by Plaintiff Estrada, the Florida Financing Subclass, and the Doral Financing Subclass.

186. Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members were injured as a result of the Defendants' conduct because Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members traveled to obtain the treatments and expected to obtain treatments with financing at 0% interest and instead received and overpaid for treatments with financing carrying interest rates of 9.99% or higher.

187. Had they been aware of these facts, Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members either would have paid less for their treatments or would not have purchased the treatments at all.

188. Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members are entitled to recover their actual damages, including economic damages at the point of sale equal to the difference between the value of the treatments with financing at 0% interest as promised and the value of the treatments with financing at higher interest rates as delivered. *See* Fla. Stat. § 501.211(2). Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members are also entitled to recover their attorneys' fees. *See* Fla. Stat. § 501.2105(1).

189. Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members are also entitled to declaratory and injunctive relief under § 501.211(1) declaring that the QC Defendants' and Med-Den's deceptive and unfair conduct violates FDUTPA and harms the consuming public, and enjoining the QC Defendants and Med-Den from further such violations.

190. Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members were aggrieved by the QC Defendants' and Med-Den's misrepresentations and omissions because he paid a price premium for financing the treatments.

191. Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members have also suffered and will continue to suffer irreparable harm if the QC Defendants and Med-Den continue to engage in deceptive, unfair, and unreasonable practices.

192. Plaintiff Estrada, on behalf of the Florida Financing Subclass Members and the Doral Financing Subclass Members, requests that the Court award actual damages, declare that the QC Defendants' and Med-Den's conduct violates FDUTPA, issue an injunction requiring the QC Defendants to cease advertising promotional financing rates that are not actually available and requiring Med-Den to provide twelve months of interest-free financing on any outstanding loans

as promised, and award Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members' attorneys' fees and costs. Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members also request any other just and proper relief available under FDUTPA.

COUNT III
Unjust Enrichment
(Pleaded in the Alternative)
(Against QC Corporate on behalf of the Florida Class and Florida Financing Subclass)
(Against QC Kinetix Doral on behalf of the Doral Subclass and Doral Financing Subclass)

193. Plaintiff Estrada incorporates by reference paragraphs 1 through 156 as though set forth herein.

194. Plaintiff Estrada brings this unjust enrichment claim in the alternative to his FDUTPA claims.

195. Plaintiff Estrada brings this claim on behalf of all Florida Class Members, Doral Subclass Members, Florida Financing Subclass Members, and Doral Financing Subclass Members under the common law of unjust enrichment in the state of Florida.

196. The QC Defendants have received and retained benefits from Plaintiff Estrada, the Florida Class Members, the Doral Subclass Members, the Florida Financing Subclass Members, and the Doral Financing Subclass Members, and inequity has resulted.

197. Plaintiff Estrada, the Florida Class Members, and the Doral Subclass Members directly conferred financial benefits on the Defendants: the difference between the price paid for FDA-approved, effective regenerative treatments (as advertised) and the value of unapproved, ineffective treatments that did not work as promised (as received).

198. Additionally, Plaintiff Estrada, the Florida Financing Subclass Members, and the Doral Financing Subclass Members conferred a direct financial benefit on the QC Defendants

through the generation of undisclosed commissions, rebates, or kickbacks paid to the QC Defendants by Med-Den for originating the loans.

199. Specifically, Plaintiff Estrada and the Doral Subclass Members directly conferred a financial benefit on QC Kinetix Doral by paying thousands of dollars in treatment fees at the point of sale. Furthermore, Plaintiff Estrada and the Doral Financing Subclass Members conferred a benefit by executing the Med-Den financing agreements that triggered the kickbacks. Additionally, Plaintiff Estrada and the Florida Class Members directly conferred a financial benefit on QC Corporate because a mandatory, traceable percentage of these deceptively induced treatment fees flowed directly upstream to QC Corporate in the form of franchise royalties, marketing fund contributions, and other required corporate fees.

200. Plaintiff Estrada, the Florida Class Members, and the Doral Subclass Members paid a price premium for the non-surgical regeneration and stem cell treatments because of the QC Defendants' representations that the treatments were proven alternatives to surgery and cures for chronic pain, and because of the standardized, high-pressure sales tactics used to extract payment before those representations could be scrutinized. Plaintiff Estrada, the Florida Class members, and the Doral Subclass members would not have purchased the treatments, or would have paid significantly less, if not for these representations and uniform sales tactics.

201. The QC Defendants benefitted through their unjust conduct by selling non-surgical regeneration and stem cell treatments at a profit and for more than the treatments were worth. The QC Defendants also benefitted from their unjust conduct by failing to disclose that the treatments were not approved by the FDA, thereby avoiding the loss of sales that such disclosure would have caused. Finally, the QC Defendants benefitted by collecting financial kickbacks from Med-Den for funneling vulnerable patients into high-interest debt.

202. The QC Defendants were aware that they were charging a premium for their product. The QC Defendants were aware that they were receiving a benefit they were not entitled to.

203. It would be inequitable for the QC Defendants to retain these benefits. The QC Defendants will be unjustly enriched if they are allowed to retain the benefits extracted through this deceptive marketing and sales scheme.

204. Plaintiff Estrada, the Florida Class Members, the Doral Subclass Members, the Florida Financing Subclass Members, and the Doral Financing Subclass Members do not have an adequate remedy at law.

205. Plaintiff Estrada, the Florida Class Members, the Doral Subclass Members, the Florida Financing Subclass Members, and the Doral Financing Subclass Members are entitled to recover the amount by which the QC Defendants were unjustly enriched at his or her expense.

206. Alternatively, the amount of the QC Defendants' unjust enrichment should be disgorged, in an amount to be proven at trial.

207. Plaintiff Estrada, the Florida Class Members, the Doral Subclass Members, the Florida Financing Subclass Members, and the Doral Financing Subclass Members, seeks an award against the QC Defendants in the amount by which they have been unjustly enriched at Plaintiff Estrada's, the Florida Class members', the Doral Subclass members', the Florida Financing Subclass members', and the Doral Financing Subclass members' expense, and such other relief as this Court deems just and proper.

COUNT IV
Unjust Enrichment
(Pleaded in the Alternative)
(Against Med-Den on behalf of the Florida Financing Subclass)

208. Plaintiff Estrada incorporates by reference paragraphs 1 through 156 as though set forth herein.

209. Plaintiff Estrada brings this unjust enrichment claim in the alternative to any claims under FDUTPA.

210. Plaintiff Estrada brings this claim on behalf of all Florida Financing Subclass Members under the common law of unjust enrichment in the state of Florida.

211. Med-Den has received and retained a benefit from Plaintiff Estrada and the Florida Financing Subclass Members and inequity has resulted.

212. Plaintiff Estrada and the Florida Financing Subclass Members directly conferred financial benefits on Med-Den: specifically, the payment of high-interest charges, loan origination fees, broker fees, and other lucrative platform fees generated through Med-Den's FinTech portal.

213. To the extent Med-Den relies upon any express financing or loan agreements to defeat this equitable claim, such agreements are void *ab initio*, voidable, or otherwise unenforceable due to unconscionability and fraud in the execution, as Plaintiff Estrada and the Florida Financing Subclass Members were systematically prevented from reviewing the terms of the agreements on the clinic-controlled digital tablets and cellular devices prior to execution.

214. Plaintiff Estrada and the Florida Financing Subclass Members paid interest and fees on their loans because of the QC Defendants' representations—which Med-Den enabled and facilitated—that the treatments could be financed at promotional rates, such as 0% interest, and on favorable payment terms. Plaintiff Estrada and the Florida Financing Subclass Members would

not have obtained financing through Med-Den, or would have paid significantly less in interest, if not for these representations and uniform omissions.

215. Med-Den benefitted through its unjust conduct by collecting interest at rates of 9.99% or higher and platform fees from consumers who were induced by promises of promotional financing. Med-Den also benefitted from its role in the QC Defendants' bait-and-switch advertising scheme by receiving a steady stream of loan applications from consumers lured into the clinics by false financing promises, which Med-Den actively fueled by paying undisclosed commissions or kickbacks to the QC Defendants to incentivize the origination of these loans.

216. Med-Den was aware that the QC Defendants were advertising promotional financing that was not actually available to consumers. Med-Den was aware that it was receiving a benefit it was not entitled to by collecting interest payments and platform fees from consumers who had been promised interest-free or favorable financing.

217. It would be inequitable for Med-Den to retain these benefits. Med-Den will be unjustly enriched if it is allowed to retain the benefits obtained through the false promises of promotional financing and the deceptive, high-pressure execution of the loans, which Med-Den actively encouraged through its undisclosed kickback arrangement.

218. Plaintiff Estrada and the Florida Financing Subclass Members do not have an adequate remedy at law.

219. Each Florida Financing Subclass Member is entitled to recover the amount by which Med-Den was unjustly enriched at his or her expense.

220. Alternatively, the amount of Med-Den's unjust enrichment should be disgorged, in an amount to be proven at trial.

221. Plaintiff Estrada, on behalf of himself and all similarly situated Florida Financing Subclass Members, seeks an award against Med-Den in the amount by which it has been unjustly enriched at Plaintiff Estrada's and the Florida Financing Subclass Members' expense, and such other relief as this Court deems just and proper.

COUNT V
Violation of Florida's Adult Protective Services Act (the "Elder Abuse Act"),
Fla. Stat. § 415.1111, et seq.
(Individually against QC Kinetix Doral)

222. Plaintiff Estrada incorporates by reference paragraphs 1 through 156 as though set forth herein.

223. Plaintiff Estrada is a "vulnerable adult" within the meaning of the Elder Abuse Act. Fla. Stat. § 415.102(28). Specifically, Plaintiff Estrada is 87 years old and his ability to perform the normal activities of daily living and to provide for his own care or protection is impaired due to the infirmities of aging. Among other things, Plaintiff Estrada suffers from cognitive and physical decline consistent with that of an aging individual, including chronic joint pain that limits his mobility and his ability to care for himself. Plaintiff Estrada is less confident in his decision-making abilities than he was at a younger age and would not have fallen victim to this scheme at a younger age.

224. The Elder Abuse Act provides that "a vulnerable adult who has been abused, neglected, or exploited as specified in this chapter has a cause of action against any perpetrator and may recover actual and punitive damages for such abuse, neglect, or exploitation." Fla. Stat. § 415.1111.

225. QC Kinetix Doral stood in a "position of trust and confidence" with respect to Plaintiff Estrada within the meaning of Florida Statute § 415.102(19). Specifically, QC Kinetix Doral was "entrusted with" and "assumed responsibility for the use or management of" Plaintiff

Estrada's funds, assets, and property when clinic staff took control of his iPhone, created a Gmail account in his name, processed a loan application without disclosing that it was a loan, and obtained a \$9,000 loan and, upon information and belief, a line of credit on his behalf. *See Fla. Stat. § 415.102(19)(d).*

226. QC Kinetix Doral knew or should have known that Plaintiff Estrada lacked the “capacity to consent” within the meaning of Florida Statute § 415.102(4). Plaintiff Estrada did not have sufficient understanding to make responsible decisions regarding his property because: (a) he did not have an email address and did not understand how to create or manage one; (b) he was not digitally literate and could not navigate the electronic loan application on his iPhone; (c) clinic staff had to create an email account for him to complete the transaction; (d) he only speaks Spanish, but all documents—including the loan application and financing paperwork—were in English and were never translated or explained to him; and (e) clinic staff navigated directly to the signature blocks rather than allowing him to review the loan terms, and never disclosed that he was signing a loan agreement.

227. QC Kinetix Doral “exploited” Plaintiff Estrada within the meaning of Florida Statute. § 415.102(8). Standing in a position of trust and confidence, QC Kinetix Doral knowingly, by deception and intimidation, obtained and used Plaintiff Estrada's funds, assets, and property with the intent to temporarily or permanently deprive Plaintiff Estrada of the use, benefit, or possession of those funds for the benefit of QC Kinetix Doral and QC Corporate. The deception and intimidating pressure tactics included, but were not limited to, the following:

- a. Creating a Gmail account in Plaintiff Estrada's name without his meaningful consent, thereby ensuring that all truth-in-lending disclosures, payment

notifications, and other communications regarding his debt would be sent to an account he did not know how to access;

- b. Failing to disclose that the non-surgical regeneration and stem cell treatments were not approved by the FDA, thereby deceiving Plaintiff Estrada into believing he was purchasing a legitimate, proven medical treatment;
- c. Failing to have a licensed medical professional evaluate Plaintiff Estrada before prescribing the Treatment Plan, instead using a “Patient Care Coordinator” trained to close the sale;
- d. Refusing to permit Plaintiff Estrada to review the financing documents or Treatment Plan before signing, instead navigating directly to the signature blocks on his iPhone and instructing him to sign without disclosing that the documents constituted a loan agreement;
- e. Obtaining a \$9,000 loan in Plaintiff Estrada’s name when his annual income was only \$15,000, saddling him with debt equal to 60% of his entire annual income and monthly payments of \$166.69 that consume a significant portion of his fixed monthly income of \$1,250;
- f. Opening, upon information and belief, a revolving line of credit in Plaintiff Estrada’s name using the email credentials that clinic staff controlled and without his knowledge or meaningful consent; and
- g. Charging Plaintiff Estrada an annual percentage rate of 9.99% on the loan despite having advertised 0% interest financing, thereby extracting additional funds through interest payments.

228. QC Kinetix Doral's exploitation of Plaintiff Estrada constitutes an "[i]ntentional or negligent failure to effectively use [his] income and assets for the necessities required for [his] support and maintenance" within the meaning of Florida Statute § 415.102(8)(b)(4). Rather than using Plaintiff Estrada's limited income for his necessities, QC Kinetix Doral extracted those funds to pay for unapproved, ineffective treatments that provided no medical benefit.

229. QC Kinetix Doral acted with the intent to temporarily or permanently deprive Plaintiff Estrada of the use, benefit, or possession of his funds, assets, and property for the benefit of someone other than Plaintiff Estrada—namely, QC Kinetix Doral and QC Corporate. This intent is evidenced by the clinic's systematic process of fusing the medical consultation with the financing transaction, controlling the patient's email and digital access, rushing the patient through signature without review, and extracting maximum debt from a patient on a fixed poverty-level income.

230. As a direct and proximate result of QC Kinetix Doral's exploitation, Plaintiff Estrada accepted treatment and obtained financing through Med-Den that he would not have accepted or obtained but for the deception and intimidating pressure tactics.

231. Plaintiff Estrada was injured as a result of QC Kinetix Doral's exploitation. He has been deprived of the use, benefit, and possession of his funds through: (a) the \$9,000 loan principal; (b) interest charges of 9.99%; (c) monthly payments of \$166.69 that strain his fixed income of \$1,250 per month; and (d) liability under a line of credit opened without his knowledge or meaningful consent.

232. Plaintiff Estrada suffered ascertainable losses as a result of QC Kinetix Doral's exploitation, including the loan principal, interest paid, and any amounts drawn on the

unauthorized line of credit, as well as the emotional distress of having his financial security and retirement undermined by a predatory scheme.

233. As a direct and proximate result of QC Kinetix Doral's violations of the Elder Abuse Act, Plaintiff Estrada suffered an injury-in-fact and actual damages.

234. Plaintiff Estrada is entitled to recover his actual damages, including all amounts paid or owed under the loan and line of credit, as well as punitive damages for QC Kinetix Doral's willful exploitation of a vulnerable adult. *See* Fla. Stat. § 415.1111. Plaintiff Estrada is also entitled to recover his attorneys' fees. *See id.*

235. Plaintiff Estrada requests that the Court award actual damages, punitive damages, and attorneys' fees and costs against QC Kinetix Doral. Plaintiff Estrada also requests any other just and proper relief available under the Elder Abuse Act.

PRAYER FOR RELIEF

Plaintiff Estrada, on behalf of himself and all other similarly situated Florida Class Members, requests that the Court enter judgment against the Defendants as follows:

(1) Declare this action to be a proper class action maintainable under Rules 23(b)(2) and 23(b)(3) of the Federal Rules of Civil Procedure and designate and appoint Plaintiff Estrada as the representative for the Florida Class, the Florida Financing Subclass, the Doral Subclass, and the Doral Financing Subclass and appoint Plaintiff's chosen counsel as Class Counsel;

(2) Declare that the QC Defendants' advertising of the non-surgical regeneration and stem cell treatments violated Florida Statute § 458.3245(5)(a)-(b) and constitutes a per se violation of FDUTPA;

(3) Declare that the QC Defendants' and Med-Den's advertising and execution of promotional financing that was not actually available violates FDUTPA;

(4) Declare that the Defendants' sales and marketing conduct is unlawful, unfair, or deceptive and issue an order permanently enjoining the Defendants from continuing the unlawful, deceptive, and unfair business practices alleged in this action, including requiring the QC Defendants to include the statutory notice required by § 458.3245(5)(a)-(b) in all future advertisements, and requiring Med-Den to cease its deceptive platform practices;

(5) Order the disgorgement and restitution of all monies by which the QC Defendants and Med-Den were unjustly enriched at the expense of Plaintiff Estrada and the Class and Subclass Members;

(6) Award Plaintiff Estrada, individually, actual, and punitive damages against QC Kinetix Doral for willful exploitation under the Elder Abuse Act (Fla. Stat. § 415.1111), and order the rescission, cancellation, and voiding of the fraudulently obtained Med-Den loan and line of credit;

(7) Award Plaintiff Estrada, the Florida Class Members, and Subclass Members actual, compensatory, and punitive damages, including interest, in an amount to be proven at trial under the applicable claims;

(8) Award Plaintiff Estrada, the Florida Class Members, and Subclass Members their reasonable attorneys' fees and costs, as allowed by law;

(9) Award Plaintiff Estrada, the Florida Class Members, and Subclass Members pre-judgment and post-judgment interest as provided by law; and

(10) Award Plaintiff Estrada, the Florida Class Members, and Subclass Members any further and different relief as this case may require or as determined by this Court to be just, equitable, and proper under the circumstances.

DEMAND FOR JURY TRIAL

Pursuant to Federal Rule of Civil Procedure 38(b), the Plaintiff demands a jury trial for any and all issues triable by a jury.

Respectfully submitted: March 23, 2026

By: /s/ Benjamin Widlanski, Esq.

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AUTHORIZATION FOR NON-ABLATIVE CLASS IV LASER, PLASMA/PRP/A2M, AND BONE MARROW (STEM CELL) PROCEDURES

TO THE PATIENT: You have the right, as a patient, to be informed about your condition and the recommended surgical, medical or diagnostic procedure to be used, so that you may make the decision whether or not to undergo the procedure after knowing the risks and hazards involved. This disclosure is not meant to scare or alarm you; it is simply an effort to make you better informed so you may give or withhold your consent to this procedure.

I voluntarily request Medical Provider on Duty, who is medically supervised by Sander Fernandez, MD, and such associated registered nurses, licensed nurse practitioners, licensed physician assistants, technical assistants and other health care providers as he/she may deem necessary, to treat my condition, which has been explained to my satisfaction in layman's terms.

Medical Provider on Duty is a Florida-licensed Board-certified physician, physician's assistant, or nurse practitioner ("Medical Provider") whose education, experience, and credentials related to this procedure include completion of the 3-credit-hour training course, "Introduction to Laser Therapy" by the American Institute of Medical Laser Applications and also 10-credit-hour training course, "Autologous Biologics Didactic & Hands-on Cadaver Training," by Gulf Coast Biologics. In the event of any dispute arising between the Patient and QC Kinetix, herein referred to as the Medical Facility providing treatment, it is hereby agreed that the liability of QC Kinetix shall be limited to the legal entity related to the specific clinic where the Patient has received treatment. QC Kinetix, though each medical facility operates under the trade name QC Kinetix, is legally registered under different entities including Regencare 1140 LLC, Regencare 1141 LLC, Regencare 1142 LLC, Regencare 1143 LLC, Regencare 1144 LLC, Regencare 1145 LLC, Regencare 1150 LLC, Regencare 1151 LLC, Regencare 1152 LLC, Regencare 1153 LLC. Therefore, for the purpose of this agreement, QC Kinetix is defined as the Medical Facility where the Patient is receiving treatment, and any liabilities or disputes shall be resolved in accordance with the legal entity associated with that specific clinic.

Explanation of Procedure: I understand that the following surgical, medical and or diagnostic(s) are planned for me, and I voluntarily consent and authorize these procedures(s) to the area(s) discussed during our consultation (lay terms):

Plasma, Platelet Rich Plasma (PRP), and/or Alpha-2-Macroglobulin (A2M) injection(s) for the treatment of pain. Bone marrow aspiration involves placing a needle into the bone marrow cavity and drawing out bone marrow, a blood-like fluid that will be processed and later injected into the area(s) discussed during our consultation.

Purpose and Background: Non-Ablative Class IV Laser Treatment, Plasma, Platelet Rich Plasma (PRP), and Alpha-2-Macroglobulin (A2M) injection(s), and Bone Marrow Aspiration have been used for years in orthopedics, sports medicine, and physical medicine to treat muscle and ligament injuries, musculoskeletal pain, and skin lesions. Laser therapy is a safe and effective therapy for the temporary relief of pain and reduction of symptoms associated with mild arthritis and muscle pain.

Non-Ablative Class IV Laser Treatment will be performed at each visit. QC Kinetix, or an employee of QC Kinetix, has explained the nature and purpose of the non-ablative Class IV laser treatment, including risks and possible complications.

Certification of Consent to Proceed with Treatment: I understand that this treatment may involve risks of complication or injury from both known and unknown causes, and I freely assume those risks. I understand that if I am not willing to accept all risks associated with this procedure then I should not have these treatments. I certify that I have read this entire consent, and that I understand and agree to the information herein. I understand that to receive these treatments, I must comply with all stipulations outlined in this consent form; if I do not agree then I will not be able to proceed with treatment. I freely and

voluntarily accept all risks associated with these therapies and elect to proceed with treatment today as well as future and ongoing treatments.

Patient's Responsibilities: I understand that it is my responsibility to inform QC Kinetix of all medications and supplements I am taking and to disclose any condition, illness, disease, allergy, or other health problem I have experienced, including past surgical history and whether I am pregnant or breastfeeding. I understand that I may not be a good candidate for this treatment if I take blood thinners, antibiotics, high dosage Coumadin; if I am pregnant or breastfeeding; if I have active cancer; if I am going through a chemotherapy or radiation therapy regimen currently; if my pain comes from a total joint replacement; or if I have a compromised immune system, kidney failure that requires dialysis, a history of blood borne cancer (such as lymphoma or leukemia), certain other malignancies or blood borne diseases, a bleeding disorder, bone marrow disease, or any active infection. If you are taking the medication Aspirin and have a history of cerebrovascular accident (CVA/stroke), transient ischemic attack (TIA), or myocardial infarction (MI, heart attack) do NOT stop taking aspirin during your treatment with QC Kinetix South Florida without approval from your healthcare provider that prescribes it. I understand it is my responsibility to inform my primary care provider and any other treating health care provider about the treatment that I receive from QC Kinetix.

Possible Side Effects of Procedure: Just as there may be risks and hazards in continuing my present condition without treatment, there are also risks and hazards related to the performance of the surgical, medical and/or diagnostic procedures planned for me.

The most common side effects from the procedures are: Localized pain, bruising, bleeding or swelling. I realize that common to many surgical, medical and/or diagnostic procedures is the potential for pain, scarring, bleeding, infection, damage to surrounding tissue, blood clots in veins and lung, hemorrhage, allergic reaction, or even death.

Patients with opened wounds, malignant skin tumors and certain diseases, tattoos over the area to be treated, or those patients currently taking Accutane cannot be treated with a non-ablative Class IV laser.

I understand that skin redness or erythema is a common immediate reaction from the non-ablative Class IV laser treatment process. This typically resolves within 2 hours but can last longer. There is a possibility of rare side effects, such as a blister or swelling, that may occur. I understand I may also feel a gentle warming sensation of the skin during treatment. This is a temporary condition and I understand that each person's discomfort level may vary. Adverse effects from laser therapy are normally rare and temporary. Pain relief from laser therapy may be dramatic and substantial, lasting for hours, days or weeks. However, your results may be minimal or insignificant. Possible adverse effects of any laser therapy may occur from multiple causes including hypersensitivity, preexisting health conditions, thermal effects, burns to the skin and surrounding tissue, excessive pressure from the probe, and laser over-stimulation. These adverse effects are usually temporary and rare. **Laser light can damage the retina in your eye.** Always wear the laser protective glasses provided. If you remove the eyewear during the procedure, there is a risk of eye damage and/or blindness. The most common adverse effects are: 1. Temporary increase in pain during application of laser. 2. Temporary increase in pain the following day after laser therapy. 3. Mild bruising from vasodilation or direct pressure of laser tip. 4. Temporary dizziness.

I also realize the following rare hazards may occur in connection with this particular procedure: Increased or worsening pain, Localized numbness, Localized pain, Bruising/bleeding, Infection, Drug reaction, Soreness at laser and injection site, Numbness in the groin and/or legs and/or other areas due to nerve injury, Increased pain, Paralysis, Injury to the bone, muscle or other structures such as skin or fascia, Unintended puncture of the intestines or other surrounding structures, Vasovagal Syncope (fainting or passing out or feeling light-headed), Development of Complex Regional Pain Syndrome (CRPS)/Reflex Sympathetic Dystrophy (RSD) syndrome, Paralysis, Injury to the bone, muscle, nerve or other structures such as skin or fascia, Syncope (passing out or feeling light-headed), Swelling, Excessive cell growth, Tumor development, Rejection of cells, Gout flare, Disease susceptibility, Unwanted biological effect, Toxicity, Neoplasm formation (benign or malignant), Unintended physiological and anatomical consequences (e.g. arrhythmia), Engraftment at an unwanted location and Lack of efficacy.

I understand that there may be unknown risks related to the use of these treatments and that severe and unexpected complications may arise in the future.

Treatment Complications: Just like any other medical procedure, the treatment of complications will be your responsibility. This may mean that if you have a serious complication or side effect and have health insurance, you could incur additional co-pays, deductibles, and co-insurances. If you have no insurance, the treatment of complications could mean incurring significant out of pocket expenses.

The anticoagulant Heparin is used for the bone marrow aspiration procedure. Heparin may cause immune or allergic reactions that may result in both increased bleeding and increased blood clotting. By signing this consent, you attest that you do not have a known medical history of Heparin associated thrombocytopenia, Heparin Induced Thrombocytopenia (HIT), or an allergy to Heparin.

If any unforeseen condition arises during this procedure, which requires transportation to a hospital, additional procedures, surgeries or medication including anesthesia and blood transfusions, I further request and authorize my Medical Provider to do whatever he/she deems advisable on my behalf. I understand that no healthcare provider at QC Kinetix has local hospital privileges and that no transfer agreements have been made with nearby hospitals.

The possible benefits of the procedure include decrease in pain, possible decrease in effusions/swelling, decrease in need for pain medications, including NSAIDs/narcotics. These results cannot be guaranteed.

Alternatives: I understand that alternative treatment options exist and may include modification of activities, weight loss, anti-inflammatory medication, physical therapy, bracing, corticosteroid injections and hyaluronic (lubricant)

injections, and/or traditional surgical approaches. I understand the risks and benefits of any reasonable alternatives to this procedure, **including having no treatment at all.**

I was given the opportunity to ask any questions I have regarding the procedure, and I have had those questions answered to my satisfaction. I understand that I may consult or could have consulted with another physician about this procedure. I understand that I have the right to refuse any medical/surgical treatment recommended at any time prior to its performance.

Possible Side Effects of Anesthesia (if any): I understand that I can elect to have anesthesia and that it involves additional risks and hazards. Anesthesia means that I will be given a numbing injection. I realize the anesthesia may have to be changed, possibly without explanation to me, depending on my pain tolerance, body weight, and sensitivity to medications. I understand that certain complications may result from the use of any anesthetic. A local anesthetic will be used to numb tissues. Possible side effects could include nerve or blood vessel injury from the numbing injection, allergic reaction to the anesthetic, unintentional intravascular injection of anesthetic which could cause seizure and cardiac arrest, bruising, swelling, or deformity.

Acknowledgement That Treatment is Not Curative and Not Part of Mainstream Medical Care/Investigational Procedure Acknowledgement: These medical procedures are being used to harvest stem and other cells that will be used to help your musculoskeletal problem(s). These treatments are generally still considered experimental. This means that they are not standard of care in the medical community. While your Medical Provider may believe they can help you, there are no large research studies that show that they are effective. But there are multiple smaller studies that have shown effectiveness. Regardless, this means that these procedures might do nothing to relieve your pain or otherwise repair your tissues. In addition, none of these therapies cure medical conditions. These treatments have not been approved by the United States Food and Drug Administration ("FDA"). I understand that using plasma, PRP, A2M, and stem cell therapy for the purposes stated herein is not an FDA approved procedure. While plasma, PRP, A2M, and stem cell therapy have not been approved by the FDA for these uses, they are used in medicine and are considered an acceptable practice.

Insurance Coverage for this Procedure: By signing this form, you understand that there is no insurance coverage for these procedures. This means all costs for these procedures you have been quoted for by our office will not be reimbursed later by a health insurer.

Results Not Guaranteed: I understand that although good results are expected, there cannot be any guarantee or warranty, expressed or implied, that I will be completely satisfied by the outcome or that I will not require additional treatment and/or ongoing treatment to achieve the result I seek. I understand that these treatments will not cure any medical conditions nor provide immunity against re-occurrence of such conditions. I understand and acknowledge that payment for the above procedure is non-refundable and that if more correction is desired, I will be responsible for purchasing additional procedures to achieve the outcome I desire. Any expense which may be incurred for medical care I elect to receive outside of this office, such as, but not limited to dissatisfaction of my treatment outcome will be my sole financial responsibility. I am aware that the practice of medicine and surgery is not an exact science, and I acknowledge that no guarantees have been made to me concerning the results of this procedure.

No refunds: Upon the initiation of treatments, no refunds, either full or partial, will be provided. I acknowledge that QC Kinetix incurs substantial upfront costs, including pre-ordering medical supplies and kits, and allocating time and resources of medical staff. In the event of discontinuation, cancellation, or termination of the treatment after its commencement, the Patient and if applicable, the person paying of the treatments, remains responsible for the full payment of all fees and costs associated with the treatment, irrespective of the number of treatments performed within the agreed-upon protocol. I acknowledge that the protocol may consist of several treatments priced collectively, and individual treatment pricing is not offered or available. I agree to carefully review and consider all treatment plans, fees, and associated costs prior to the commencement of any treatment begins and to discuss any questions or concerns with the treating healthcare professional. By proceeding with the treatment, I signify my understanding and acceptance of this no refunds policy.

Missed Appointment Policy: If a patient fails to show up for a scheduled appointment at QC Kinetix, the following policies and fees shall apply:

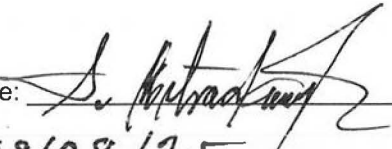
Appointment Cancellation Policy: It is of utmost importance that the patient adheres to the treatment plan, especially concerning injections, to ensure the most effective outcome. We understand that unforeseen circumstances may arise, necessitating the rescheduling of appointments. To avoid any no-show fees, appointments must be canceled or rescheduled at least 48 hours in advance. Patients can cancel or reschedule their appointments by contacting us via phone at 305.290.2299 or by sending an email to SFL@gckinetix.com. The email should include the patient's full name, the day and time of the original appointment, and the requested new date for the appointment.

No-Show Fees: For missed injection appointments: A fee of \$100 will be charged. b) For missed BMAC (bone marrow aspirate concentrate) appointments: A fee of \$500 will be charged. c) For missed appointments requiring an additional plasma treatment: A fee of \$250 will be charged. Payment for the No-Show fee is due at your next appointment.

I authorize that a Medical Provider in training may participate in my care. If this is the case, I will be informed of this individual's name, supervisor, and level of supervision afforded. I understand that my results may be used in a published research study without my name or other identifying information and without additional prior consent.

CONSENT: My consent and authorization for this elective procedure is strictly voluntary. By signing this informed consent form, I hereby grant authority to QC Kinetix to perform the listed procedures to the area(s) discussed during our consultation. I have read this informed consent (or had read to me) and certify I understand its contents in full. All my questions have been answered to my satisfaction, and I consent to the terms of this agreement. I agree to adhere to all safety precautions and instructions after the treatment. I have been instructed in and understand post treatment instructions and have been given a written copy of them.

I have been given an opportunity to ask questions about my condition, alternative forms of treatment, risks of non-treatment, the procedure(s) to be used, and the risks and hazards involved. I have sufficient information to give this informed consent. My Medical Provider has answered my questions to my satisfaction. I hereby authorize my Medical Provider to perform the above-discussed procedure.

Patient signature:  Print name: **Sergio Estrada**
Today's date: 08/08/2025

If a person other than the patient is paying for the patient's treatments:

I hereby acknowledge that I have read and understood the terms of this consent agreement regarding the treatment provided to **Sergio Estrada** at QC Kinetix. By signing below, I consent to the terms outlined herein on behalf of myself and any other responsible parties.

Paying Party signature: _____ Print name: _____
Today's date: _____

I attest that we have explained the risks, benefits and alternatives of this procedure to this patient.



Sander Fernandez, MD
Medical Director, QC Kinetix

On behalf of medical providers: Sander Fernandez, MD; Milton Menco, PA-C; Estefania Parra, APRN; Jaywanti Shah, APRN; Irene Sures, APRN; Nino Taricani, APRN; Jennifer Gonzalez, PA-C; Miguel M. Libera, PA-C, Alexander Tirado, PA-C

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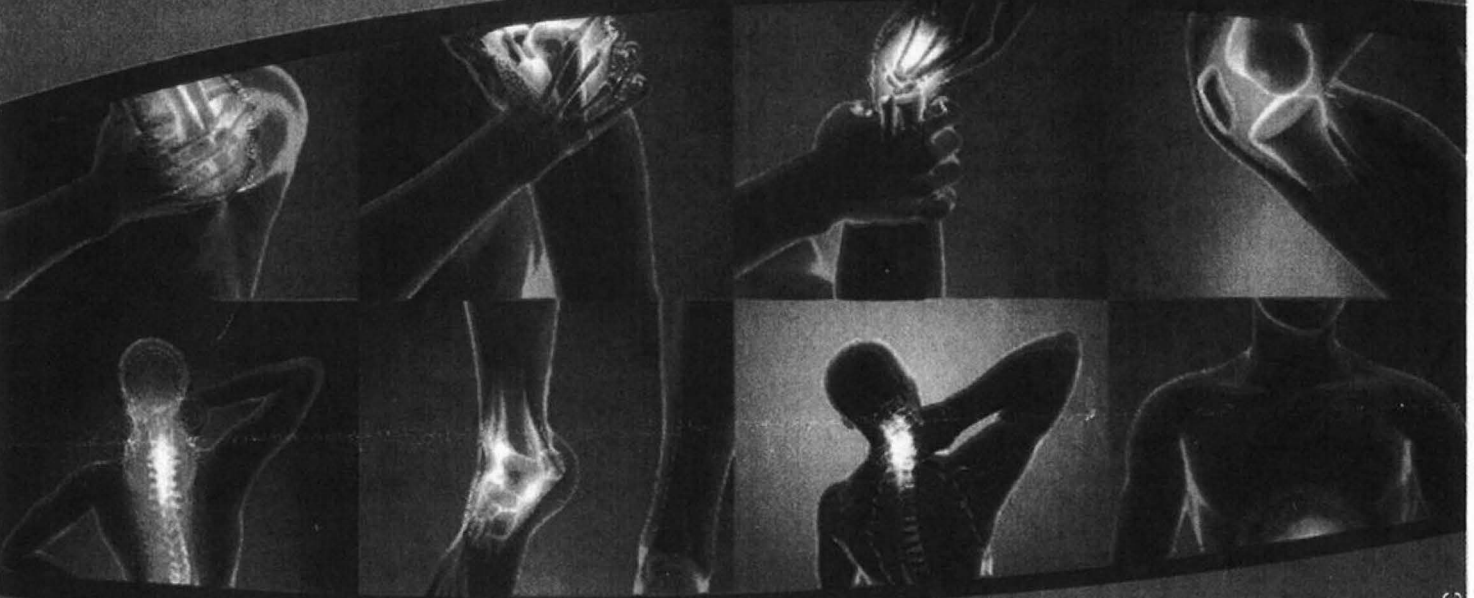


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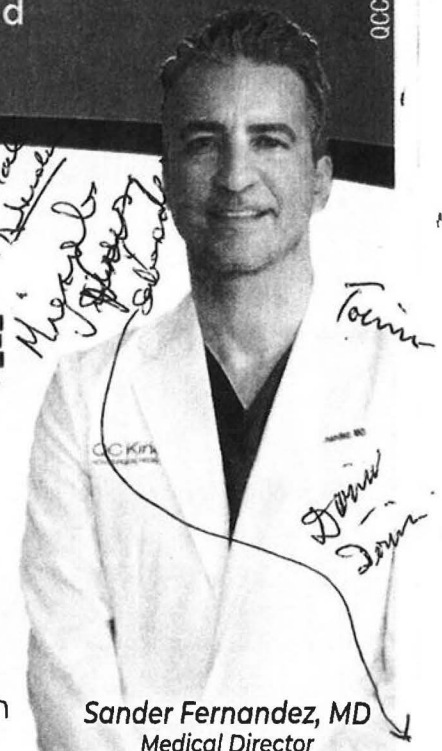
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- West Palm Beach
- Palmetto Bay



Sander Fernandez, MD
Medical Director

QCCMIA070625FC

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Appropriations Committee on Health and Human Services

BILL: CS/SB 1768

INTRODUCER: Health Policy Committee and Senator Trumbull

SUBJECT: Stem Cell Therapy

DATE: April 9, 2025

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Smith	Brown	HP	Fav/CS
2.	Gerbrandt	McKnight	AHS	Favorable
3.			RC	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1768 authorizes physicians (medical doctors and doctors of osteopathic medicine) to perform stem cell therapies that have not been approved by the U.S. Food and Drug Administration when used for orthopedic conditions, wound care, or pain management. The bill establishes standards for the manufacturing and storage of stem cells and requires a physician to obtain a signed informed consent form from a patient before administering any such therapy.

The bill requires that written notice be provided to a patient prior to the performance of stem cell therapy, disclosing that the therapy is not approved by the FDA. This disclosure must also be included in any advertisement for the therapy. The bill directs the Board of Medicine and Board of Osteopathic Medicine to adopt rules to implement the bill.

The bill has an indeterminate, yet negative fiscal impact on state expenditures which likely can be absorbed within existing resources. **See Section V., Fiscal Impact Statement.**

The bill takes effect July 1, 2025.

II. Present Situation:

Overview of Stem Cells and Stem Cell Therapy

Stem cells are undifferentiated cells with the unique ability to develop into specialized cell types and to divide indefinitely under certain conditions.¹ They are broadly classified as either embryonic or adult (somatic) stem cells. Embryonic stem cells, derived from early-stage embryos, are pluripotent and capable of differentiating into nearly all cell types in the human body. Adult stem cells are more limited in scope and typically generate only cell types consistent with their tissue of origin.

In 2007, researchers developed induced pluripotent stem cells (iPSCs), a type of adult stem cell reprogrammed to exhibit pluripotency.² These iPSCs have opened new frontiers in regenerative medicine by offering a potential alternative to the use of embryonic stem cells.

Stem cell therapy involves administering stem cells or derivatives to repair, replace, or regenerate human tissues. While hematopoietic stem cell transplants for blood disorders are established treatments, many other stem cell therapies remain experimental and are not approved by the Food and Drug Administration (FDA) for routine clinical use.³

Federal Regulation of Human Cells, Tissues, and Cellular and Tissue-Based Products

The FDA regulates stem cell products that meet the definition of human cells, tissues, or cellular and tissue-based products (HCT/Ps) through its Center for Biologics Evaluation and Research (CBER).⁴ CBER's authority derives from the Public Health Service Act (42 U.S.C. § 264) and the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 301 et seq.). Applicable federal regulations are found primarily in 21 C.F.R., part 1271.

Products that meet all of the criteria under 21 C.F.R. § 1271.10 – commonly referred to as “361 HCT/Ps” – are subject to less stringent oversight. To qualify, the product must be:

- Minimally manipulated;
- Intended solely for homologous use;
- Not combined with another article (except for certain preservatives or water); and
- Either non-systemic and not dependent on the metabolic activity of living cells for its primary function, or used autologously or in a first- or second-degree blood relative.

Products that do not meet these criteria are classified as “351 HCT/Ps” and are regulated as biological drugs. These products require premarket approval through the FDA's Investigational

¹ Department of Health, Senate Bill 1617 *Legislative Analysis* (Mar. 19, 2025) (on file with the Senate Committee on Health Policy). Note that House Bill 1617 would be substantively identical to Senate Bill 1768 except for the House bill's exclusion of legislative intent and the inclusion of the use of afterbirth placental perinatal stem cells in the definition of “stem cell therapy.”

² *Id.*

³ Harvard Stem Cell Institute, *Frequently Asked Questions: Stem Cell Therapies*, available at: <https://www.hsci.harvard.edu/faq/stem-cell-therapies> (last visited Mar. 28, 2025).

⁴ U.S. Food & Drug Administration, *Center for Biologics Evaluation and Research (CBER)*, available at: <https://www.fda.gov/about-fda/fda-organization/center-biologics-evaluation-and-research-cber> (last visited Mar. 28, 2025).

New Drug (IND) and Biologics License Application (BLA) pathways, under 21 C.F.R., parts 312 and 600–680.

Enforcement and Oversight by FDA

The FDA requires establishments that manufacture or manipulate HCT/Ps to register with CBER and to comply with current Good Tissue Practices (cGTPs) under 21 C.F.R. part 1271, subpart D.⁵ These practices are designed to prevent the introduction or transmission of communicable diseases. The FDA conducts inspections, issues warning letters, and may pursue civil or criminal enforcement actions against facilities or providers offering unapproved or noncompliant stem cell therapies.

The FDA has issued warnings about the widespread marketing of unapproved regenerative medicine products, noting that approval is granted only after rigorous evaluation in clinical trials to ensure safety and efficacy.⁶ The FDA has received reports of serious adverse events associated with unapproved regenerative medicine therapies, including blindness, tumor formation, and infections.⁷ Consumers are advised to exercise caution and are encouraged to report any adverse effects or file complaints related to these products directly to the FDA.

Oversight by the Florida Boards of Medicine and Osteopathic Medicine⁸

The Florida Board of Medicine (BOM), under the Department of Health (DOH), is responsible for licensing, regulating, and disciplining medical doctors, a.k.a. allopathic physicians, pursuant to ch. 458, F.S. The Board of Osteopathic Medicine (BOOM), pursuant to ch. 459, F.S., exercises the same authority for osteopathic physicians. The BOM has the authority to impose disciplinary sanctions, including license suspension or revocation, for violations of the standard of care, deceptive advertising, or failure to obtain proper informed consent, under s. 456.072, F.S., and related provisions of the Medical Practice Act. The BOOM has the authority to impose similar disciplinary sanctions under s. 459.015, F.S., which governs grounds for disciplinary action against osteopathic physicians.

In recent years, the BOM has reviewed complaints against physicians advertising unproven stem cell treatments for conditions such as orthopedic pain and neurodegenerative disorders. Some of these physicians have been subject to formal investigations, fines, and, in certain cases, license restrictions or revocations. In 2013, the BOM revoked the licenses of two physicians in administrative cases involving stem cells for failing to meet the standard of care. In 2015, the BOM warned physicians and consumers that they should be aware of the risks involved accessing stem cell therapies and regenerative medicine that was not approved by the FDA. The

⁵ See also U.S. Department of Health & Human Services, *Current Good Tissue Practice (CGTP) and Additional Requirements for Manufacturers of Human Cells, Tissues, and Cellular and Tissue-Based Products (HCT/Ps)*, available at: <https://www.hhs.gov/guidance/document/current-good-tissue-practice-cgtp-and-additional-requirements-manufacturers-human-cells> (last visited Mar. 28, 2025).

⁶ U.S. Food & Drug Administration, *Important Patient and Consumer Information About Regenerative Medicine Therapies*, available at: <https://www.fda.gov/vaccines-blood-biologics/consumers-biologics/important-patient-and-consumer-information-about-regenerative-medicine-therapies> (last visited Mar. 28, 2025).

⁷ *Id.*

⁸ Department of Health, Senate Bill 1617 *Legislative Analysis* (Mar. 19, 2025) (on file with the Senate Committee on Health Policy).

BOM further warned that a physician providing stem cell treatment should do so only with an investigational new drug application (IND) or a single patient IND for Compassionate or Emergency Use.

Ethical Considerations and Prohibited Stem Cell Sources

Federal law does not explicitly prohibit the use of fetal-derived stem cells obtained from elective abortions; however, such use is subject to ethical oversight, particularly in federally funded research. The National Institutes of Health requires review by an ethics advisory board for proposed research involving fetal tissue.⁹

III. Effect of Proposed Changes:

Sections 1 and 2 create ss. 458.3245 and 459.0127, F.S., to authorize allopathic and osteopathic physicians, respectively, to perform stem cell therapies that are not approved by the Food and Drug Administration (FDA) and to impose requirements relating to the manufacture, use, notice, consent, and oversight of such therapies.

Subsection (1) of each section provides legislative findings and intent, recognizing the potential of stem cell therapies to advance medical treatment and improve patient outcomes. This portion of the bill emphasizes the importance of using ethically sourced stem cells and expresses the intent to prohibit the use of stem cells derived from aborted fetuses. Instead, the bill encourages the use of adult stem cells, umbilical cord blood, and other ethically obtained human cells, tissues, or cellular or tissue-based products.

Subsection (2) of each section defines key terms used throughout the section:

- “Human cells, tissues, or cellular or tissue-based products” includes specified articles consisting of human cells or tissues collected from cord blood donors who are residents of the United States and intended for implantation, transplantation, infusion, or transfer into a human recipient. The subsection also lists exclusions from that definition, including vascularized human organs, whole blood and blood derivatives, secreted or extracted products (except semen, which is a human cell, tissue, or cellular-based tissue product under the bill), certain minimally manipulated bone marrow products, ancillary products used in manufacturing, non-human-derived tissues, in vitro diagnostic products, blood vessels recovered with organs for transplantation, fetal-derived stem cells, and adipose-derived mesenchymal stem cells for transplantation.
- “Minimally manipulated” is defined in two parts: for structural tissue, it means processing that does not alter the original relevant characteristics of the tissue relating to reconstruction, repair, or replacement; for cells or nonstructural tissues, it means processing that does not alter the relevant biological characteristics of the cells or tissues.
- “Physician” is defined as a physician licensed under ch. 458, F.S., or an osteopathic physician licensed under ch. 459, F.S., acting within the scope of his or her employment.

⁹ National Institutes of Health, *Policies and Procedures for the Use of Human Fetal Tissue (HFT) in Non-Transplantation Research*, available at: <https://oir.nih.gov/sourcebook/ethical-conduct/special-research-considerations/policies-procedures-use-human-fetal-tissue-hft-non-transplantation-research> (last visited Mar. 28, 2025).

- “Stem cell therapy” is defined as a treatment involving human cells, tissues, or cellular or tissue-based products, and explicitly excludes any treatment or research using cells or tissues derived from a fetus or embryo following an abortion.

Subsection (3) of each section authorizes physicians to perform stem cell therapy not approved by the FDA, if the therapy is used for treatment or procedures within the scope of the physician’s practice and is limited to the fields of orthopedics, wound care, or pain management.

Subsection (3) of each section also establishes requirements relating to the origin and preparation of the stem cells used. The stem cells must be manufactured in a clean room certified by the FDA for the use of high-efficiency particulate air (HEPA) filtration or ultra-low penetration air filtration to minimize contamination. Additionally, the facility where the stem cells are retrieved, manufactured, and stored must be registered and regulated by the FDA and licensed or registered with one of four specified organizations: the National Marrow Donor Program, the World Marrow Donor Association, the Association for the Advancement of Blood and Biotherapies, or the American Association of Tissue Banks.

Subsection (4) of each section requires physicians to comply with applicable current good manufacturing practices for the collection, removal, processing, implantation, and transfer of stem cells or stem cell-containing products. These practices must be consistent with the requirements of the Federal Food, Drug, and Cosmetic Act and relevant regulations under 21 C.F.R., part 1271.

Subsection (5) of each section requires a physician to deliver a specific written notice to the patient before performing a stem cell therapy. The notice must state that the physician performs one or more stem cell therapies that have not yet been approved by the FDA and must advise the patient to consult with their primary care provider before undergoing any such therapy.

Subsection (6) of each section specifies the formatting and delivery requirements for the written notice. The notice must be printed on paper at least 8.5 inches by 11 inches in size and in no less than 40-point type. It must be prominently displayed at the entrance to the physician’s office and in an area visible to patients within the office. In addition, the notice must be included in all advertisements for the stem cell therapy and must appear in a font size no smaller than the largest font size used in the advertisement.

Subsection (7) of each section requires that physicians obtain a signed consent form from the patient or, if the patient is not legally competent, from the patient’s representative, before performing the therapy. The form must include, in language understandable to the patient or representative, a description of the nature and character of the treatment, a statement about the treatment’s FDA approval status, the anticipated results, alternative treatment options, and the recognized serious possible risks, complications, and benefits of the proposed treatment and of any alternatives, including the possible consequences of not undergoing treatment.

Subsection (8) of each section identifies two categories of physicians to whom the requirements of the section do not apply. The first exemption applies to a physician who has obtained FDA approval for an investigational new drug or device for the use of human cells, tissues, or cellular or tissue-based products. The second exemption applies to a physician who performs stem cell

therapy under an employment or other contract on behalf of an institution that is certified by one of the following organizations: the Foundation for the Accreditation of Cellular Therapy; the Blood and Marrow Transplant Clinical Trials Network; the Association for the Advancement of Blood and Biotherapies; or another entity with expertise in stem cell therapy as determined by the Department of Health (DOH).

Subsection (9) of each section provides that a violation of any provision in the section may subject the physician to disciplinary action. The appropriate regulatory board or the DOH may enforce compliance and impose sanctions.

Subsection (10) of section 1 requires the Board of Medicine to adopt rules to implement the section in consultation with the Board of Osteopathic Medicine. Conversely, subsection (10) of section 2 requires the Board of Osteopathic Medicine to adopt rules to implement the section in consultation with the Board of Medicine.

The bill authorizes physicians to administer stem cell therapies that have not been approved by the FDA. This action may expose physicians to federal regulatory enforcement. If a physician or supplier administers or distributes stem cell products in violation of FDA requirements, the FDA may take a range of enforcement actions, including issuing warning letters, initiating civil or criminal proceedings in coordination with the U.S. Department of Justice, seeking injunctions to prevent continued noncompliance, and disqualifying parties from participating in clinical investigations. In addition, the FDA has authority to issue orders for the retention, recall, destruction, or cessation of manufacturing of human cells, tissues, or cellular- and tissue-based products (HCT/Ps) when it has reasonable grounds to believe the products were manufactured in violation of applicable regulations.

The bill takes effect July 1, 2025.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill has an indeterminate yet negative fiscal impact on state expenditures. The Department of Health (DOH) will incur nonrecurring costs associated with rulemaking and updating systems, and these costs can be absorbed within existing resources.

According to the DOH, there may be an indeterminate fiscal impact on its Bureau of Enforcement to develop criteria for exemption determinations, monitoring compliance, and investigate violations. These costs can likely be absorbed within existing resources.¹⁰

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill creates the following sections of the Florida Statutes: 458.3245 and 459.0127.

¹⁰ Department of Health, Senate Bill 1617 *Legislative Analysis* (Mar. 19, 2025) (on file with the Senate Committee on Health Policy).

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Health Policy on April 1, 2025:

The underlying bill defined “health care providers” as physicians licensed under chs. 458 and 459, F.S. The CS replaces the term “health care providers” with “physicians” and relocates the new section from ch. 456, F.S., which generally applies to all health care practitioners, to chs. 458 and 459, F.S., which apply specifically to allopathic and osteopathic physicians, respectively.

The CS establishes that the Board of Medicine and Board of Osteopathic Medicine must adopt rules to implement the new sections, rather than the Department of Health (DOH). The CS also clarifies that enforcement authority rests with the boards and the DOH, not the Agency for Health Care Administration.

- B. **Amendments:**

None.

Franchise Disclosure Document



QC Franchise Group LLC,
a South Carolina Limited Liability
Company
227 W. Trade Street, Suite 2160
Charlotte, NC 28202
Phone: 800-269-1421
qcfranchiseinfo@qckinetix.com
www.qckinetix.com/franchise/

The franchise offered is for the operation of a franchised QC Kinetix® business that, through the use of licensed medical providers, provides non-surgical regenerative medicine services using QC Kinetix® system. The total investment necessary to begin the operation of a single unit QC Kinetix® franchise ranges from \$265,100 to \$670,080. This amount includes \$55,000 that must be paid to the franchisor or its affiliates for a single unit franchise.

If we agree, in our sole discretion, to enter into a Development Agreement with you for new QC Kinetix® Businesses, you must pay a development fee equal to the sum of the initial franchise fees for each unit to the development agreement with such fees as set forth in Item 5. The minimum number of units required to be operated under a development agreement is two (2). The total investment necessary to begin the operation of a QC Kinetix® franchise development ranges from \$365,100 to \$770,080 (for 2 units) and \$400,100 to \$805,080 (for 3 units). This amount includes \$100,000 (for 2 units) or \$135,000 (for 3 units) that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least fourteen (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: Mark Montini, QC Franchise Group LLC, 227 W. Trade Street, Suite 2160, Charlotte, NC 28202, Phone: 800-269-1421, LEGAL@qckinetix.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire 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 (Federal Trade Commission) at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 30, 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 Exhibits F & G.
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?	Exhibit H 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 QC Kinetix 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 is it like to be a QC Kinetix franchisee?	Exhibits F & G list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions to continue operating 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 B.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in South Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in South Carolina 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.** 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.
4. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (See Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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

MICHIGAN SPECIFIC-NOTICE

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 prohibition of the right of a franchisee to join an association of franchisees.

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

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 each failure.

A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchised 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' notice of franchisor's intent not to renew the franchise.

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

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.

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

The failure of the proposed transferee to meet the franchisor's then current reasonable qualification or standards.

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

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

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.

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).

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general. Any questions regarding this notice should be directed to the Attorney General's Department for the State of Michigan, Consumer Protection Division, Franchise Section, 525 W. Ottawa Street, Lansing, Michigan 48909, (517) 373-7117.

Franchise Disclosure Document

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

The Franchisor is QC Franchise Group LLC, a South Carolina limited liability company, doing business as “**QC Kinetix®**.” For ease of reference, QC Franchise Group LLC will be referred to as “**we**,” “**us**,” “**our**,” “**QC Kinetix®**,” or “**Franchisor**” in this Franchise Disclosure Document (“**Disclosure Document**”). We will refer to the person or entity who buys the Franchise as “**you**,” “**your**,” or “**Franchisee**,” throughout this Disclosure Document. If you are a corporation or limited liability company, partnership or other entity, certain provisions of the Franchise Agreement also apply to your shareholders, members, partners or owners and will be noted. Any such entity may be referred to as an “**Entity**” and those who own the Entity may be referred to as “**Owners**.”

We are a South Carolina limited liability company organized on January 13, 2020. Our principal business address is 227 W. Trade Street, Ste. 2160, Charlotte, NC 28202. We operate and sell franchises for the operation of a business known as “QC Kinetix®” (the “**Business**” or “**Franchise**” or “**Franchise Business**”). We grant to persons or entities which meet our qualifications the right to open and operate a Franchise at a specific location in accordance with our then-current franchise agreement, a copy of which is attached to this disclosure document as **Exhibit A (“Franchise Agreement”)**. We began offering franchises of the type described in this Disclosure Document in December 2020 and QC Kinetix® has never offered franchises in any other line of business. We do not operate the type of business being franchised nor do we conduct other business activities. Our agents for service of process are disclosed in **Exhibit B**.

Our Parents, Predecessors and Affiliates:

We have no parents. We have no predecessors. The following described companies, although not technically affiliated with us, are owned by the same owners namely; Dr. Richard Schaffer, Justin Crowell and Tyler Vail, with varying percentages of ownership. For convenience, the entities they own are referred to as “**affiliates**”, due to the common control. None of our affiliates have offered franchises for this business or any other lines of business.

QC Holdings Group LLC (“**QC Holdings**”) was formed on April 1, 2019, and is a South Carolina limited liability company. Its physical address is 227 W. Trade Street, Ste. 2160, Charlotte, NC 28202. QC Holdings does not conduct commerce but is the holder of the QC Kinetix service marks and trademarks.

QC Kinetix, PC (“**QCPC**”) and QC Kinetix LLC (“**QCSC**”) operate businesses similar to the type being franchised. Our affiliate QCPC was formed on January 9, 2018, as a North Carolina professional corporation. QCPC’s physical address is 227 W. Trade Street, Ste. 2160, Charlotte, NC 28202. Our affiliate QCSC was formed on February 24, 2017, as a South Carolina limited liability company. QCSC’s physical address is 180 Wingo Way, Ste. 201, Mount Pleasant, SC 29464.

Mathis Ferry Management, LLC (“**MFM**”) was formed on January 23, 2015, as a South Carolina limited liability company. MFM’s physical address is 227 W. Trade Street, Ste. 2160, Charlotte, NC 28202. MFM manages QCNC.

QC Health Group, LLC (“**QCHG**”) was formed on February 4, 2022 as a North Carolina limited liability company with an address of 227 W. Trade Street, Ste. 2160, Charlotte NC 28202. QCHG is in the business of producing and selling supplements.

We and QCPC, QCSC, MFM, and QC Holdings are independent entities, and QCPC, QCSC, MFM and QC Holdings do not assume any of our legal or other obligations, of each other. None of our affiliates have offered or currently offer franchises in any line of business, and except as provided in this Disclosure Document, do not provide products or services to our franchisees.

Our Business and the Franchises Offered:

We sell franchises for the right to establish and operate a QC Kinetix® Business offering non-clinical services related to the field of non-surgical regenerative medicine, through licensed medical providers, in a distinctive and innovative environment in accordance with our standards, specifications, business techniques, and procedures (the "**System**"). Some standards, specifications, methods, and procedures will be stated in our confidential Operations Manual ("**Operations Manual**") and other manuals which are made available either in hard copy or electronically, all of which may be changed, improved, and further developed by us periodically. The System is intended to enhance the practice of non-surgical regenerative medicine through the provision of attendant non-clinical services. Non-surgical regenerative medicine treatments are focused on musculoskeletal pain caused by injuries, arthritis, tendonitis, tendonopathies, muscle tears, ligaments tears and others. Presently, qualified franchisees and QCHG may sell QC Kinetix branded, Joint Health and CBD Soreness Cream (collectively, "**Supplements**"). To sell Supplements you must first determine any state or local laws regarding their retail sales and then execute the Supplement Distribution Agreement included as Schedule 6.

Our clinics typically operate one day a week. We permit franchisees to sublease their QC Kinetix location to other medical providers who occupy the premises on non-clinic days and sign a form of sublease following the policies set forth in the Manual.

The System is characterized by a recognizable exterior and interior layout, content, décor, color scheme, murals, signage and furnishings, distinctive designs, and layouts; standards and specifications for operations; rules, training and assistance, and other methods and procedures relating to the establishment and operation of a QC Kinetix® Business.

We may, in our sole discretion, offer developers the opportunity to enter into Development Agreements with us for the development of new QC Kinetix® Businesses. The Development Agreement provides for the grant of rights to open and operate new QC Kinetix® Businesses in a particular territory through separate Franchise Agreements for reduced initial franchise fees in consideration of the developer's agreement to open and operate a specific number of QC Kinetix® Businesses within the territory, subject to a development schedule. Upon establishing each additional outlet under the development schedule, a developer may be required to sign the then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

Due to various federal and state laws regarding the practice of medicine, and the ownership and operation of medical practices and health care businesses that provide medical services, it is critical that you do not engage in practices that are, or may appear to be, the practice of medicine. We anticipate that you, as the franchisee, may have several options with respect to your business set up, with the actual set-up being pursuant to your state's laws. One option may be that the franchisee entity is owned entirely by Clinical Personnel (as defined below). Another option may be that the franchisee entity is owned by both Clinical Personnel and non-clinical / non-professionally medically licensed persons. And a third option may be that you are a "**lay**" (non-professional) management services organization or "**MSO**," and not a physician, professional corporation, professional association, or professional limited liability company (collectively

referred to as a "PC"). As the franchisee, the MSO will enter into a Franchise Agreement with us and will enter into a Management Services Agreement (which you must submit to us for our review) with the appropriately structured PC¹ that furnishes the clinical services, though appropriately licensed clinical personnel (collectively the "**Clinical Personnel**"). If state law permits, the MSO may be owned by the same individuals who own the PC, but is a separate "**lay**" business entity. The term "**Clinical Personnel**" refers collectively to physicians and medical personnel (including, for example, physician assistants, nurses, technicians, and medical assistants) who actually render patient care services. Commonly, an appropriately licensed physician or physicians must own the PC ("**Affiliated Physician(s)**").

If you can demonstrate to us that applicable laws in the state where your QC Kinetix® Business is located permit the same entity to own/manage a QC Kinetix® Business and render medical services, then "you," the franchisee, may be owned and operated by one or more physicians or their PC and the PC will enter into the Franchise Agreement with us. In such states, you must sign a Waiver of Management Services Agreement in the form we prescribe.

When an MSO is the Franchisee, the PC must notify clients that they are being treated by Clinical Personnel of the PC. The MSO may not employ the Clinical Personnel that render patient care services. All patient intake forms must inform clients that their patient-doctor relationship is with an individual licensed physician or his or her PC, not with the franchisee, which is an MSO.

To operate a QC Kinetix® Business, you (the "**Franchisee**") will enter into a Franchise Agreement with us (**Exhibit A**) and, if required, a Management Services Agreement ("**MSA**") with a PC that will employ or retain the Clinical Personnel who render medical services. The term of the MSA must be at least as long as the term of the Franchise Agreement. Under the MSA, the MSO as the Franchisee will provide the PC with non-clinical management, administrative services, and support consistent with the System to support the PC's practice and its delivery of non-surgical regenerative medicine management services, consistent with all applicable laws and regulations. If you are required to have an MSA, you must have an MSA in effect with a PC at all times during the operation of the Franchised Business and term of the Franchise Agreement.

Whether an MSO or a PC is the Franchisee and signs a Franchise Agreement with us, it is the PC that will engage (whether through employment, contract, or other affiliation) Clinical Personnel unless you meet the standards and sign a Waiver of Management Services Agreement, the MSO as the Franchisee will not provide any actual clinical services, nor will it supervise, direct, control or suggest to the PC or its Clinical Personnel the manner in which they provide clinical services to its clients.

Due to various federal and state laws regarding the practice of medicine, and the ownership and operation of medical practices and health care businesses that provide medical services, you may not engage in practices that are, or may appear to be, the practice of medicine if you operate the Franchised Business in a state that forbids this activity. You, alone, are solely responsible for complying with all laws in the state where you intend to operate the QC Kinetix® Business including laws that regulate the corporate practice of medicine. Should we at any time determine, in our sole discretion, that either the Franchise Agreement, the MSA, or the relationship between or among parties do not conform to then applicable laws, regulations, or both, you must enter into such amendments or agreements we require to conform to applicable laws and regulations.

¹ State laws control who must own the PC. The laws vary from state to state.

You are responsible for investigating what laws regarding the practice of medicine apply and what applies to the sale of supplements from the Franchised Business and for complying with them at your expense. The laws applicable to your QC Kinetix® Business may change. If there are any changes in laws or regulations that would render your operation of the QC Kinetix® Business through a single entity (or otherwise) in violation of any laws or regulations, you must immediately advise us of the change and of your proposed corrective action to comply with such laws and regulations.

You, or your associated medical practice will enter into the form of Business Associate Agreement with us ("BAA") substantially in the form attached to this disclosure document as (**Exhibit C**).

General Market and Competition:

The regenerative medicine industry is highly competitive. The market for non-surgical regenerative medicine services is developed in certain markets and still developing in others. The number of companies offering such services will therefore vary depending on a particular geographic region. There are many other companies that operate treatment centers, some of which have recently entered the market and others that have been operating for a few years and are continuing to expand. These treatment centers may be associated with national or regional chains (whether franchised or not) or local, single-site treatment center companies. The cell regeneration service industry is highly competitive.

Laws and Regulations Affecting the Business:

There may be state and local laws, regulations and ordinances applicable to the operation and management of a QC Kinetix®. You should consider these and other applicable laws and regulations when evaluating your purchase of a franchise. Under the Franchise Agreement, you are solely responsible for understanding and complying with relevant federal, state and local laws as they pertain to a Kinetix® business and general businesses. We advise that you consult with an attorney to ensure compliance with all relevant laws.

Your QC Kinetix® Business is subject to federal, state and local laws of a general nature. Most states and local jurisdictions have enacted laws, rules, regulations, and ordinances which may apply to the operation of your Business, including those that: (a) require a permit, certificate or other license, including but not limited to a medical license appropriate for each of your personnel; (b) establish general standards, specifications, and requirements for the construction, design, and maintenance of the business premises; (c) regulate matters affecting the health, safety, and welfare of your customers, such as restrictions on smoking and availability of and requirements for public accommodations, including restrooms; (d) set standards pertaining to employee health and safety; (e) regulate matters affecting requirements for accommodations for disabled persons; (f) set standards and requirements for fire safety and general emergency preparedness; and (g) regulate the proper use, storage, and disposal of waste. You must investigate and comply with all applicable laws and regulations.

If we license you to manage a QC Kinetix® Business, we are not engaging in the practice of medicine, nursing or any other profession that requires specialized training or certification. The Franchise Agreement will not interfere, affect or limit the independent exercise of medical judgment by the PC's Clinical Personnel. Neither you nor the PC may employee, contract, or affiliate with any Clinical Personnel listed or included on: (i) the United States Department of Health and Human Services ("HHS") Office of Inspector General's ("OIG") List of Excluded Persons/Entities; (ii) the excluded provider list promulgated

by the applicable state Medicaid program; or (iii) the General Services Administration (“GSA”) List of Parties Excluded from Federal procurement and non-procurement programs.

In addition to the legal considerations applicable to the ownership and operations of a business in general, QC Kinetix® Business franchisees should be particularly aware of the various federal, state, and local statutes, rules, regulations, ordinances, requirements, directives, and guidance relating specifically to the furnishing of health care services and items (“**Health Care Requirements**”). Health Care Requirements impose restrictions and requirements relating to many aspects of the rendering of health care services and items, including those relating to: health care facility licensing; billing, claims submission and reimbursement; limitations on coverage by Medicare and/or other federal and state health care programs; patient rights and privacy; personnel qualifications/licensing; Certificates of Need, fee-splitting prohibitions, and fraud and abuse. You must comply with all state and local laws and regulations regarding the operation of regenerative cell therapy center. Violations of Health Care Requirements may subject a person or entity to civil and/or criminal liability. Health Care Requirements further address the following subject areas and others that may be enacted from time to time: the practice of medicine and the provision of health care services; the relationship of providers and suppliers of health care services, on the one hand, and physicians and clinicians, on the other, including anti-kickback laws (the federal Anti-Kickback Statute and similar state laws); restrictions or prohibitions on the corporate practice of medicine and fee splitting; physician self-referral restrictions (the federal “Stark Law” and similar state laws); payment systems for medical benefits available to individuals through insurance and government resources (including Medicare and Medicaid); privacy of patient records (including the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”)); use of medical devices; and advertising of medical services; regulations regarding the safety and effectiveness of medical matters, including drawing blood (enacted by the Federal Food, Drug and Cosmetic Act (“**FDCS**”) and the Food and Drug Administration (“**FDA**”)); nutritional supplements (“**FDA**”) and regulations involving human tissue products, human cells and tissue-based products (regulation 21 CFR 1271, also known as the Human Cells, Tissues, and Cellular and Tissue-Based Products (“**HCT/Ps**”)),. You and any affiliated PC are responsible for complying with all applicable laws.

This discussion of Health Care Requirements is general and is not a substitute for individual legal advice and counsel or guidance from regulatory agencies, as appropriate. You agree to manage your QC Kinetix® Business in full compliance with all applicable laws, including Health Care Requirements. We are not responsible for notifying you of changes to the Health Care Requirements summarized in this Disclosure Document. You are solely responsible for investigating and monitoring all changes and for keeping abreast of new Health Care Requirements.

We presently only accept private payment for services from clients and do not rely on insurance reimbursement. Although we expect to provide references to a resource or resources to assist you, you are responsible for HIPAA compliance with your franchise operations, if applicable. We have included a Business Associate Agreement relating to our obligations to you as a business associate in Exhibit C.

We encourage you to engage the services of legal counsel knowledgeable in health care regulation to advise you on the applicable federal, state and local laws, rules and regulations and to counsel you on compliance with them, including all licensing requirements.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer: Mark Montini, CFE. Mr. Montini commenced work as our Chief Executive Officer in June 2024, and is based in Charlotte, North Carolina. Prior to that, he was our Chief Marketing Officer starting in May. From September 2021 to February 2024, he was Chief Marketing Officer with Premium Service Brands, located in Charlottesville, VA. From October 2019 to March 2021, he was Chief Marketing Officer for Tropical Smoothie Cafe, officing in Atlanta, GA.

Chief Financial Officer: Jeff Morris. Mr. Morris became our Chief Financial Officer in December 2022, and is based in Charlotte, North Carolina. From June 2021 until December 2022, Mr. Morris was an Interim CFO Consultant with Accordion Partners LLC., in Charlotte, North Carolina. From May 2018 to May 2021, he was Vice President, Corporate Controller for CompuCom Systems in Fort Mill, South Carolina. From January 2017 to May 2018, he was Vice President of External Reporting and Internal Controls for Office Depot in Boca Raton, Florida.

Medical Director: Dr. Mitchell Sheinkop. Dr. Sheinkop commenced work as our Medical Director in February 2024 and is based in Chicago, IL. Prior to that, he was the President and Medical Director of Cellular Orthopedics from January 2020 to September 2023 in Chicago, IL. Beginning in February of 2024 Dr. Sheinkop became a Board Member of the Institute of Regenerative and Cellular Medicine IRB and Director, Orthopedic Program for Weil Foot-Ankle and Orthopedic Institute.

Medical Director (for our affiliates): Justin M. Garzone, DO. Dr. Garzone has served as a Medical Director for the Company since February of 2021. From October 2020 to October 2021, he was a Physician at the Charleston Pain and Rehabilitation Center in Charleston, South Carolina. From February 2020 to October 2020, he was the Regional Medical Director for Doctor's Making Housecalls, in Charleston, South Carolina.

Vice President of Innovation: Ginger Arntz, MSN, FNP-C. Ms. Arntz commenced work as our Vice President of Innovation as of January 2025, and is based in Summerville, SC. From July 2024 till December 2024, Ms. Arntz was our National Director of Innovation in Summerville, SC. From November 2022 till June 2024, she was Director of Business Development for us and QC Kinetix LLC. From October 2021 till October 2022, she was a Medical Practitioner for multiple QC Kinetix clinics in NC and SC. From November 2019 till September 2021, she was Regional VP of Clinical Operations for Elite Patient Care, in Summerville, SC.

Vice President of Medical Operations: Ali White, PA-C. Ms. White commenced work as our Vice President of Medical Operations as of January 2025 and is based in Charleston, SC. Prior to that, she was Director of Medical Operations for us from September 2024 to Dec 2024 in Charleston, SC. From June 2022 till August 2024, she was our Medical Project Manager in Charleston, SC. From January 2022 till June 2022, Ms. White was a Medical Practitioner for a QC Kinetix clinic in Charleston, SC. From December 2021 till June 2022, she also worked part time as a Medical Practitioner for QTCM, a Leidos Company, in Charleston, SC. From January 2019 through July 2021, Ms. White completed her master's degree and medical training as a Physician Assistant at Albany Medical College in Albany, NY, and thereafter completed her National Certifying Board Examination in Charleston, SC.

Vice President of Growth: Corey Riser, D.C., C.F.M.P. Mr. Riser has served as our Vice President of Growth as of March 2025, officing in Fort Mill, South Carolina. He was our National Sales Director from June 2021 to February 2025 out of Fort Mill, South Carolina. From September 2020 to August 2021, he was also the Consultation Coordinator for us in Charlotte, North Carolina. From November 2017 to present, he is also the Owner / CEO of Functional Health Center of the Carolinas officing in Fort Mill, South Carolina.

Director of Marketing: Spencer Perkins. Mr. Perkins became our Director of Marketing in August 2024, and is based in Charlotte, North Carolina. From February 2024 through August 2024, Spencer served as a Franchise Advisor for HorsePower Brands based in Omaha, Nebraska. Prior to this, Mr. Perkins served as the Chief Marketing Officer for HTeaO from September 2020 to February 2024 in Fort Worth, Texas. From December 2019 to September 2020, Mr. Perkins served as Franchise Owner of Clean Juice, Turkey Creek, in Knoxville, Tennessee. Mr. Perkins has served as a Board Member of Philippi Inv Inc. in Charlotte, North Carolina, since January 2020.

Director of Clinical Training and Performance: Ashly Gonzalez. Mrs. Gonzalez commenced work as our Director of Clinical Training and Performance beginning January 2025 and is based in Bradenton, FL. Prior to that, she was our Franchise Sales Manager from January 2024 through January 2025 in Bradenton, FL. From October 2023 to December 2023, Ashly was a Regional Manager for a QC Kinetix Franchise located in Tampa, FL. From July 2017 through February of 2022, Mrs. Gonzalez worked as Head of Aesthetics for One Agora Health, located in Bloomington, MN.

Board of Directors:

Justin Crowell. Justin Crowell is a co-founder of QC Kinetix®. He served as our Chief Executive Officer since our formation on January 13, 2020 through January 2022. From 2017 to present, Mr. Crowell has also been serving as Operations Director of QCNC and QCSC.

Tyler Vail, PA-C. Tyler Vail is a co-founder of QC Kinetix®. He served as our President since our formation on January 13, 2020 through January 2022. From 2017 to present, Mr. Vail has also been serving as Director of Regenerative Medicine of QCNC and QCSC.

Chief Medical Officer: Richard S. Schaffer, Jr., M.D. Dr. Schaffer is a co-founder of QC Kinetix®. He has been consulting as our Chief Medical Officer since our formation on January 13, 2020. Dr. Schaffer has been responsible for medical operations for QC Franchise Group LLC since our inception. From 2017 to present, Dr. Schaffer has also been serving as Medical Director of QCNC and QCSCM.

ITEM 3 **LITIGATION**

Pending Litigation:

None

Concluded Litigation:

Dennis D. Mckinzie and Cindy Mckinzie v. QC Kinetix Franchise Group LLC et al, Case No. 348 351069 24 (Dist. Ct. Tarrant Cty., Tex. 348th Judicial Dist. Mar. 27, 2024). On March 27, 2024, a former patient and her spouse who paid for patient's treatment filed a complaint against a QC Kinetix franchisee

located in Fort Worth, Texas ("Texas Franchise"), the owners of the Texas Franchise, QC Franchise Group LLC, an athlete endorsing QC Kinetix treatments, and a patient consultant and former employee of the Texas Franchisee. In the complaint plaintiffs allege fraudulent misrepresentation and material breach of contract related to QC Franchise Group LLC's alleged false statements that purportedly fraudulently misrepresented the effectiveness of regenerative medicine on its website and advertisements. The plaintiffs sought money damages, compensatory damages, special damages, and compensation for interest and cost. In February 2025, the lawsuit was dismissed with prejudice and the plaintiffs made no recovery.

Jeff M. Edwards v. Shane Fay D/B/A QC Kinetics (Fort Worth) and QC Franchise Group, LLC, Cause No. 141-360472-24 (Dist. Ct. Tarrant Cty., Tex. 348th Judicial Dist. According to the factual allegations in Plaintiff's Original Petition, Plaintiff visited a "QC Kinetix" clinic in Fort Worth for treatment of pain in his knees, was examined by clinic's staff, was dissatisfied with the advice given to him by the clinic's staff, left without further treatment, never paid any money for the visit, and never returned to the clinic. From these alleged facts, Plaintiff filed a lawsuit (for fraudulent and negligent misrepresentation) against the Fort Worth QC Kinetix franchisee ("Defendant Shane Fay, Individually and d/b/a QC Kinetix (Forth Worth)") and the national franchisor ("Defendant QC Franchise Group LLC"). In March 2025, the lawsuit was dismissed with prejudice and the plaintiff made no recovery

Robertson v. QC Franchise Group LLC et al, Civil Action No. 3:23-cv-03333 (C.D. Ill. Nov. 16, 2023). Plaintiff, Dawn Robertson, a former patient of franchised QC Kinetix clinic located in Champaign, Illinois, filed a suit in the United States District Court for the Central District of Illinois on November 16, 2023, against QC Franchise Group LLC; Regenerative Health of Champaign, LLC, the operator of the QC Kinetix clinic that treated Plaintiff; and the lenders for the treatments, Security First Bank and Med-Den Funding LLC. In count one, Plaintiff alleged that QC Franchise Group LLC and Regenerative Health of Champaign, LLC, violated the Illinois Consumer Fraud Act (815 ILCS 505/2) by advertising a costly treatment based on non-FDA-approved use of drugs without clear disclosure and arranging high-interest financing for it. Plaintiff seeks actual damages; punitive damages; injunctive relief; attorney's fees, litigation expenses, and costs of suit; and further relief as the court deems proper. Plaintiff also seeks to bring this claim on behalf of a class, pursuant to Fed.R.Civ.P. 23(a) and 23(b)(3). In count two, Plaintiff brought a claim under the Illinois Consumer Fraud Act alleging that QC Franchise Group LLC and Regenerative Health of Champaign, LLC, violated 815 ILCS 505/2 by accepting money for payment for treatment pursuant to financing contracts which did not contain the notice required by 16 C.F.R. part 433. Plaintiff seeks actual damages; punitive damages; injunctive relief; attorney's fees, litigation expenses, and costs of suit and such other and further relief as the court deems proper. Plaintiff also seeks to bring this claim on behalf of a class, pursuant to Fed.R.Civ.P. 23(a) and 23(b)(3). In counts three, Plaintiff brought a claim under the Illinois Consumer Fraud Act against Med-Den Funding, LLC, and Security First Bank. Count three had no allegations against QC Franchise Group LLC. In count four, Plaintiff brought a claim under the Nebraska Uniform Deceptive Trade Practices Act against Med-Den Funding, LLC, and Security First Ban. Count four had no allegations against QC Franchise Group LLC. In Count five, Plaintiff alleged that Med-Den Funding, LLC, and Security First Bank violated 18 U.S.C. §1962(c), §1343 by engaging in a pattern of wire fraud through false representations and omission of required notices, violating RICO statutes. Plaintiff sought actual damages; treble damages; attorney's fees, litigation expenses, and costs of suit; and any other relief deemed proper by the court. Plaintiff also sought to bring this claim on behalf of a class, pursuant to Fed.R.Civ.P. 23(a) and 23(b)(3). Med-Den Funding, LLC, and Security First Bank have settled this claim. On April 3, 2024, Defendant Med-Den Funding, LLC, settled with Plaintiff. On April 30, 2025, the case was settled for the sum of \$40,000, without either party admitting liability, and the case was dismissed with prejudice.

Pending Arbitration

Stephen Alexander v. QC Franchise Group LLC. On November 27, 2024 Mr. Alexander, a QC franchisee filed an arbitration action with the American Arbitration Association with a claim totaling two million dollars. The claim for damages was alleged to be based upon the unlawful sale of securities, as well as the franchisor's numerous misrepresentations that were designed to and did in fact induce the claimant to purchase two QC Kinetix franchises. The claims include violations of Florida Securities Laws, Breach of Contract, Violations of FDUPTA and FFA as well as common law fraud and misrepresentation. As of the date of the disclosure document, the parties have mutually agreed to mediate the dispute, which is ongoing and the arbitration has been stayed pending mediation.

Concluded Arbitration

QC Franchise Group LLC v. RMCNV Holdings LLC and David Wachtel. On February 21, 2025 we filed an arbitration action against a franchisee in Nevada that ceased operating its first location in Las Vegas, Nevada. In April 2025, a mutually agreed upon arbitration award was granted in our favor, for franchise agreement post termination minimum royalties in the sum of \$60,000 plus attorneys' fees.

No other Litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fee – Single Unit

The Initial Franchise Fee for a single area Franchise ("**Initial Franchise Fee**") is \$55,000 for a QC Kinetix® Business in a protected area.

We have established a program for qualified veterans of the United States who have been honorably discharged to receive a discount of \$10,000 off the Initial Franchise Fee when purchasing a franchise. This program does not apply to additional franchises. We retain the right in our sole discretion to modify or terminate this veteran discount program at any time with or without notice.

In our 2024 fiscal year, the single unit initial franchise fees were uniform at \$55,000, with a few exceptions. In relation to the sale of a Development Area in Pennsylvania the Development fee was waived. Two clinics that were previously operated by an affiliate were sold to a franchisee and the initial franchise fees were not specified but were considered to be included in the purchase price under an asset acquisition agreement. There is no formula used to reduce the initial franchise fees and no installment payments for the initial fee, are applicable.

The Initial Franchise Fee is paid in a lump sum when the Franchise Agreement is signed and deemed fully earned and nonrefundable upon payment per the terms of the Franchise Agreement.

Initial Franchise Fee – Development Agreement

If we determine in our discretion to enter into a Development Agreement with you for new QC Kinetix® Businesses, you must pay to us a non-refundable development fee at the time of signing your Development Agreement equal to the sum of the initial franchise fees for each unit under the development agreement set forth below. The initial franchise fee for each Business location, in consideration of the developer's agreement to open and operate a specific number of QC Kinetix® Businesses within the territory, is as follows:

<u>Number of QC Kinetix® Business Units</u>	<u>Initial Franchise Fee for Each Location</u>	<u>Development Fee</u>
2 Units	\$50,000 each	\$100,000
3 Units	\$45,000 each	\$135,000
4 Units	\$41,250 each	\$165,000
5 units	\$37,000 each	\$185,000
Each unit after 5	\$20,000 each	

The total Development Fee is paid in a lump sum when the Development Agreement is signed and is deemed fully earned and nonrefundable upon payment per its terms. There will not be an additional amount due as the Initial Franchise Fee for each location. The minimum number of units required to be opened under a development agreement is two (2).

ITEM 6
OTHER FEES

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	Eight Percent (8%) of weekly Gross Revenues, with a \$1,000 minimum royalty in months 3-5 after opening, and \$1,500 minimum royalty starting in month 6 after opening through the end of the term.	Due weekly – each Tuesday of the following week. The minimum royalty is collected monthly if Royalty Fees do not meet the minimum threshold.	See Note 1.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
*Failure to attend scheduled Medical Provider Training	Currently, \$1,500 if a medical provider fails to attend the scheduled training	When the training class begins without the provider trainee being present	No Note
*Fees for Technology Related Services and Support	Currently up to \$1,795 per month for software and ongoing support.	Due to us on a monthly basis. Due to our approved vendors as incurred.	Payable to us, our affiliates and/or approved vendors. See Note 2.
*Local Marketing Fees	In the first month, \$20,000, per franchise location provided that by the sixth month and then after, can be raised to \$40,000 monthly. The actual amount will be determined by us based on the market where your Business is located.	Due on a monthly basis to approved vendors.	See Note 3. Spent by you to promote your Franchise Business locally.
*Brand Development Fee / Fund	Currently One Percent (1%) of weekly Gross Revenues.	Due on a weekly basis – each Tuesday of the following week.	We may increase this fee however your total Fund contribution will not exceed Two Percent (2%) of Gross Revenue in any calendar year. See Note 4.
*Call Center Fee	Between \$1,500 and \$2,500 per Franchise unit per month depending on the number of clinics in your Territory	Due to us on a monthly basis.	See Note 5
Interest and Late Fees	One and a Half Percent (1.5%) per month or maximum rate allowed by law, plus \$25 provided the total of Interest and Late Fees cannot exceed the maximum amount permitted to be charged by applicable law.	On due date of fees.	Payable to us upon occurrence. See Note 6.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Audit Expenses	Cost of Audit Fees plus interest @ Eighteen Percent (18%) per annum (One and a Half Percent (1.5%) per month) up to the maximum interest allowed by law.	Ten (10) days after receipt of audit report.	Payable only if you understate Gross Revenues by Two Percent (2%) or more.
Transfer Fees	\$15,000 if transferred to an individual or entity that is new to QC Kinetix® System. \$7,500 if transferred to a current franchisee in QC Kinetix® System and approved by us. A \$1,500 fee if you transfer ownership between existing owners that have already been approved by us or if you are adding a new owner that does not change majority ownership of the Franchisee entity.	Prior to the execution date of the Franchise Agreement related to the transfer or sale.	Payable to us when the Franchise Agreement is signed or a material portion of the assets in the business is transferred.
*Additional Training	\$500 per additional person per day, plus the cost of travel and related expenses.	Prior to Commencement of the Additional Training.	While the Initial Franchise Fee includes the cost of our Initial Training program, the Initial Franchise Fee only covers training for up to two (2) individuals. See Note 7.
*Continuing Education	\$500 per person per day plus the cost of travel and related expenses.	At time training is scheduled and/or additional assistance is requested by you.	See Item 11. See Note 7.
*Convention Unattendance Fee	\$1,000 per day of the national convention you do not attend.	Immediately after each national convention	Payable to us. See Item 11
Relocation Fee	\$15,000	Payable upon our notice to you that your relocation has been approved.	Payable to us. See Note 8.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
*Project Management Fee	\$15,000	As Incurred.	Payable to approved vendor. See Note 9.
Renewal Fee	Ten Percent (10%) of the then-current Initial Franchise Fee.	Prior to the execution date of the successor Franchise Agreement.	You must comply with all of our renewal requirements.
Renovation and Maintenance	Will vary under circumstances.	As Incurred	You must comply with all of our renovation and maintenance requirements. See Note 10.
*Insufficient Funds Fee	\$25 per occurrence.	On demand.	Payable to us upon occurrence. Three or more ISF charges within any twelve (12) month period is cause for termination of the Franchise Agreement. See Note 11.
Costs of Enforcement, including Attorney's Fees	Will vary under circumstances.	As Incurred.	Payable as incurred by us in obtaining injunctive relief or the enforcement of any item of the Franchise Agreement.
System Modification	All reasonable costs and expenses associated with system modification.	As required.	See Note 12.
Insurance Policies	Amount of unpaid premiums plus our expenses for obtaining the policies required.	As required.	Payable only if you fail to maintain the types and limits of insurance that the franchisor required for your business.
Indemnification	Will vary under circumstances.	On Demand.	Payable as incurred by us. See Note 13.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Inspection Fee	\$1,500 if you fail to pass an inspection for the second time in any 12- month period.	On Demand.	Payable to us See Note 14 and Item 8.
Interim Management Fee	Ten Percent (10%) of Weekly Gross Revenues, plus any travel or lodging expenses for our personnel engaged in operating the Business	Due on a Weekly basis – each Tuesday of the following week.	Payable to us upon us managing the Business in your stead in the event you are placed in default of the Franchise Agreement.
Failure to Report Fee	\$200 per instance when a required financial report is not received by the 20 th day of each month	Due only if you do not send an accurate or complete financial report by the 20 th of each month	Payable to us
*Medical Kit Purchases	Will vary under circumstances	As incurred	We are the sole provider of medical kits.

Except as stated above, you pay all fees to us, and they are uniformly imposed. All fees are non-refundable.

*All stated dollar amounts marked with a * are subject to change, from time to time, as published in the Manual.

Note 1: Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that is earned from sales and services based upon all business conducted upon or from your QC Kinetix® Business not inclusive of any fees paid to third-party finance companies. Whether such sales are evidenced by check, cash, credit, charge account, exchange or otherwise, and shall include but not be limited to, the amounts received from the sale of goods, wares, and merchandise, services, food, beverages, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at your QC Kinetix® Business, together with the amount of all orders taken or received at your QC Kinetix® Business or elsewhere. We exclude only reasonable discounts we allow, sales tax receipts that you must collect or pay and any customer refunds of previous payments. You are also required to submit annual financial statements to us no later than April 15th of the following year.

The Royalty Fee payment obligation begins immediately after the opening of your Business for operation and continues for the term of your Franchise. The Royalty Fee is due and payable weekly but is to be received in the method we specify. The royalty rate is eight percent (8%) of your Gross Revenues per week for the entire term of your Franchise Agreement. If your Franchise Agreement is terminated, you shall be

required to continue minimum royalty payments (see Item 6) for the contractual expiration date of your Franchise Agreement, which will extend past the earlier termination date.

All revenue generated by you shall be deposited into a designated account controlled by you; however, you will always provide direct electronic access to all accounts and other financial data. You shall not divert any revenue to any other account without our express written consent. The Royalty Fee, Brand Development Fee, Interest and Late Fees, and all other fees and costs due and payable to us, our affiliates, and/or approved vendors providing services to as stated in this Disclosure Document and the Franchise Agreement shall be paid from this account via an electronic fund transfer or by any other means that we may specify to you in writing.

Note 2: This fee is for technology related goods and services, which may include: licensing or help desk fees for any required software to be used by you; licensing or user-based fees for a franchise portal, e.g. Fran Connect, Salesforce, company email, Microsoft 365, Learning Management System (through a third-party vendor) for use by you; fees related to exposure on the our website (e.g., custom page designs, mapping programs, etc.). This also includes Salesforce support and email campaigns tied to Salesforce. Some fees are to be sent to us. The rest of the fees will be paid to third-party vendors. We may, later, utilize, develop, or enhance computer software which you may be required to use in your Business. If such software is required, you may be required to pay reasonable license fees for the software and ongoing updates.

These fees may be modified over time and the current fee will be maintained in our Operations Manual.

Note 3: We are an advertising intensive business. Currently, franchisees are required to place all local TV and radio marketing, and all digital marketing through our designated suppliers. Local marketing must be implemented in a format using materials and designs approved by us. Our expectation is that the monthly requirement will be significantly higher in the first six months of operation, up to \$40,000 per month, per franchised location in a large market. Also, this fee estimate may increase if you are in a market with higher media placements costs. In the event you own multiple units, the actual cost per unit may be less than the full \$10,000- \$40,000 per month per unit due to economies of scale when multiple locations exist within a designated market area. Upon our request, you must submit receipts documenting this marketing activity. We may also, in our discretion, require franchisees to form regional marketing cooperatives when unit development in the marketing area makes such a decision practical. All franchisees (not affiliate owned units) in the marketing area will be required to participate. Up to fifty percent (50%) of the local advertising and marketing requirement may be spent in a cooperative unless a majority of the cooperative votes to increase that requirement.

Note 4: You will pay us a Brand Development Fee contribution equal to one percent (1%) of your weekly Gross Revenues as defined in the Franchise Agreement. The Brand Development Fee is collected by QC Kinetix®. All Brand Development Fees are non-refundable. The Brand Development Fee begins immediately after the opening of your Business for operation, is due weekly, and continues for the term of your Franchise. We may raise, discontinue, or reduce the contribution, but your total contribution to the Brand Development Fee will not exceed two percent (2%) of your Gross Revenues in any calendar year. Gross Revenue is defined in the Franchise Agreement and in Note 1 above. You pay the Brand Development Fee contribution at the same time and under the same terms as the Royalty Fee described above. Brand Development Fees are uniformly imposed on all franchisees.

Note 5: Call Center Fees are charged as follows: \$2,500 for the first Franchise, \$1,500 each for the second and third Franchise unit, \$2,500 for the fourth Franchise unit, \$1,500 each for the fifth and sixth Franchise unit, and a repeating pattern of \$2,500 and \$1,500 for each next Franchise unit. You are required to use our central call center and will not be allowed to outsource this function to a “commercial” answering service or do it yourself.

Note 6: Interest and Late Fees begin to accrue from the due date of payment. Late Fees cover our internal collection costs only. You must also pay any damages, expenses, collection costs and reasonable attorney fees we incur when you do not make the required payments; provided no interest shall exceed the maximum legal rate.

Note 7: Additional training costs include a \$500 fee per person, per day, plus costs for travel and related expenses. The two types of additional training include: (A) remedial training, which will be required if we, in our sole discretion, determine that you are not operating your franchised location(s) up to the standards required in the Operations Manual, and may involve additional staff training at either your franchise facility or at a training facility operated by us; and (B) additional onsite training or operations assistance over and above the normal course of training if such assistance is requested by you.

Note 8: If you request our approval to relocate your business and we agree, you must pay this fee to us in order to defray our costs associated with updating documentation, reviewing new sites, and editing our website and promotional materials.

Note 9: You must use our third-party construction management company to help build your location. Such assistance will be pursuant to a separate project management agreement between you and such vendor.

Note 10: You will be required to invest in the following types of renovation and maintenance: (A) routine maintenance, which requires you to maintain all fixtures, décor items, equipment, and other construction elements on an as needed basis. Any maintenance deficiencies identified by us must be addressed immediately by you; (B) equipment and technology upgrades, which will require you to make any upgrades to any equipment or technology used in QC Kinetix® business (including the point-of-sale and back-office system) as required and; (C) reimaging of the clinic.

Note 11: We collect monies from you via electronic funds transfer as of the date this Disclosure Document was issued. In the event of a dishonored payment due to insufficient funds in your account, you must pay a fee of \$250 per occurrence.

Note 12: If we make changes to our Franchise System, you must adapt your Business to conform to the changes. Examples may include new equipment, software, or construction materials. These may be paid to the Franchisor or a third-party supplier that we designate.

Note 13: You must protect, defend, indemnify, and hold us harmless against any claims, lawsuits or losses arising out of your operation of the Franchised Business. If you default under the Franchise Agreement and we engage an attorney for collection or enforcement, you must pay all our damages, legal fees and costs to the extent permitted by law.

Note 14: You are required to maintain our standards for equipment and product specifications and cleanliness. We reserve the right to charge you a fee of \$1,500 if we inspect your Business and you do

not pass the inspection for a second time in any twelve (12) month period. This is in addition to any equipment, product or vendor fee as described below.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT – SINGLE UNIT FRANCHISE

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$55,000	\$55,000	Lump sum.	At signing of the Franchise Agreement	Franchisor See Note 1 and Item 5.
Leasehold Improvements	\$0.00	\$204,480	As arranged.	As arranged.	Landlord or General Contractor. See Note 2.
Advertising	\$30,000	\$75,000	As Incurred	Pre opening - As arranged	Approved Vendor. See Note 3.
Project Management Fee	\$15,000	\$15,000	As incurred	As incurred	Approved Suppliers
Utilities and Security Deposits	\$5,000	\$10,000	As arranged.	As incurred.	Landlord and Utilities
3-months' Rent	\$8,500	\$30,000	As incurred	As incurred	Landlord See Note 4
Signage	\$2,500	\$5,000	As arranged.	As arranged.	Approved Vendors See Note 5.
Furniture and Fixtures	\$9,000	\$12,000	As arranged.	As arranged.	Payable to us, our affiliates, or approved vendors. See Note 6.
Computers, Office Equipment, and Supplies	\$5,000	\$8,000	Lump sum or as incurred.	Before Opening.	Payable to us, our affiliates, or approved vendors. See Note 7.

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Medical Related Equipment	\$8,000	\$60,000	Lump sum.	Before Opening.	Approved Vendors. See Note 8.
Medical Related Training	\$4,900	\$8,850	As incurred.	Before Opening	Your medical providers (MD, PA, NP) must attend laboratory training for two days in Charlotte, NC at a current cost of \$1,700 per person payable to us. See Note 9.
Business Licenses, Permits	\$500	\$1,500	As incurred.	Before Opening.	Appropriate licensing authorities and Third Parties. See Note 10.
Professional Fees	\$2,000	\$7,500	As incurred to any professional legal, accounting, and other professionals.	As arranged.	Appropriate Third Party Professionals.
Initial Inventory (Retail Items)	\$11,000	\$12,000	Lump sum; estimates for a startup inventory of approved products and supplies necessary for your first month of operation. This total does not include medical kits because they are not necessary until a patient begins treatment.	Before Opening.	Payable to us, our affiliates or approved vendors See Note 11.
Business Insurance	\$3,700	\$5,750	Monthly financed payments; before commencing operations of the Business and as required by the insurance company.	Spent over the course of the first three (3) months.	Payable to third parties; See Note 12.
Franchisee Training Expenses	\$5,000	\$10,000	As incurred.	As Incurred.	See Item 13.

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Additional Funds (3 months)	\$100,000	\$150,000	As incurred.	Spent over the course of first three (3) months.	Third Parties. See Note 14.
Total	\$265,100	\$670,080			See Note 15.

Note 1: The Initial Franchise Fee is \$55,000 for a defined territory which includes certain training. The initial franchise fee is payable in full when you sign the Franchise Agreement and is fully earned and nonrefundable. As discussed in Items 5 and 12, if we, in our discretion, decide to enter into a Development Agreement with you, you will pay us an initial nonrefundable development fee, which is negotiated on a case-by-case basis.

Note 2: We suggest you find a space needing minimal leasehold improvements, which would be a second-generation medical clinic. The low estimate reflects estimated costs to franchisees after any improvement costs are paid for, or reimbursed by, the landlord. The costs to construct interior alterations, improvements, lighting and decorating the facility will depend on the extent of the renovations needed and any allowance you negotiate with your landlord for construction. Should the landlord supply improvements you should expect that higher monthly rent will be the result. In most cases you will need to alter the interior of your Business before you open for operation to meet QC Kinetix brand standards. The costs will vary widely and may be significantly higher than what is projected in the low estimate depending on factors such as property location, the condition of the property and the extent of alterations required for the property. The high estimate reflects the potential need to add bathrooms, lighting, fire sprinklers, fire alarms, build partitions, add an HVAC system that entails mechanical, electrical, plumbing costs, and hire an architect. You should investigate all these costs in the area in which you wish to establish a QC Kinetix® Business. Whether or not any leasehold improvements or build-out expenses are refundable depend on the terms and conditions of your contracts with construction and mechanical contractors, as well as your lease agreement.

Note 3: The amount to be spent for advertising, which is presently heavily weighted in broadcast radio ads, depends on the media costs in the various designated market areas (“DMA’s”). The low estimate is for media for three months, for a small market, and the high estimate assumes a single unit in a market such as Los Angeles and it is the cost for a single location when 3 other units in the DMA are also contributing. Once more units in a DMA open, the cost per unit begins to benefit from scaling. In other words, the total cost would increase in a DMA but the cost per unit would decrease. Upon our request, you must submit receipts documenting this marketing activity. We may also, in our discretion, require franchisees to form regional marketing cooperatives when unit development in the marketing area makes such a decision practical. All franchisees (not affiliate owned units) in the marketing area will be required to participate. Up to fifty percent (50%) of the local advertising and marketing requirement may be spent in a cooperative unless a majority of the cooperative votes to increase that requirement.

Note 4: A typical QC Kinetix® Business is in a Class-A office space/medical space with a minimum of 1,700 square feet of space, but the range is between 1,700 and 2,500 square feet. The low estimate represents rents for a three-month period for a 1,700 square foot space. at \$20 per square foot. The high estimate assumes three-months’ rent for a \$2,500 square foot space at \$40 per square foot. The security deposits

are set forth on the row above as a separate line item. The rent estimates include amounts for common area maintenance, insurance and taxes, but these amounts vary greatly depending on the market. Real estate costs depend on location, size, visibility, economic conditions, accessibility, and competitive market conditions. These sums do not include the costs of purchasing real property, as we do not expect you to buy real property. Lease payments for periods of time that you occupy your premises may not be refundable.

Note 5: These are the estimated costs for the delivery and installation of exterior and interior signage. We specify and provide you with the guidelines in the Operations Manual. Signage expenses are not refundable.

Note 6: You must purchase or lease and install fixtures, tables and chairs, equipment, POS, system, camera system, audio & visual equipment and décor necessary to operate your QC Kinetix® facility. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of QC Kinetix® facility, suppliers and other related factors. The figures in the table are for purchasing the furniture, fixtures, and equipment.

Note 7: This includes a phone and a desktop or laptop computer and scanner/printer as well as required software. The required specifications for the computer include Office 365, QuickBooks Online Advanced, Anti-Virus Software, Windows, and printer with scanner capabilities as provided in the Operations Manual. This also includes costs for business cards, forms, branded office supplies, marketing materials, and related items.

Note 8: One Class 4 laser, centrifuge and ultrasound. The low estimate assumes lease or finance for 6 months. You may purchase an x-ray machine, but this expenditure is optional, not mandatory. This expense is not included in this range. The high estimate is based on the additional purchase of a Shockwave device.

Note 9: The low estimate assumes two providers attend training and the high estimate assumes three providers attend. Travel and lodging are included but no employee compensation during training has been included.

Note 10: You must maintain all required licenses, permits, and certifications necessary to operate your Franchise. You should check with local authorities, and your attorney, or your business consultant to determine what licenses, permits, and certifications are necessary at your location. The amount for licenses, permits, and certifications can vary significantly in different areas, and you should verify specific amounts with local authorities.

Note 11: You must purchase a variety of different products, marketing and promotional materials for the general operation of the franchised business as specified in the Operations Manual. Your initial inventory of products will vary according to the size of your Business, availability of products, your decisions regarding the appropriate mix of products for your market, and current market prices. You must offer and purchase products that meet our specifications, which may change from time to time. We will provide you with a written list of approved products you must offer for sale and a written list of approved vendors and/or suppliers you must purchase products from to operate your Business. All items mentioned above must be purchased through us, our affiliates or our approved vendors and suppliers, except all marketing and promotional materials must be purchased directly from us. Whether or not any of the purchases for

products or items that you purchase are refundable depends on the terms of the invoice or purchase agreement.

Note 12: This estimated amount represents three (3) months of pre-paid insurance premiums that does not take into account workers' compensation insurance which may vary greatly by state, payroll and classification. You must obtain and keep certain insurance coverage as stated in Item 8 of this Disclosure Document. You will need other insurance for which premiums can be location specific and/or vary from state to state, such as: errors & omissions, automobile liability insurance, product liability insurance (covers you for damages that result in injury from products that you distribute), and employee dishonesty insurance as all such insurance coverage are optional; however, we may require you to obtain this coverage in the future with liability limits of amounts we may reasonably specify. We may change these insurance requirements on thirty (30) days' prior written notice to you. There are no other insurance requirements. Whether or not any insurance premiums are refundable depends on the terms and conditions of your insurance policies. Insurance premiums can be financed, and the low estimate assumes financing for 3 months. The high estimate is three months of financed premiums in a state with high premiums.

Note 13: Training may be held at our corporate headquarters, at your business location at another franchisee's location, or remotely. You are responsible for all costs associated with attending such as travel, room and board for each person. Estimates provided are for costs for two (2) people for five days. Training for additional people is available at your request for an additional training fee of \$1,000 per person. You must always have trained individuals on your staff, who are present at each clinic, during operational hours.

Note 14: This amount is an estimate of additional funds for expenses you may incur before operations begin and during the initial period of operations (typically, your first three (3) months of operating the Business e.g., additional working capital). This estimate does not include any allowance for an owner's draw or salary or manager's draw or salary if you elect to have one. This estimate was generated from the experience of QC Kinetix LLC who operates QC Kinetix clinics in South Carolina as well as QC Kinetic PC, which also operates QC Kinetix clinics in North Carolina. These clinics are like those offered as franchises. This amount also includes estimated local advertising costs for a three-month period after the pre-opening advertising.

Note 15: Total Estimated Initial Investment. The total estimated initial investment is an estimate only of the range of startup expenses you may incur. We relied on our combined experience of running the affiliate locations when preparing these figures. The estimate of initial investment funds is based on an owner-operated business and does not include salaries or benefits for full-time employees. As your QC Kinetix® Business grows, you may choose to hire additional employees to carry out support service tasks. We do not finance any portion of your initial investment.

YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGREEMENT

Type of Expenditure (2 Units)	Low Amount	High Amount	Method of Payment	Due Date	Payment Made To

Initial Multi-Unit Agreement Fee (See Note 1)	\$100,000 2 Units	\$100,000 2 Units	Lump Sum	Upon Signing Multi-Unit Agreement	Us
Initial Investment – (for 1 st Unit) (See Note 2)	\$265,100	\$670,080	Varies	Varies	Varies
TOTAL	\$365,100	\$770,080			
Type of Expenditure (3 Units)	Low Amount	High Amount	Method of Payment	Due Date	Payment Made To
Initial Multi-Unit Agreement Fee (See Note 1)	\$135,000 3 Units	\$135,000 3 Units	Lump Sum	Upon Signing Multi-Unit Agreement	Us
Initial Investment – (for 1 st Unit) (See Note 2)	\$265,100	\$670,080	Varies	Varies	Varies
TOTAL	\$400,100	\$805,080			

Note 1: The amounts listed in this row represent the total amounts due to the Franchise , which is payable as the Development Fee for the number of units indicated in this row.

Note 2: Please refer to the Item 7 Table for the Estimated Initial Investment for a single unit franchise for the expenses associated with opening a QC Kinetix Business under a Franchise Agreement pursuant to a Development Agreement. Note that this row does not include the Initial Franchise Fee for the respective franchise units indicated in this chart, as such fee is indicated in the first row of this chart and is what comprises the Development Fee.

As these figures are just estimates, we cannot guarantee that you will not have higher costs. Competitive conditions described in Item 1 will affect these costs. This estimate of startup costs is calculated for a period of three (3) months (except as stated otherwise), with additional operating capital to be available as may be needed during the initial phase. These costs do not include your Royalty Fee and Brand Development Fees which begin immediately after the opening of your Business. These costs should be included in your projections of overall operations costs beginning with your first month of operation. We acknowledge that you may choose to invest additional funds into your business during the first three (3) months of operation, and sometimes longer. but we cannot estimate or promise when, or whether, any individual Franchisee will achieve positive cash flow or profits.

The estimate does not include any finance charges, interest, or debt service obligation, or your living expenses. We do not finance any portion of the initial investment under the Development Agreement. Each payment is non-refundable.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We may offer or designate others to offer certain products, supplies, software or services and we may become approved suppliers or the only approved supplier(s) for these and other products and services. Unless we provide you with prior written permission for you to do otherwise, you must purchase all products, fixtures, furnishings, equipment, décor, signs, supplies and other items used or sold by your QC Kinetix® Business, solely from suppliers where they have been designated or approved by us. You must purchase medical kits only from us, or our designated affiliates. Medical kits contain an assemblage of

proprietary components that are specified for each type of injection procedure provided every time a client receives a medical procedure at your Franchised Business. For any of these items, we have the right in our sole discretion to designate ourselves, our affiliates, or a third-party as the sole supplier for a particular item. To the extent we do not designate a particular supplier, you must purchase these items solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our reasonable standards and specifications for such items, and who possess adequate quality controls and capacity supply your needs promptly and reliably. Currently, Franchisees will be required to place all local TV and radio marketing and all digital marketing through our designated suppliers, and to purchase all medical kits from us. You are required to use our designated supplier for credit card processing. You are permitted to generate your own accounting statements currently but are required to utilize our mandated chart of accounts, income and balance sheet format. You are required to use QuickBooks Advanced online for your accounting and you are required to give us full-time read-only live electronic access to your financial records as well as post results to an accounting program such as Profitkeeper, which is currently specified. If you do not maintain our accounting and reporting standards, you may be required to migrate to an external accounting firm designated by us. We do not derive commissions and/or revenues from your use of a designated accounting firm but we do earn revenue from purchases from us, our affiliates, and other designated suppliers.

In our 2024 fiscal year our total revenues were \$29,305,317. Out of this total we received \$3,698,462 from call center fees, \$9,615,578 from equipment and supply sales and \$847,213 from technology fees. These revenues from required purchases were 48.3% of our total revenue, and do not reflect the expenses required to achieve these revenues.

We estimate that purchases from approved suppliers would represent approximately ninety-five percent (95%) percent of your total purchases and leases in establishing your Business, and sixty percent (60%) of your total purchases and leases in the continuing operation of the Business, and that purchases in accordance with our specifications represent approximately ninety-five percent (95%) percent of your total purchases and leases in establishing your Business, and sixty percent (60%) of your total purchases and leases in the continuing operation of the Business. While you establish your pricing for sales of products and services at retail, you may not sell products or services at wholesale prices.

None of our officers currently has an interest in any supplier except that our directors own QC Health Group LLC which is a supplier of nutritional supplements. We receive no revenue from QC Health Group LLC.

There are no purchasing or distribution cooperatives.

We use our reasonable best efforts to negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. Some suppliers provide additional assistance to us in the form of payments for us based on sales made by them to us and to you. We do not provide material benefits (e.g., renewal or granting additional licenses or Franchises) to a Franchisee based on its purchase of particular products or services or use of particular suppliers. We reserve the right, at our option, to require you to purchase or lease the signage for your QC Kinetix® Business from us or our affiliates. In 2024, we received \$486,971 in revenue from required purchases or leases of products or services.

All marketing and promotion of your Franchise by you in any medium must be conducted in a professional and dignified manner and must conform to our specified standards and requirements. You must submit

samples of all advertising or promotional plans and materials that you desire to use to us for approval if such has not been prepared or previously approved by us.

You must submit the proposed lease to us for your office space/medical space for approval before it is signed. We have the option to require that the lease contain certain terms and conditions regarding the collateral assignment of such lease in a form and substance reasonably acceptable to us to secure performance of your liabilities and obligations to us. You are responsible for all costs to negotiate and sign the lease. We require that the lease contains the landlord's consent to our signage.

Before you open a Business for operation, you must obtain the insurance coverage for the Business as specified below, provided that the types, amounts, and terms of coverage are subject to adjustment from time to time by us, in our sole discretion. The insurance coverage must be maintained during the term of the Franchise Agreement and provide evidence of insurance to us that insurance has been obtained from our approved vendor.

Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, general tort, premises damage, personal and advertising injury, completed operations, products liability, and fire damage. with a minimum policy limit of \$2,000,000 per occurrence and \$2,000,000 aggregate (this policy should include general tort, premises damage, personal and advertising injury should be at least \$1,000,000) in addition to property and casualty insurance with a minimum policy limit of \$1,000,000 or an amount specified by the Franchisor;

You must require that the PC carry professional liability coverage for all Affiliated Physicians with limits of \$1,000,000.00 per occurrence/\$3,000,000.00 aggregate or as required by state law, whichever is greater, and for the PC, which covers all non-physician Clinical Personnel, with limits of \$1,000,000.00 per occurrence/\$3,000,000.00 aggregate or as required by state law, whichever is greater.

"All Risks" coverage for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;

Professional liability insurance that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$1,000,000 or an amount we reasonably specify;

Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners (including lost royalties, national advertising and other fees due to us and/or our affiliates), or attributable to prevention of access to the Business, with coverage for a period of interruption of one hundred and eighty (180) days with a stated daily loss limit of \$10,000 per day, and such longer period as we may specify periodically;

Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement;

Employment practices liability insurance that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations in the amount of \$250,000 per accident for bodily injury, \$250,000 policy limit for bodily injury by disease, and \$250,000 per employee for bodily injury by disease;

Umbrella liability in the amount of \$1,000,000 per occurrence and in the aggregate;

Cyber liability and data breach insurance in the amount of \$100,000 per occurrence and \$100,000 aggregate;

Tenant's liability insurance if such insurance is required by the terms of your lease (if applicable);

Any other insurance required by the state or locality in which the Business is located and operated, in such amounts as required by statute; and

Other insurance coverage, as we, your state or the landlord may reasonably require.

All insurance coverage shall be taken out in your name and shall name us an additional insured and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Business or sixty (60) days following the date that the Franchise Agreement is executed, and, anytime upon our request. You must purchase "A" rating insurance policies. Each such policy shall provide that it cannot be canceled without thirty (30) days prior written notice to us and that we shall receive at least thirty (30) days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

The cost of insurance purchased in accordance with our specifications will represent approximately one percent (1%) of your total purchases in connection with the establishment of your Business and will be approximately one percent (1%) of your total purchases in the operation of your Business. These percentages do not include workers' compensation insurance that will vary with the payroll amount and category of employees.

We consider a variety of factors when determining whether to renew or grant additional franchises. Among the factors we consider is compliance with the requirements described above.

Our standards and operating procedures may vary among Franchisees depending upon several factors, including but not limited to prior experience with owners, location of office(s), government regulations, projected Gross Revenues, size of a protected Territory, competition and compatibility of any furniture, fixtures and equipment with current System standards. To the extent permitted by applicable law, we may establish maximum and minimum prices you may charge, based on an analysis of the market, and to facilitate competitive strategies.

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.

<u>Obligation</u>	<u>Section In Franchise Agreement</u>	<u>Section In Development Agreement</u>	<u>Disclosure Document Item</u>
(a) Site selection and acquisition/lease	3, 8., 16	3	Items 7, 11 and 12
(b) Pre-opening purchases/leases	5, 8	Not Applicable	Item 7 and 8
(c) Site development and other pre-opening requirements	5, 8., 16	3	Items 6, 7, 11
(d) Initial and ongoing training	16; 6	Not Applicable	Item 11
(e) Opening	5, 8	3	Item 11
(f) Fees	6	2	Items 5, 6 and 7
(g) Compliance with standards and policies (Operations Manual)	8, 16	Not Applicable	Item 8, 11 and 16
(h) Trademarks and Proprietary information	11, 12	6, 8	Items 13 and 14
(i) Restrictions on products/services offered	8	Not Applicable	Items 8 and 16
(j) Warranty and customer service requirements	None	Not Applicable	None
(k) Territory development and sales quotes	3	1	Item 12
(l) On-going product/services purchases	8	Not Applicable	Item 8
(m) Maintenance, appearance and remodeling requirements	4, 8	Not Applicable	Item 11
(n) Insurance	9	Not Applicable	Items 6 and 7
(o) Advertising	3, 6,16	Not Applicable	Items 6, 7, and 11
(p) Indemnification	8(guaranty); 14	8; 18 (guaranty)	Item 6

<u>Obligation</u>	<u>Section In Franchise Agreement</u>	<u>Section In Development Agreement</u>	<u>Disclosure Document Item</u>
(q) Owner's participation/management/staffing	8	Not Applicable	Items 11 and 15
(r) Records/reports	10	Not Applicable	Item 6 and 11
(s) Inspections/audits	10	Not Applicable	Item 6 and 11
(t) Transfer	18	9	Item 6 and 17
(u) Renewal	4	5	Item 6 and 17
(v) Post-termination Obligations	20	8	Item 17
(w) Non-competition Covenants	15	6	Item 17
(x) Dispute Resolution	21	14	Item 17

ITEM 10
FINANCING

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

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS & TRAINING

Except as listed below, QC Franchise Group LLC is not required to provide you with any assistance.

Before you open your Business, we will:

If you and we have not already agreed upon a site for your Business operations that meets our requirements, we shall review the site you propose for conducting your Business to determine whether it complies with our requirements. You must select the site of your Business within the protected territory provided in the Franchise Agreement. We generally rely on third party landlords and do not lease the site to you. We shall accept the site if we feel in our sole discretion that it meets or exceeds our standards. The factors that we consider in acceptance of the site include cost, competition, population density, demographics, traffic patterns, convenience, adequate parking, safety, zoning ordinances, neighborhood, and physical characteristics of the premises such as size, configuration, and layout. We evaluate each proposed site and accept or reject each one on a case-by-case basis and will notify you by email or any other form of written communication of our acceptance or rejection of any proposed site within thirty (30) days after we receive your request. This evaluation and acceptance/rejection process applies to future locations under a development agreement, applying our then-current standards for site selection.

If you do not locate a site we approve, we may terminate the Franchise Agreement and your initial franchise fee will not be refunded. (Franchise Agreement, Sections 3, 5, 8. and 16)

Insert the accepted site into your Franchise Agreement. However, the acceptance of a location and entering it on your Franchise Agreement by us is conditioned upon our determination, in our reasonable judgment, that: (Franchise Agreement, Section 3)

- (i) the site which you have submitted for the facility is a suitable site based upon criteria we establish periodically;
- (ii) you and your Owners are in compliance with the Franchise Agreement; and
- (iii) our non-acceptance of your intended location is grounds for termination of this Agreement.

(3) Review the lease for the premises to ensure it contains franchisor required language. (Franchise Agreement, Sections 8 and 16)

(4) Offer you guidance when you (i) apply for permits, and (ii) notify your state of your proposed facility (if applicable). However, it is your responsibility to comply with all laws, ordinances and regulations as you are responsible for obtaining all necessary approvals and licenses to operate your facility. Such guidance does not include assistance with the regulatory process (i.e., licensing). (Franchise Agreement, Sections 8, 16)

(5) Inform you of any mandatory specifications, architectural and design plans, floor plans, interior and exterior signage (including murals), décor, designs and layouts for the Business at the accepted location. We will provide you with guidelines for the layout and design of your Business and you must hire an architect or licensed general contractor to create and a design a complete set of drawings based on your building size and local permitting requirements. You will be required to confirm that your Business satisfies all state and local zoning ordinances, regulations, fire, health and building codes. We must review your architect's final plan. It is your responsibility to comply with all laws, ordinances, regulations, zoning and building codes for your Business. You are responsible for the costs associated with architectural and/or floor plans that may be required for your Business. (Franchise Agreement, Sections 8 and 16)

(6) Provide you with written specifications for all equipment, furnishings, fixtures, signage, computers, and security system necessary for the operation of your Business. You are obligated to repair and maintain all equipment, computers and related software necessary for the operations of your Business. You will be responsible for these expenses as these expenses are necessary for the operation of your Business. We will deliver these written specifications for all the above items, and you are responsible for the delivery and installation of all these items. You are required to purchase the items from us, our affiliates and/or our approved vendors. (Franchise Agreement, Sections 8 and 16)

(7) Provide you with a list of our approved list of vendors and suppliers for all equipment, products, supplies, and services that you are authorized to use or sell. We will also provide you with a list of specified inventory requirements for all products and supplies you must maintain in your Business. You are responsible for the cost, delivery, installation and maintenance of these items as they are necessary for the operation of your Business. You are required to purchase the items listed above from us, our affiliates and/or approved vendors or suppliers. (Franchise Agreement, Sections 8 and 16)

(8) Offer certain training programs designed to assist you and your business management staff in the operation of your Franchise. We may require that you (or if you are a corporation, a limited liability company or partnership, then its officer or shareholder, member, managing member, manager, or managing partner) and any operational manager(s), or assistant manager(s) complete supplemental and refresher training programs during the term of the Franchise Agreement. (Franchise Agreement, Section 16.)

(9) Provide an Initial Training Program, no earlier than sixty (60) days before you commence business operations designed to assist you and your management staff in the operation of your Franchise, at no additional charge. The Initial Franchise Training Program is designated for you and one other individual (or in the case of an entity Franchisee, two Owners or an Owner and a general manager). If more than two people attend the Initial Franchise Training Program, Franchisor may impose a training fee of \$500 per person for each additional person, for each day of training, which is subject to increase from time-to-time. (Franchise Agreement, Section 16)

(10) Loan to you during the term of the Franchise Agreement one copy of our confidential Operations Manual, as well as any other manuals or other written materials for the operation of a Business, containing mandatory and suggested specifications, standards and operating procedures required by us and information relative to your other obligations under the Franchise Agreement. We have the right to add to, and otherwise modify, any manual, including the Operations Manual, to reflect changes in authorized equipment, products and services you must use and offer, as well as changes in specifications, standards and operating procedures of a Business. You must keep all manuals, including the Operations Manual, confidential and current, and may not copy any part of any manual. The Operations Manual contains 305 pages. The table of contents of the Operations Manual as of our last fiscal year end is included with this Disclosure Document as **Exhibit E**. (Franchise Agreement, Sections 8 and 12)

(11) Approve or disapprove samples of all local advertising and promotional materials not prepared or previously approved by us which are submitted by you. (Franchise Agreement, Sections 6 and 8)

(12) Provide up to two (2) days of pre-opening/grand opening on-site assistance to you and your staff at your Business. Such assistance will be provided to you as part of our Initial Franchise Training Program and at our cost. (Franchise Agreement, Section 16)

Continuing Assistance

During your operation of your Business, we will:

Continue to consult with you regarding policies, equipment, products and services you are required to use and offer in your facility. We will communicate to you our knowledge of new developments and improvements in areas of non-surgical regenerative management and service that are pertinent to the operation of a QC Kinetix® facility using QC Kinetix® System, as well as provide assistance to you to resolve operational problems that you may encounter outside the scope of the Operations Manual. (Franchise Agreement, Section 8)

Provide additional on-site supervision and assistance as we deem necessary and in our discretion. Additional visits are for the purpose of advising you with respect to products, services, customer service, operational and personnel issues related to your Business. You will be responsible for the transportation,

room and board and miscellaneous expenses incurred by our personnel during the visits, which will take place per the terms of the Franchise Agreement, or at your request, and at times and dates selected by us. (Franchise Agreement, Section 16)

Inspect the operation and inventory of equipment, products and supplies in your Business and advise you of the results for each inspection, at our cost. If you fail the inspection twice in any twelve (12) month period you will be responsible for the costs of the follow-up inspection (if any, and as described above in Item 8). (Franchise Agreement, Section 8)

Provide you with updated specifications for all equipment, products, supplies and services that you must use, sell and/or offer in the operation of your Business. We will continue to provide you with updated and current lists of approved vendors and suppliers you are allowed to use to purchase and/or lease such items for your Business. We will provide you with such specifications and guidelines, but not the actual items as you are responsible for purchasing and/or leasing these items. (Franchise Agreement, Sections 8)

Review and approve or disapprove any product, supply, service, vendor and/or supplier you wish to use, sell or offer in the operation of your Business. We may require third party testing of such items, and you are responsible for paying the costs of such tests as described in Item 8 and impose certain requirements on vendors and suppliers, such as insurance coverage or licensure. (Franchise Agreement, Sections 8 and 16)

Review and approve advertising and promotional materials in addition to any promotions, edits, changes or updates that you submit to us for consideration to put on your webpage within our website. (Franchise Agreement, Section 16)

Provide continuing education to you and we may provide continuing education to any new manager of your Business. We may require that you (or if you are an Entity or an Owner) and any manager(s), or assistant manager(s) to complete supplemental and refresher training programs (up to five (5) days per year) during the term of the Franchise Agreement. We may also require you to attend national business meetings or annual conventions for up to three (3) days per year. (Franchise Agreement, Section 6 and 16). Should you fail to attend the annual convention, you agree to pay us a non-attendance fee of \$1,000 per day for each day missed, which fee shall be used to support the costs associated with conducting the convention. (Franchise Agreement, Section 16)

Advertising

We have the obligation to maintain and administer a Brand Development Fund (referred to as the “**Fund**”) to support ongoing technology and new service or product development to be made available to Franchisees, for such advertising as we, in our sole discretion, may deem appropriate to promote QC Kinetix® name, and any other media costs or other costs related to building the goodwill of the QC Kinetix® brand. You are responsible for compliance with state and local laws which apply to advertising and promotion of medical services. We will direct all such programs and will have sole discretion over the creative concepts, materials and endorsements and media used in such programs, and the placement or allocation of such programs. The source of the advertising will come from our in-office advertising department or may, in the future, come from a national or local advertising agency. We reserve the right to determine in our sole discretion the composition of all territories and market areas for the implementation and development of such programs. (Franchise Agreement, Section 6)

You will pay us one percent (1%) of weekly Gross Revenue for the Fund contribution as designated in the Franchise Agreement. We may raise, discontinue or reduce the contribution, but your total contribution will not exceed two percent (2%) of your Gross Revenue in any calendar year for the term of your Agreement. Contributions are due weekly, for Gross Revenues of the prior week or immediately after you open your Business for business (whichever comes first) then continues for the term of your franchise. Refer to Item 6 for the definition of Gross Revenue. The locations operated by our affiliates are not required to contribute to the Fund, but the owners of those locations periodically and voluntarily contribute.

The contributions will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including conducting evaluation of new products, services and technologies; product development, market research, preparing advertising, promotion and marketing materials, and collecting and accounting for contributions to the Fund. Usage of the Fund may include ongoing development of the national website and development of new products and services to be made available to Franchisees. The media in which advertisements may be disseminated include print ads, signs, billboards, radio, television or Internet and may be conducted on a regional or national basis. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all QC Kinetix® franchises in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use. We are not required to spend any amount from the Fund on advertising or promotions in your area. We are not required to make expenditures for you that are equivalent or proportionate to your Fund contributions or to ensure that any particular franchisee benefits directly or in proportion to its contributions to the Fund. If any contributions to the Fund, including any associated earnings, are not spent in the fiscal year in which they accrue, they remain in the Fund for use in following years. We reserve the right to terminate the Fund at any time, but we will not do so until all monies in the Fund have been spent for the purposes described in the franchise agreement or returned to contributors on a prorated basis.

During fiscal year 2024, 47% was spent on production, 16% on media placement, 9% on administrative expenses and 28% on other uses. None of the Fund was spent on soliciting new franchisees.

In the future, we may form a franchisee-elected Franchisee Advisory Council or cooperative whose sole purpose is to advise on Fund usage and advertising policies. If one is formed, we will have the power to select and approve the members and to form, change, dissolve or merge the Franchise Advisory Council as described below.

Neither we nor any Franchise Advisory Council will undertake any obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Fund by Franchises operating in such geographic area or that you or your Business will benefit directly or in proportion to your contribution to the Fund. We are not required to spend any amount on advertising in your territory. Neither the Fund nor we shall be liable to you with respect to the maintenance, direction, or administration of the Fund, including without limitation, with respect to contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct.

We administer the Fund, which is not audited. Fund contributions are not used to sell additional franchises. We will prepare an annual unaudited statement of monies collected and costs incurred by the

Fund and furnish it to you upon written request. All financial statements will be available one hundred and twenty (120) days after the end of our fiscal year. We reserve the right not to spend all of the funds in the Fund in any one (1) year and such funds may be accrued into the next year.

We expect to receive advertising and promotional allowances and fees from third party vendors, suppliers and advertisers who enter into cooperative advertising programs with us (and possibly also franchisees.) For example, vendors and/or suppliers may pay promotional allowances for joint advertising promotional material. We may disclose the identity of vendors or suppliers who pay the promotional allowances to you upon request. Our obligation to provide advertising and marketing will be limited in cost to the amount of contributions and promotional allowances (if we approve) from third parties actually paid into the Fund.

We will not spend advertising funds for activities that are principally a solicitation for the sale of franchises. We have no fiduciary duty to you regarding any Brand Development Fees.

May require you to join (but do not require at this time), participate in and pay into, one or more franchisee marketing councils or cooperatives for your region, determined by the penetration area of regional advertising media used (for example, the area of a regional newspaper's circulation). Because we have not yet formed any franchisee marketing councils, we do not know how the area or the membership of any franchisee marketing council will be determined nor whether or not any of our company-owned businesses will be contributing to any advertising spent by any franchisee marketing council. In the event that we choose to establish a franchisee marketing council, we will be responsible for administering it. If we do create any franchisee marketing councils, they must operate in accordance with bylaws (or an operating agreement if it is a limited liability company) and the franchisee marketing council will prepare annual financial statements that you can review. We will have the right to form, dissolve, and merge any specific franchisee marketing council. Even though we have not yet formed any franchisee marketing councils or cooperatives, we may require that all franchisees within close proximity to a consumer show, convention or exhibition where services and products are being offered or sold to participate in the cost and benefit of the show. (Franchise Agreement, Sections 3 and 6)

Require you to initially spend \$10,000 to \$20,000 for grand advertising and then monthly, per franchised location on local advertising in small markets (in addition to the one percent (1%) Fund contribution you pay to us), and by the sixth month, up to \$40,000 per month per location. In large markets, such as Los Angeles, for example, the monthly advertising could be as high as \$75,000 and the amount of monthly cost would be up to \$40,000 per month, per unit, until economies of scale reduce this spending requirement. The actual amount will be decided by us based on the market where your Business is located and is subject to periodic adjustment, in our sole discretion. We may reduce the amount of your local advertising requirement after your second full year of operation at our discretion. Currently, franchisees are required to place all local TV and radio marketing and all digital marketing through our designated suppliers. You must report your advertising expenditures to us by the tenth (10th) day after the end of each month, or at times, on forms, and in a manner we determine. (Franchise Agreement, Section 6)

You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve or disapprove in writing the materials you submit to us within thirty (30) days and, if we do not respond within such period, all such materials will be deemed automatically disapproved. You will make reasonable efforts to participate in and cooperate with all advertising programs selected by us or by any approved group of franchisees,

except that you may not need to follow or maintain any sales price or suggested promotional pricing. You are responsible for any expenses of this independent advertising.

You may not establish a separate Website and will only have one web page, as we designate and approve, within our website. The term "Website" includes: Internet and World Wide Web home pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, Instagram, LinkedIn, Snapchat, blogs and other applications). You must comply with our requirements regarding selling, advertising, discussing or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve a separate social networking site for you (which we are not obligated to do), e.g. a Facebook page, we will provide you with guidelines for establishing and maintaining such social networking site including our ownership and co-administration rights requirements and each of the following provisions will apply: (i) you may neither establish nor use any social networking site without our prior written approval; (ii) before establishing any social networking site, you must submit to us, for our prior written approval, a sample of the proposed social networking site, including its domain name (or other identifying account information), format, visible content (including, without limitation, proposed screenshots), and non-visible content (including meta-tags), in the form and manner we may require; (iii) you must comply with the standards and specifications for social networking site that we may periodically prescribe in the Operations Manual or otherwise in writing; (iv) any social media representation must include the statement that you clinic is independently operated by you as a franchisee and (v) if we require, you must discontinue use of such social networking site when we provide written notice to you of such revocation and to the extent you have administrative rights, turn over all control, access, and in the case where we are not the owners, you must transfer ownership to us. (Franchise Agreement, Section 8)

Time to Opening

We estimate that there will be an interval of ninety (90) to one hundred eighty (180) days between the signing of the Franchise Agreement and opening your Business for business. Factors that may affect this length of time include obtaining a location that is approved by us for your Business, construction build out, completion of your pre-market entry study to determine any customization of services and products to be offered through your Business, satisfactory completion of our Initial Training Program by you (or your managing partners, members, or shareholders), and availability of equipment, products and supplies. We estimate it may take between 30 and 60 days after signing the Franchise Agreement for you to find a suitable location and negotiate a lease. You must submit to us, in the form we specify, a copy of the location plan and other such information or materials we may require, together with an option contract, letter of intent, or other evidence of satisfactory to us which confirms your affirmative prospects for obtaining the location. We will have thirty (30) days following receipt of this information and materials from you to approve or disapprove the proposed location of your QC Kinetix® Business. If we do not approve a proposed location by email or any other form of written notice to you within this thirty (30) day period, the site will be deemed disapproved unless we extend the period based on our reasonable judgment that you will likely find a location. Once your proposed location has been approved by us, you will have the remainder of the one hundred eighty (180) day period to open your business for operation. Failure to open your Business for operation within such time period may constitute a default under the Franchise Agreement, for which we may terminate the Franchise Agreement. (Franchise Agreement, Sections 5 and Section 8)

Computer and Electronic Cash Register Systems

Franchise Agreement

You must install and maintain a computer that has a Windows operating system, using version 11, or newer. You may buy the computer from any source, however; it must have at least 8 gigs of RAM, at least a 200-gig hard drive and have an I-3 processor or newer (estimated cost \$1,000-\$2,000). An all-in-one LaserJet color printer/scanner is required (estimated cost \$400 - \$800). A Point-of-Sale system is required and the cost of the card terminal ranges from \$250 to \$500 and you should expect a monthly charge of \$40 to \$75 for the credit card service. When you pay the monthly Technology Fee to us, you are entitled to use licensed versions of Microsoft 365 and Salesforce. We support Salesforce software and your email client for qckinetix.com. (Franchise Agreement, Section 8)

The types of data generated/stored by you will include: contact and demographic information, healthcare records being stored within HIPAA compliant cloud-based software, financial data including payment methods and billing information which is stored on PCI compliant payment cloud-based providers, and any further data you deem important which is outside the requirements of the franchise agreement.

We do not have the contractual obligation to maintain, repair, update or upgrade your computer system. You have the contractual obligation to update and upgrade your computer system, as we direct and there is no contractual limitation relating to the frequency and cost of complying with these directives. It is also your responsibility to ensure that your office, computers, and network remain HIPAA and PCI compliant at all times. The principal software used is supplied in datacenters by various vendors who upgrade the software as part of your license. This software includes the mandatory use of Salesforce (currently \$1,860.00 annually, per user, with 3 users being typical), E-Signature software (currently \$960.00 annually), Practice Fusion (currently \$1,178.00 annually, which includes 4 logins, which is adequate in most cases), FranConnect (\$34.50 per month), access to the Learning Management System for each employee(\$8.00 per user monthly), and Office 365, which is included in your Technology Fee. Based on current market rates, the typical cost to replace a compliant computer system is approximately \$1,200 per computer. Assuming a replacement cycle of every 3 to 4 years, the estimated average annual cost incurred by the franchisee for replacement, maintenance, updates, upgrades, or support is approximately \$300 to \$400 per computer per year. This estimate does not include optional enhancements or third-party support services outside of system compliance requirements.

You must also acquire an Apple I-Pad (estimated cost \$499) which will be used to view images generated by a fluoroscope, which is another required device.

You must install and use QuickBooks Online Advanced accounting software. The accounting software is used to perform accounting functions and to maintain financial information about the Business. You may obtain QuickBooks Online Advanced from any source and that software is updated by Intuit.

You must install the point-of-sale software we specify in the Manuals, from time-time.

You must install Internet navigation software and maintain a high-speed Internet connection (with e-mail capability) that is supported by a wireless router running a secure connection. You may use any Internet service provider that permits you to connect with a speed of at least 10mps and has WPA2 authentication. We must be allowed read-only Internet access to your financial records, and we can view your records in Salesforce, your emails and can gain read only access to your QuickBooks data. There are no contractual limits on our right to access your computer information. We have the right to share your data with any party that we deem appropriate, subject to any applicable privacy laws relating to health information of

your clients.

Neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware system. Currently, there are no optional or required maintenance/upgrade contracts for the computer system.

Training

Initial Training

You or, if you are an entity Franchisee, your manager, are required to participate in and successfully complete the initial training (the “**QCK University**”). (Franchise Agreement, Section 16)

Owners University is a comprehensive onboarding program required for all new franchise owners prior to clinic launch. This Initial Training Program is scheduled on an as-needed basis by us and is conducted over a period of up to ten (10) days, although the duration may vary based on job duties within your Business. The in-person portion typically spans 4 to 5 days and includes supplemental virtual coursework before and after the live sessions. We may require a few additional days of training beyond the initial 10-day period if we determine it is necessary prior to your opening.

The curriculum is designed to prepare franchise owners for all aspects of operating a clinic. Topics include the stages of franchising, understanding and embodying company culture, and strategies for becoming launchable, predictable, profitable, and scalable. The training is delivered through a combination of methods, including the operations manual, PowerPoint presentations, oral instruction, role-playing exercises, and online modules through our learning management system. Subject matter experts from key departments such as finance, sales, marketing, the call center, and training lead various sessions throughout the program.

This Initial Training Program is included in your Initial Franchise Fee. However, you are responsible for all costs associated with attending the program, including travel, lodging, and meals.

The trainer for the Initial Training Program includes but not limited to Ashly Gonzalez, Spencer Perkins, Michael Huzl and Rachael White. Occasionally, different guest speakers may make an appearance at the training program to provide information about various products, services and programs offered by us. For example, some speakers may be our employees, franchisees or industry experts.

The training provided will begin with QCK University, which includes both 101- and 201-level training designed to equip you with the fundamental knowledge and skills necessary to launch and effectively operate your business in its early stages. This foundational training aligns with the standards set forth in the Franchise Agreement and the Operations Manual. Additional training such as 301 and 401-level or other advanced modules will be provided at later stages, based on the progression and performance of your clinics. Affiliated Physicians and Clinical Personnel, whether or not employed by you, are also required to attend training sessions conducted by the Training Department.

We have specific training requirements which are mandatory, although there is no stated time limit in which to complete training you will not be allowed to open the Franchised Business in the absence of successfully completing training on all levels, discussed above. The Initial Training Program is also a necessity for meeting insurance underwriting requirements and complying with our standards. It is your

responsibility to complete all training requirements, as specified in the Franchise Agreement, this Disclosure Document, and Operations Manual.

We will determine whether each of your trainees has satisfactorily completed the Initial Training Program. If you or any other person you have designated to attend the Initial Training Program fails to satisfactorily complete the program, or if we determine that these persons cannot satisfactorily complete the Initial Training Program, you must designate a replacement to promptly attend and satisfactorily complete the Initial Training Program, at your expense. You are responsible for all expenses incurred by you or your personnel who attend the Initial Training Program and any other training programs, including, but not limited to, the cost of travel, lodging, meals, and wages.

If during the Initial Training Program we reasonably believe that you are not qualified to operate a QC Kinetix® Franchise, we will terminate your Franchise. Also, we may require you to hire a managing partner who will be required to get qualified to operate the Business.

The Operations Manual will detail all aspects of Franchise operations presented in training and serve as an ongoing reference. Updates to the Operations Manual will be made available to you through various means including online.

<u>Subject</u>	<u>Hours of Classroom Training</u>	<u>Hours of On-the-Job Training</u>	<u>Location</u>
Brand and Business Overview	3.50	0	See Chart Note (*) below
Stages of Franchising	2.00	0	See Chart Note (*) below
Daily Operating Procedures	10.00	16.00	See Chart Note (*) below
Financial Planning and Goal Setting	7.00	8.00	See Chart Note (*) below
Marketing and Advertising	5.00	0	See Chart Note (*) below
Sales Procedures	12.00	8.00	See Chart Note (*) below
Onboarding Practices	4.50	0	See Chart Note (*) below
Technology and Systems	4.00	8.00	See Chart Note (*) below
Legal and Compliance	4.00	0	See Chart Note (*) below
Industry Knowledge	6.00	0	See Chart Note (*) below
Launch Preparation	6.00	0	See Chart Note (*) below
TOTAL HOURS	64.00	40.00	

***Chart Note:** Classroom Training and On-the-Job Training will be typically conducted at one of the following locations to be determined by us (the “**Field**”): at our headquarters in Charlotte, North Carolina, a company-owned unit, or a franchisee owned-unit. Before attending training in the Field, you may need to complete some pre-training obligations online or remotely. We have the right to adjust the training program to meet you or our needs.

Dr. Sheinkop oversees franchisee medical training and the providers utilized by the program. Dr. Sheinkop has over 40 years' experience as an orthopedic surgeon and then over 20 years' experience in the Regenerative Medicine space.

Alexandra White, VP of Medical Operations teaches franchisees medical operations. She is a board-certified Physician Assistant with 4 years of experience at QC Kinetix. She completed her master's degree

in 2021 for Physician Assistant Studies. She also oversees MA training. All teachers and trainers in the training session are MA/Phlebotomist and have at least 2 years' experience with QC Kinetix.

Ashly Gonzalez, Director of Clinical Training and Performance, has served in this role since January 2025. She previously held the position of Franchise Sales Manager for the ISC all of 2024 and worked for a QC Kinetix franchisee in the Tampa market as Regional Sales Manager prior to joining the corporate team. With over 20 years of clinical experience, Ashly has served in various roles including front desk, medical assistant, providing clinical services, and extensive background in B2B and B2B sales. She is a nationally certified Medical Assistant through the National Health Association.

Rachael White, Director of Sales, has been with QC Kinetix since November 2022 and stepped into her current role in November 2024. With 10 years of high-ticket sales experience, she previously served as Franchise Sales Manager for the ISC. Rachael brings hands-on clinic expertise to her leadership, having helped open new locations and served as a Medical Assistant, Front Desk, and Care Coordinator within the QC Kinetix network. Rachael is nationally certified as a Surgical Technician through AAH and in Phlebotomy through NHC0.

<u>Subject</u>	<u>Hours of Classroom Training</u>	<u>Hours of On-the-Job Training</u>	<u>Location</u>
Provider Training	24	7	Various Locations
Medical Assistant Training	8	0	Various Locations
Front Desk Training	8	0	Virtual
Sales Training	6	0	Virtual
Owners University	46	7	Various Locations or Virtual

Clinical Personnel Training. Franchisees are required to send their medical providers—including physicians, nurse practitioners, and physician assistants—to a separate training program specifically designed for them (“Provider Training”). These clinical personnel are not required to attend the Initial Training Program but must complete Provider Training before they are permitted to begin providing services.

Provider Training is conducted in person over the course of three (3) full days. Days 1 and 2 take place either in a clinic setting or at our dedicated training center and include a combination of didactic instruction and hands-on demonstrations. The curriculum covers ultrasound techniques, anatomy review, pathology, and other essential clinical topics. Day 3 consists of a hands-on cadaver lab focused on procedural practice and application of clinical protocols. Attendance is limited to licensed medical providers such as physicians, nurse practitioners, or physician assistants.

The tuition for this training is currently \$1,750 per person, subject to change. A no-show fee of \$1,500 will be charged if a scheduled provider fails to attend without prior notice. In addition to the tuition, franchisees are responsible for all other costs associated with attendance, including wages, travel, lodging, and meals. We staff adjunct teachers and trainers from time to time for provider training and all of them are at the level of NP/PA/MD/DO that have experience with QC Kinetix.

Medical Assistant Training. Franchisees are required to ensure that their Medical Assistants attend a designated training session (“MA Training”) specifically developed for clinical support personnel. This in-person, one-day training is held twice monthly at various locations and focuses on best practices for processing biologics. The curriculum includes instruction on the correct use of kits, tools, and materials supplied by our approved vendors. While the training is primarily designed for Medical Assistants, it is also appropriate for Phlebotomists and Providers seeking to enhance their procedural proficiency. The cost of MA Training is currently \$500 per participant, subject to change.

Front Desk Training. Franchisees are required to ensure that their front desk staff complete the (“Virtual Front Desk Training”) program specifically designed for their role. This one-day training provides a comprehensive overview of front desk responsibilities, including appointment scheduling, patient check-in and check-out procedures, and payment workflows such as cash handling and finance application processing. The training includes interactive modules and downloadable job aids to support on-the-job performance and reinforce key concepts. There is no cost for this training.

Sales Training. Franchisees are required to ensure that their Patient Care Coordinators (PCCs) complete Sales Training, which is delivered virtually over the course of one (1) day. This training focuses on best practices for patient consultations and effective sales strategies designed to support clinic growth and patient conversion. The program is accessible through our Learning Management System (LMS) and includes optional live support sessions to reinforce key concepts and provide real-time guidance. Sales Training is an essential component of onboarding and ongoing development for PCCs.

Ongoing Support Resources. We provide ongoing support to franchisees through a variety of digital and live formats, including our Learning Management System (LMS), Zoom, and Microsoft Teams. Franchisees have access to a wide range of resources, including updated training documents, recorded webinars, protocol manuals, and frequently asked questions (FAQs). Support channels are also available for live assistance, interoffice collaboration, and continued education. These resources are updated regularly to reflect new product rollouts, procedural enhancements, and feedback from franchisees, ensuring continued alignment with system standards and best practices.

Ongoing Training

We may provide you with memos and/or newsletters that will contain ongoing training topics related to your QC Kinetix® Business. We require that you (and others within your Business) complete additional refresher or continuing education training programs to correct, improve or enhance the operation of your Business. Such refresher or continuing education training programs may be conducted through the telephone, webinars, video training, in person training at locations designated by us, or at annual conferences (of up to three (3) days per year). We do not at this time, but may in the future, require you to attend an annual convention or meeting. Attendance at such meetings will be mandatory. Anyone attending any additional refresher or continuing education training programs (training other than by telephone, online seminar or video) will be subject to additional training fee costs associated with attending the training program such as travel, room and board. Failure to attend the annual convention will result in costs being assessed against you. (Franchise Agreement, Section 16).

ITEM 12 **TERRITORY**

FRANCHISE AGREEMENT

You will receive a franchise for a specific location or a location to be approved by us, in our sole discretion. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we and our Affiliates own, or from other channels of distribution or competitive brands that we can control.

You are awarded a protected territory (the “**Territory**”) that is based on a designated marketing area (“**DMA**”) as it exists on the effective date of your franchise agreement. DMAs are typically established and defined geographically by a city, town, county or zip code. The DMA’s are determined by the Neilson Company and can change in shape based on factors outside our control. Should a DMA be altered in the future your Territory will continue to be defined by the geographic boundaries established on your franchise agreement effective date. Some edges of DMA’s overlap and to the extent that they do, your territory will not be exclusive. Once established, the boundaries of the Territory will not be adjusted without our written consent, except as otherwise provided in the Franchise Agreement. In making the determination of your Territory, you may have competition with other Businesses located within the same Territory. This competition with other Businesses cannot be eliminated. Some of the factors that we will use to determine your Territory are economic strength, projected future growth of the population within your Territory, and the number of existing competitors. You may not open or operate another Business at any other location inside or outside of your Territory unless we approve and you sign another Franchise Agreement with us. You have no right of first refusal to acquire additional Businesses inside or outside of your Territory.

DEVELOPMENT AGREEMENT

If you are qualified and we offer to you a Development Agreement opportunity, you will be granted rights to open and operate multiple new QC Kinetix® Businesses in a particular territory for negotiated initial franchise fees in consideration of you, as developer, agreeing to develop, open and operate, through separate Franchise Agreements, a specific number of QC Kinetix® Businesses within the territory, under a development schedule.

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

However, so long as you are in compliance with the Development Agreement and your franchise agreements, we will not establish more than one QC Kinetix franchised Business in the Territory and will not place a company-owned Business in the Territory, with the population as evidenced by the most recent United States census data available.

Your licensed Territory is determined by population, competition, traffic patterns, proximity to major roads, demographics of the surrounding area, available parking, market penetration or other conditions important to the successful operation of a QC Kinetix® business, as we deem appropriate and as identified in your Franchise Agreement. Your licensed Territory is determined by us once a location is chosen and will not be altered even if there is a population increase or decrease. It will also not be affected by your sales volume, or market penetration. Certain locations, such as major metropolitan areas may have smaller protected Territories of densely populated areas.

You may not advertise and solicit business outside of your Territory including, without limitation, direct mail solicitations and advertising which is directed to areas outside of your Territory, without our prior written consent.

We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to sell products and to provide services to any business or organization which owns, manages, controls or otherwise has responsibility for locations in more than one area whose presence is not confined with any one particular franchisee's territory regardless of the contract amount of products to be provided or services to be performed (a "**Multi-Territory Account**"). After we sign a contract with a Multi-Territory Account, we may, at our option, provide you the option to provide products or perform services to businesses under the Multi-Territory Account contract. If we choose, or if you choose not to provide such products or services to the Multi-Territory Account, we may direct the Multi-Territory Account to seek such products and services from another franchisee or company-owned location even if the Multi-Territory Account is located within your Territory, without compensation to you.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to:

Advertise, market and sell QC Kinetix® branded products and services in your Territory;

Advertise, offer and sell products and/or services to promote the System through the Internet, World Wide Web, social media and/or other similar venues no matter where the person is based to fulfill the demand in your Territory;

Sell, offer or distribute anywhere products or services to persons or businesses located anywhere through any alternative or other channel of distribution, other than local business operations (franchised or owned by us) providing services and products under the Marks and System and on any terms and conditions we deem appropriate. We have this right whether or not we are using the Marks or System or are acting inside or outside the Territory designated on your Franchise Agreement;

Implement advertising cooperative programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;

Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory as designated on your Franchise Agreement, whether or not using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under the Franchise Agreement and/or (c) any business anywhere which does not use the Marks; and

We, or our affiliates may, as part of its strategic plan, acquire or be acquired by companies that operate the same businesses as us under the acquired name, the Marks and/or other service marks and trademarks and the acquired companies may have existing businesses operating in your Territory. In those circumstances where the territory of an acquired business overlaps your Territory, we may, with the written agreement of both parties, alter the Territory. If mutual agreement as to the territory definition cannot be made then we or our affiliates and/or successors may continue to operate the acquired business by the name and/or service marks under which it was identified prior to its acquisition, without any compensation to you.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Marks or claim by any person of any rights in any Mark or any similar trade name, trademark or service to use or license others to use the Marks in any manner material to the franchise.

Except as noted above, there are no other agreements currently in effect that significantly limit our rights to use or license others to use the Marks in any manner material to the franchise. All required affidavits have been filed.

Trademark	Registration Number	Registration Date
QC KINETIX (word mark)	6,056,438	May 19, 2020
(design mark)	7,309,574	February 20, 2024

Under the Franchise Agreement, we grant you the nonexclusive right to use the Marks in connection with the operation of your Franchise. Our principal trademark is "QC Kinetix" as it appears on the first page of this Disclosure Document. We have the right to use and to license others to use the Marks and under any other trade name, trademarks, taglines, service marks and logos currently used or that may hereafter be used in the operation of the Business. You must use the Marks only for the operation of your Franchise and in the manner authorized by us. QC Holdings LLC owns the trademark and licenses the trademarks to us for the sale of QC Kinetix franchised business. This license agreement provides for the world-wide, non-exclusive, non-transferable, conditionally sub-licensable, right, license, and privilege to use the trademark, in connection with our continued operation of our business. QC Holdings and QC Kinetix claim common law rights in the trademark based on actual prior use.

ITEM 13
TRADEMARKS

We have not established other franchises or company-owned businesses, except as disclosed in Item 1 of this Franchise Disclosure Document, offering similar services or selling products under a trade name or trademark different from QC Kinetix® Marks.

We are not responsible for paying any compensation to you concerning the sale of products, supplies or services by use over the Internet, World Wide Web, social media, other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar to the franchised Business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to offer and provide services or sell products through any alternative channels of distribution (other than our approved list of channels of distribution) without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

mark of which you become aware. We have the sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding or other administrative proceeding.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or participate in your defense, protect you against claims of infringement or unfair competition with respect to them. The Franchise Agreement does not require that we participate in your defense or indemnify you for expenses or damages if you are a party to a judicial or administrative proceeding involving one of the Marks or if the proceeding gets resolved unfavorably to you. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions with respect to a reasonable time after notice by us. You, in connection with the use of a new or modified Mark, may be required, at your own expense, to remove existing signs from your Business, and to purchase and install new signs. We have no liability to you for such modification or discontinuance.

There are no infringing uses actually known to us as of the Issuance Date of this Disclosure Document that could materially affect your use of the Marks in the State of South Carolina or in any other state.

All your usage of the Marks granted under the Franchise Agreement is nonexclusive, and we retain the right, among others: (a) to use the Marks in connection with selling products and services; (b) to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you. You may not use QC Kinetix in the name of your franchisee entity and must always designate to others that you are a franchisee of QC Kinetix.

All your usage of the Marks and any goodwill you establish are to our exclusive benefit and you retain no right or rights in the Marks on the termination or expiration of your Franchise Agreement. You may not use the marks as a part of any corporate or trade name, nor may you use any trade name, trademark, service mark, emblem or logo other than the Marks, as we may designate periodically. You must prominently display the Marks on such items and in the manner we designate. You must obtain such fictitious or assumed name registrations as we require or under applicable law. You must identify yourself as the owner of your Franchise by placing your name on the Business and on all checks, invoices, receipts, contracts and other documents that bear any of the Marks, and on all printed materials your name must be followed by the phrase "A franchise of QC Franchise Group LLC" or such other phrase as we occasionally direct.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights or have any pending patent applications which are material to the Franchise; however, we claim common law copyright and trade secret protection for several aspects of our System, methods, techniques and operational procedures; the Operations Manual; equipment, products and supplies; product specifications, systems, design, décor, layouts and related information, signage, manuals and all related materials including advertisement and promotional

materials although such materials may not have been registered with the United States Copyright Office. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We also reserve the right to renew any and all such copyright registrations at our discretion.

There currently are no effective determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials or trade secrets or claim by any person of any rights in any copyright or trade secret which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding. We may require you to discontinue use or modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions with respect to a reasonable time after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We possess certain confidential information that includes our operational methods, techniques and procedures; billing procedures, specifications and standards for equipment, products and supplies; purchasing strategies, vendors and supplier relationships, cost and pricing strategies, merchandising methods and techniques, inventory management systems, procedures for safety and quality control, customer services standards, hiring and retention programs, software, forms, contracts, record keeping and reporting procedures, sales, promotional programs, advertising and marketing materials; systems and knowledge of, and experience in, the operation and franchising of an QC Kinetix® Business (the "Confidential Information"). We will disclose Confidential Information to you during our Initial Franchise Training Program, seminars, workshops, continuing education sessions and conventions sponsored by us; in the Operations Manual, and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents or independent contractors develop any new service, product, program, concept, technique, process or improvement in the operation or promotion of your Business, you are required to promptly notify us with all necessary related information, without compensation. However, as a matter of corporate policy, we may create an incentive program to reward you, your partners, members, managers, directors, shareholders, employees, agents or independent contractors for any new service, product, program, concept, technique, process or improvement that we implement throughout the System. You and if you are an Entity, then one of your Owners acknowledge that any such service, product, concept, process, technique or improvement will become our property and we may use or disclose such information to other franchisees as we deem appropriate.

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

The Franchise Agreement provides that a Franchise must always be under your direct, day-to-day, full-time supervision (or if you are an Entity such as a limited liability company or corporation, then a manager, approved by us). This person must have successfully completed the Initial Training Program as well as any ongoing mandatory programs.

You (or your manager if you are an Entity) must devote the appropriate and sufficient time and efforts for the successful operation of the QC Kinetix® Business. Your manager is not required to have an equity interest in the Franchised Business. The level and amount of time you are required to spend may vary depending on the number of Business Units you (and your affiliates) are operating.

Each of your employees, independent contractors, service providers, agents, principals, and affiliates must sign a confidentiality agreement containing substantially the same protections as provided in the form agreement contained in the Operations Manual (although you are responsible for ensuring its adequacy and enforceability under local law).

If you are an Entity, each Owner must personally guarantee your obligations under the Franchise Agreement, and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, agree to be bound by the confidentiality provisions and non-competition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interests. The required Guaranty of Obligations is attached as Schedule 1 to the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must comply with all of our standards and specifications relating to the purchase and use of all equipment, products, supplies, furniture, fixtures, security system, merchant services, billing services, computers, software, décor items, signage, apparel, printed advertising materials and other items to be used or sold at the Business. This includes use of an approved orthobiologic products and lasers.

As set forth in Item 1, you have several options with respect to your business set up. Depending on such selection, there may be limits on what services you may provide or are licensed to do regarding medical care and services. There are no restrictions regarding customers to whom you may sell products and services.

Subject to applicable law, you are required to offer only and all approved services and sell only and all approved products as specified by us. You must obtain our written approval before any other services or diagnostic techniques or products are offered. Our response to your request for additional services and/or products you wish to offer in your Business will be within thirty (30) days after we receive it either by email or any other form of written communication. If we do not respond to your request within this timeframe, your request will automatically be deemed disapproved. We may change and/or modify the type of services and products we authorize. There are no limits on our right to do so. We will inform you by email or by another form of communication of such changes and/or modifications. You must discontinue using, offering and selling any service or product that we may disapprove of in writing at any time, whether or not such service or product being submitted for approval is currently in use. We will suggest pricing strategy, and we may establish minimum and maximum prices at which you may provide services and sell products to the extent allowed by federal and state laws.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
a. Length of the Franchise Term.	Section 4	Initial term is ten (10) years.
b. Renewal or extension of the term.	Section 4	Up to two (2) five (5) year renewal terms if you meet certain term requirements.
c. Requirements for you to renew or extend	Section 4	Written notice from you to renew, you must be in full compliance with the FA, sign then current FA, pay the renewal fee, comply with out then current training and qualification requirements, execute a general release; and upgrade the Business to the then current standards. You may be asked to sign a contract with materially different terms and conditions, including financial terms, than your original contract.
d. Termination by you.	Section 19	There is no contractual right for you to terminate the franchise agreement.
e. Termination by us without cause.	Not Applicable	We cannot terminate your FA without cause.
f. Termination by us with cause.	Sections 19	We can terminate if you breach a material provision of the FA or fail to open the Business. Termination by us in this instance also permits us to terminate your Development Agreement.
g. "Cause" defined – curable defaults.	Section 19	Five (5) days for failure to pay amounts owed; thirty (30) days for all other defaults. Termination by us in this

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
		instance also permits us to terminate your Development Agreement.
h. "Cause" defined – noncurable defaults.	Section 19	Abandonment of Business; surrender of control; misrepresentation or omission in application; felony conviction; unauthorized assignment improper assignment upon death or disability; loss of possession of Business; unauthorized use of Confidential Information; failure to pay taxes or liens; dishonest or unethical conduct; maintenance of false or inaccurate records or keeping of false or inaccurate books; assignment for benefit of creditors; and bankruptcy. Transfer without franchisor consent, violates health or safety law, fails to maintain insurance, failure to spend minimum amount on local advertising, fails to have medical doctor supervise medical providers. Termination by us in this instance also permits us to terminate your Development Agreement.
i. Your obligations on termination / non-renewal	Section 20	Cease operating franchised Business cease use of confidential information and Marks; no adaptation of confusingly similar Marks; deliver property containing the Marks; cancel assumed or similar name registrations; pay outstanding amounts and damages; deliver manuals; assign phone numbers; comply with covenants and see "r" below.
j. Assignment of contract by us.	Section 18	No restriction on our right to assign.
k. "Transfer" by you – defined	Section 18	Includes transfer of the FA and Business assets by you.
l. Our approval of transfer by you.	Section 18	We have the right to approve all transfers by you.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
m. Conditions for our approval of transfer.	Section 18	Full compliance; transferee qualifies; all amounts due are paid in full; completion of training by transferee; transfer fee paid; transferee agrees to be bound by all terms of FA; you sign and deliver other required documents including a release.
n. Our right of first refusal to acquire your Business.	Sections 18, 20	We have the right to match any offers to buy your Business.
o. Our option to purchase your business.	Section 18	Purchase for fair market value determined by appraisal if parties are unable to agree.
p. Your death or disability.	Section 18	Franchise must be assigned to approved buyer within six (6) months.
q. Non-competition covenants during the term of the Franchise.	Section 15	No involvement in any competitive business anywhere in the US other than existing business.
r. Non-competition covenants after the franchise is terminated or expires.	Section 15	No interest in competing business for two (2) years within 50 miles of any company owned outlet or other franchises.
s. Modification of the Agreement.	Section 21	No modification except by written agreement, Operations Manuals are subject to change.
t. Integration / merger clause.	Section 21	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation.	Section 21	Arbitration and mediation in Mecklenburg County, State of North Carolina (subject to State law).

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
v. Choice of forum.	Section 21	Judicial enforcement in the county where our headquarters are then located (currently, Mecklenburg County, State of North Carolina) (subject to applicable state law).
w. Choice of law.	Section 21	State of North Carolina laws apply (subject to applicable state law).

THE DEVELOPMENT RELATIONSHIP

This table lists certain important provisions of the Development Agreement. You should read these provisions and the agreement attached to this disclosure document. You may not, however, be invited to sign a Development Agreement.

<u>Provision</u>	<u>Development Agreement</u>	<u>Summary</u>
a. Length of the development term.	Section 5	Varies depending upon development.
b. Renewal or extension of the term.	Section 5	Varies depending upon development.
c. Requirements for you to renew or extend	Section 5	Written notice from you to renew, you must be in full compliance with the DA, sign then current DA, and pay the renewal development fee. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you.	N/A	N/A
e. Termination by us without cause.	N/A	We cannot terminate your DA without cause.

<u>Provision</u>	<u>Development Agreement</u>	<u>Summary</u>
f. Termination by us with cause.	Section 7	We can terminate if you breach a material provision of the DA. Termination by us in this instance also permits us to terminate your Franchise Agreement.
g. "Cause" defined – curable defaults.	Section 7	Ten (10) days for failure to pay amounts owed; thirty (30) days for failure to meet operational, financial and legal requirements. Termination by us in this instance also permits us to terminate your Franchise Agreement.
h. "Cause" defined – noncurable defaults.	Section 7	Failure to obtain site approval, failure to adhere to development schedule, default under franchise agreement to which developer is a party. Termination by us in this instance also permits us to terminate your Franchise Agreement.
i. Your obligations on termination / non-renewal	Sections 8	Cease operating as a developer, cease use of confidential information and Marks; no adaptation of confusingly similar Marks.
j. Assignment of contract by us.	N/A	N/A
k. "Transfer" by you – defined	N/A	N/A
l. Our approval of transfer by you.	N/A	N/A
m. Conditions for our approval of transfer.	N/A	N/A
n. Our right of first refusal to acquire your Business.	N/A	N/A

<u>Provision</u>	<u>Development Agreement</u>	<u>Summary</u>
o. Our option to purchase your business.	N/A	N/A
p. Your death or disability.	N/A	Franchise must be assigned to approved buyer within six (6) months.
q. Non-competition covenants during the term of the Franchise.	Section 6	No involvement in any competitive business anywhere in the Territory.
r. Non-competition covenants after the franchise is terminated or expires.	Section 6	No interest in competing business for two (2) years within the Territory.
s. Modification of the Agreement.	Section 6	No modification except by written agreement.
t. Integration / merger clause.	Section 16	Only the terms of the Development Agreement are binding. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation.	Section 14	Arbitration and mediation in Mecklenburg, State of North Carolina (subject to State law).
v. Choice of forum.	Section 14	Judicial enforcement in the county where our headquarters are then located (currently, Mecklenburg County, State of North Carolina) (subject to state law).
w. Choice of law.	Section 14	State of North Carolina laws apply (unless prohibited by laws of state where Franchise is located).

ITEM 18
PUBLIC FIGURES

We do not use any public figure. We may use a public figure to promote its franchise in the future but have not present intent to do so.

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.

The following three tables include actual historical information we have accumulated for franchised businesses that were owned and operated by our franchisees for two distinct periods.

Table one: Table 1 presents year-to-date historical data for franchised businesses owned and operated by our franchisees for the period ending May 31, 2025. During this period, 124 franchised units were in operation. 42 of those units voluntarily provided financial information, while the remaining 82 units either did not furnish data as of the date of the FDD or were not open and operating for the entire reporting period. No company-owned locations are included in this table.

Table Two: Effective May 1, 2025, we instituted a requirement that franchisees submit specified financial information within 60 days after each month-end. Accordingly, Table 2 contains historical data for franchised businesses owned and operated by our franchisees from *April 1, 2025, through May 31, 2025*. Of the 124 franchised units in operation during this time, 65 submitted the required financial information; the remaining 59 units either failed to report as of the date of the FDD or were not open and operating for the full reporting period. No company-owned locations are included in this table.

Table Three: Table 3 sets forth actual gross-revenue data for franchised businesses that were open and operating for the entire twelve-month period of 2024. During that year, 117 franchised outlets met this criterion and are therefore included. 36 franchised outlets are excluded because they were not operational for the full twelve months. No company-owned locations are included in this table.

All of the businesses included in the figures below are generally comparable to the Franchise offered by this disclosure document. No adjustments, including adjustments for geographic location, have been made to these reported sales. We have included certain definitions after the charts for the table categories. For the reporting franchisees in each chart, their services and products are the same as those to be offered and sold by franchised units. The units included in this disclosure represent a wide range of demographics and business conditions found in urban and suburban markets.

Table 1
Reporting Period Year to Date Ending May 31, 2025

QC Kinetix

For YTD Period Ending 5/31/2025

	YEAR TO DATE AVERAGE		YEAR TO DATE TOTAL	
	Amount	% Sales	Amount	% Sales
Gross Revenue				
Sales	\$ 351,997.17	82.44%	\$ 14,783,881.03	82.44%
Patient Financing Costs	\$ 74,958.73	17.56%	\$ 3,148,266.46	17.56%
Total Income	\$ 426,955.89	100. %	\$ 17,932,147.49	100. %
Cost of Goods Sold				
Medical Supplies	\$ 39,715.69	9.3%	\$ 1,668,058.85	9.3%
Gross Profit	\$ 387,240.21	90.7 %	\$ 16,264,088.64	90.7 %
Operating Expenses				
Payroll	\$ 90,585.72	21.22%	\$ 3,804,600.39	21.22%
Franchise Fees	\$ 32,725.83	7.66%	\$ 1,374,485.05	7.66%
Technology and Call Center Fees	\$ 7,431.56	1.74%	\$ 312,125.38	1.74%
Advertising & Marketing	\$ 87,279.17	20.44%	\$ 3,665,725.05	20.44%
Office & Clinic Supplies	\$ 5,167.50	1.21%	\$ 217,034.86	1.21%
Rent & Office Expenses	\$ 28,095.96	6.58%	\$ 1,180,030.35	6.58%
Training	\$ 796.08	0.19%	\$ 33,435.25	0.19%
Travel & Meals	\$ 4,658.47	1.09%	\$ 195,655.76	1.09%
Professional Fees	\$ 3,758.99	0.88%	\$ 157,877.51	0.88%
Insurance	\$ 5,608.07	1.31%	\$ 235,539.07	1.31%
Dues, Subscriptions & Licenses	\$ 3,442.59	0.81%	\$ 144,588.61	0.81%
Computer, Software & Internet	\$ 1,319.96	0.31%	\$ 55,438.24	0.31%
Bank Fees	\$ 10,871.82	2.55%	\$ 456,616.46	2.55%
Total Operating Expenses	\$ 281,741.71	65.99 %	\$ 11,833,151.98	65.99 %
Operating Income	\$ 105,498.49	24.71 %	\$ 4,430,936.66	24.71 %

Max \$ 796,540.02
Min \$ (204,685.02)
Avg \$ 105,498.49
Median \$ 61,083.94

This information is for 2025 Year End To Date as of May 31st only. All franchised units were operational for the full described period. No company locations have been included in this chart.

Table 2
Reporting Period April and May 2025

QC Kinetix

For Periods April and May combined

	PERIOD AVERAGE		PERIOD TOTAL	
	Amount	% Sales	Amount	% Sales
Gross Revenue				
Sales	\$ 133,049.93	88.47%	\$ 8,648,245.38	88.47%
Patient Financing Costs	\$ 17,339.47	11.53%	\$ 1,127,065.68	11.53%
Total Income	\$ 150,389.40	100. %	\$ 9,775,311.06	100. %
Cost of Goods Sold				
Medical Supplies	\$ 13,977.00	9.29%	\$ 908,504.70	9.29%
Gross Profit	\$ 136,412.41	90.71 %	\$ 8,866,806.36	90.71 %
Operating Expenses				
Payroll	\$ 29,952.59	19.92%	\$ 1,946,918.18	19.92%
Franchise Fees	\$ 12,750.23	8.48%	\$ 828,764.89	8.48%
Technology & Call Center Fees	\$ 2,261.85	1.5%	\$ 147,020.15	1.5%
Advertising & Marketing	\$ 34,464.23	22.92%	\$ 2,240,174.95	22.92%
Office & Clinic Supplies	\$ 1,842.76	1.23%	\$ 119,779.41	1.23%
Rent & Office Expenses	\$ 9,426.49	6.27%	\$ 612,721.78	6.27%
Training	\$ 233.25	0.16%	\$ 15,161.32	0.16%
Travel & Meals	\$ 1,734.12	1.15%	\$ 112,718.08	1.15%
Professional Fees	\$ 3,240.22	2.15%	\$ 210,614.05	2.15%
Insurance	\$ 2,285.69	1.52%	\$ 148,569.59	1.52%
Dues, Subscriptions & Licenses	\$ 1,161.03	0.77%	\$ 75,466.83	0.77%
Computer, Software & Internet	\$ 415.36	0.28%	\$ 26,998.15	0.28%
Bank Fees	\$ 4,165.15	2.77%	\$ 270,734.67	2.77%
Total Operating Expenses	\$ 103,932.95	69.11 %	\$ 6,755,642.05	69.11 %
Operating Income	\$ 32,479.45	21.6 %	\$ 2,111,164.31	21.6 %

Max \$ 246,161.87
Min \$ (49,110.66)
Avg \$ 32,479.45
Median \$ 13,787.50

This information is for April and May 2025 only. All franchised units were operational for the full two-month period. No company locations have been included in this chart.

Table 3
GROSS REVENUE 2024

FRANCHISE OUTLETS

Market	Location	2024 Gross Revenue
Albany	Albany - Latham	\$432,159.49
	Total	\$432,159.49
Amarillo	Amarillo	\$828,134.00
	Total	\$828,134.00
Atlanta	Atlanta - Lawrenceville	\$1,265,439.75
	Atlanta - Marietta	\$1,113,715.95
	Atlanta - Sandy Springs	\$842,635.57
	Atlanta - Stockbridge	\$871,913.85
	Total	\$4,093,705.12
Augusta	Augusta	\$213,650.00
	Total	\$213,650.00
Austin	Austin	\$629,371.00
	Total	\$629,371.00
Beaumont	Beaumont	\$830,600.00
	Total	\$830,600.00
Billings	Billings	\$623,943.11
	Total	\$623,943.11
Boise	Boise	\$1,342,671.62
	Total	\$1,342,671.62
Buffalo	Buffalo - Williamsville	\$804,041.50
	Total	\$804,041.50
Burlington	North Country - Colchester	\$847,605.37
	Total	\$847,605.37
Cedar Rapids	Coralville	\$598,293.50
	Total	\$598,293.50
Champaign-Springfield IL	Champaign IL	\$381,371.67
	Springfield IL	\$346,677.67
	Total	\$728,049.34
Chattanooga	Chattanooga - Panorama	\$724,930.94
	Total	\$724,930.94
Chicago	Chicago - Morton Grove	\$591,892.00
	Chicago - Naperville	\$383,416.68
	Chicago - Oakbrook	\$1,713,996.69
	Total	\$2,689,305.37

Cleveland	Cleveland - Beachwood	\$563,772.98
	Cleveland - Independence	\$678,418.95
	Cleveland - Mentor	\$454,800.00
	Cleveland - Westlake	\$776,021.99
	Total	\$2,473,013.92
Colorado Springs	North Colorado Springs	\$1,176,750.00
	Total	\$1,176,750.00
Columbus OH	Columbus - Dublin	\$1,144,989.85
	Columbus - Gahanna	\$1,174,146.41
	Total	\$2,319,136.26
Corpus Christi	Corpus Christi	\$517,586.58
	Total	\$517,586.58
Dallas	DFW - Dallas	\$1,140,992.22
	DFW - Fort Worth	\$1,376,057.79
	DFW - Grapevine	\$1,167,702.29
	DFW - West Plano	\$947,780.82
	Total	\$4,632,533.12
Dayton	Kettering	\$1,075,029.60
	Total	\$1,075,029.60
Denver	Aurora	\$959,175.77
	Superior	\$727,000.00
	Total	\$1,686,175.77
Des Moines	Des Moines	\$1,539,850.00
	Total	\$1,539,850.00
Eau Claire	Eau Claire	\$763,100.00
	Total	\$763,100.00
Eugene	Eugene	\$711,544.00
	Total	\$711,544.00
Ft. Wayne	Ft. Wayne	\$1,009,948.00
	Total	\$1,009,948.00
Gainesville	Gainesville	\$918,700.00
	Ocala	\$712,650.00
	The Villages	\$647,585.13
	Total	\$2,278,935.13
Grand Rapids	Grand Rapids - East	\$743,425.00
	Holland	\$570,800.00
	Total	\$1,314,225.00
Green Bay	Appleton	\$703,875.00
	Green Bay -	\$684,890.00

	Ashwaubenon	
	Total	\$1,388,765.00
Greenville-New Bern	ENC Greenville	\$843,752.09
	Total	\$843,752.09
Harrisburg-Lancaster	Camp Hill	\$325,055.50
	Lancaster	\$410,719.00
	Total	\$735,774.50
Houston	Houston - Cypress	\$1,221,951.93
	Houston - Sugar Land	\$1,916,479.36
	Houston - The Heights	\$1,189,739.60
	Houston - The Woodlands	\$1,269,636.57
	Total	\$5,597,807.46
Indianapolis	Indianapolis - Carmel	\$440,926.01
	Indianapolis - Greenwood	\$463,649.43
	Total	\$904,575.44
Jacksonville	Jacksonville - Mandarin	\$724,445.00
	Ponte Vedra	\$361,200.00
	Total	\$1,085,645.00
Kansas City	Gladstone	\$661,525.67
	Kansas City	\$1,380,390.05
	Total	\$2,041,915.72
Knoxville	Farragut	\$305,541.00
	Knoxville - Powell	\$200,419.00
	Total	\$505,960.00
Lansing	Lansing	\$446,375.00
	Total	\$446,375.00
Little Rock	Little Rock - Midtown	\$1,818,851.75
	Total	\$1,818,851.75
Lubbock	Lubbock	\$995,938.34
	Total	\$995,938.34
Madison	Madison - NE	\$560,900.00
	Madison - Southwest	\$584,572.00
	Total	\$1,145,472.00
Miami	SFL - Aventura	\$516,670.32
	SFL - Coral Gables	\$527,764.23
	SFL - Doral	\$970,491.31
	SFL - Pembroke Pines	\$1,490,793.36
	SFL - Tamarac	\$514,637.78
	Total	\$4,020,357.00

Milwaukee	Milwaukee - Greenfield	\$1,131,883.00
	Milwaukee - Mequon	\$443,617.00
	Total	\$1,575,500.00
Minneapolis	Twin Cities - Burnsville	\$793,096.66
	Twin Cities - Eden Prairie	\$502,522.12
	Twin Cities - Fridley	\$354,725.00
	Twin Cities - Maple Grove	\$754,285.00
	Twin Cities - Maplewood	\$563,382.69
	Total	\$2,968,011.47
Myrtle Beach	Myrtle Beach	\$702,464.00
	Total	\$702,464.00
Odessa-Midland	Midland	\$700,952.00
	Total	\$700,952.00
Oklahoma City	Oklahoma City - Artesian	\$269,100.00
	Total	\$269,100.00
Orlando	Lake Mary	\$879,501.00
	Orlando - 33rd St	\$598,961.99
	Orlando - Winter Park	\$718,388.00
	Total	\$2,196,850.99
Philadelphia	Baederwood	\$694,392.69
	Exton	\$201,378.00
	Kennett Square	\$182,667.88
	Philly - King of Prussia PA	\$843,822.40
	Total	\$1,922,260.97
Phoenix	Phoenix - Chandler	\$1,008,500.00
	Phoenix - Peoria	\$720,249.99
	Phoenix - Scottsdale	\$821,135.00
	Total	\$2,549,884.99
Portland ME	Portland - Freeport	\$1,666,559.87
	Portland - Kennebunk	\$525,935.00
	Portland - South Portland	\$902,835.00
	Total	\$3,095,329.87
Richmond-Petersburg	Richmond	\$729,833.65
	Total	\$729,833.65
Round Rock	Round Rock	\$719,610.00
	Total	\$719,610.00
San Antonio	San Antonio - Hardy Oak	\$634,913.21

	San Antonio - New Braunfels	\$545,416.00
	Total	\$1,180,329.21
San Diego	San Diego - Hillcrest	\$748,205.06
	San Diego - Torrey Hills	\$561,771.99
	Total	\$1,309,977.05
San Francisco	SF Bay - Pleasanton	\$350,649.61
	Total	\$350,649.61
Savannah	Savannah - Pooler	\$575,424.99
	Total	\$575,424.99
South Bend	Elkhart	\$841,690.00
	Mishawaka	\$1,704,562.00
	Total	\$2,546,252.00
Southern New England	Avon	\$734,815.59
	Glastonbury	\$1,243,683.59
	New Haven	\$864,071.91
	Providence - Fall River	\$649,968.00
	Warwick	\$852,938.14
	Total	\$4,345,477.23
Springfield MA	Springfield - MA	\$879,455.05
	Total	\$879,455.05
Tallahassee	Tallahassee - Mahan Center	\$735,154.00
	Total	\$735,154.00
Tulsa	Tulsa	\$786,316.92
	Total	\$786,316.92
West Palm	SFL - Boca Raton	\$427,916.98
	SFL - Boynton Beach	\$395,685.99
	SFL - West Palm Beach	\$734,942.50
	Total	\$1,558,545.47
Youngstown	Youngstown - Warren	\$719,910.00
	Total	\$719,910.00

For purposes of the tables:

“Gross Revenues” means the total amount of all revenues actually collected, net of all fees charged by third party patient finance companies, from every sale of products and services conducted at, from, or through the Franchised Business, whether for cash, on credit, or otherwise, including without limitation revenues generated in-clinic, on-line, through third-party finance companies, and any other business conducted under the Marks. Gross Revenues exclude only: (a) bona fide refunds actually paid to customers; (b) reasonable, customary discounts actually granted at the point of sale; (c) fees charged to third party patient financing fees and (d) sales, use, or excise taxes that the Franchisee is required by law to collect from customers and that are in fact transmitted to the appropriate taxing authority.

“Cost of Goods Sold” means the cost of medical supplies used to treat patients, primarily processing kits. COGS should not include labor, rent, or any other indirect costs of operating the Franchised Business.

“Payroll” means wages, salaries, overtime, paid time off, bonuses, commissions, and other monetary compensation paid or accrued by the Franchisee for all individuals employed in the operation of the Franchised Business, together with the Franchisee’s share of payroll-related taxes (e.g., FICA, FUTA, SUTA) and the employer’s portion of health, retirement, and other employee benefit costs. Payroll may include any payments to independent contractors paid for their services in support of clinic operations. Payroll should not include draws or distributions paid to owners or members who are not treated as employees of the Franchised Business.

“Franchise Fees” means all fees, contributions, and charges that the Franchisee is obligated to pay to the Franchisor or its affiliates under the Franchise Agreement or any ancillary agreement, including, without limitation: (a) the Royalty Fee; (b) the Brand Development Fund contribution; (c) technology or system fees; (d) call-center fees; (e) minimum royalty or advertising payments, if any; and (f) any late fees, interest, or other charges assessed by the Franchisor related to the foregoing. Franchise Fees do not include amounts paid to third-party vendors that are not collected or retained by the Franchisor or its affiliates.

“Operating Costs” means all ordinary and necessary expenses incurred in the day-to-day operation of the Franchised Business during the reporting period other than COGS. Payroll, Franchise Fees, Marketing/Advertising, and Other Expenses are included in Operating Costs.

A QC Kinetix volume may vary widely. A number of factors will affect a particular unit’s sales, including goodwill and name recognition in the market, length of time in business, population, site accessibility and visibility, local competition, general economic conditions, the franchisee’s management skill, experience, business acumen and ability to promote and market effectively, service levels and customer satisfaction and the degree of adherence to our methods and procedures in operating a QC Kinetix’s unit.

Our management prepared this financial performance representation based on information provided by our franchisees. This information has not been audited. Prospective franchisees should be advised that no certified public accountant has audited these figures or expressed an opinion with regard to their content or form. Written substantiation of all financial information presented in this financial performance representation will be made available to you upon reasonable request. You are encouraged to consult an accounting, business or legal advisor to assess the likely or potential financial performance of your QC Kinetix® Business.

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

Other than the preceding financial performance representation, QC Kinetix does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Mark Montini, our Chief Executive Officer, at 227 W. Trade Street, Suite 2160, Charlotte, NC 28202, phone: 800-269-1421, 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**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022	58	160	+102
	2023	160	172	+12
	2024	172	153	-19
Company/Affiliate Owned	2022	11	10	-1
	2023	10	12	+2
	2024	12	14	+2
Total Outlets	2022	69	170	+101
	2023	170	184	+14
	2024	184	167	-17

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
AL	2022	0
	2023	2
	2024	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
AR	2022	1
	2023	0
	2024	1
AZ	2022	0
	2023	4
	2024	4
CO	2022	0
	2023	2
	2024	0
FL	2022	3
	2023	5
	2024	0
GA	2022	1
	2023	0
	2024	0
IA	2022	0
	2023	1
	2024	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
IN	2022	2
	2023	2
	2024	0
KY	2022	1
	2023	1
	2024	0
MI	2022	0
	2023	1
	2024	0
NC	2022	1
	2023	0
	2024	0
OH	2022	2
	2023	1
	2024	0
OK	2022	1
	2023	0
	2024	1

Column 1 State	Column 2 Year	Column 3 Number of Transfers
PA	2022	0
	2023	0
	2024	2
RI	2022	2
	2023	0
	2024	0
SC	2022	2
	2023	0
	2024	2
TN	2022	0
	2023	0
	2024	1
TX	2022	3
	2023	0
	2024	0
UT	2022	0
	2023	0
	2024	2

Column 1 State	Column 2 Year	Column 3 Number of Transfers
WI	2022	2
	2023	0
	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
AL	2022	2	2	0	0	0	0	4
	2023	4	0	0	0	2	1	1
	2024	1	0	0	0	0	1	0
AR	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
AZ	2022	5	1	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
CA	2022	0	0	0	0	0	0	0
	2023	0	8	0	0	0	0	8
	2024	8	1	0	0	0	0	9
CO	2022	0	4	0	0	0	0	4
	2023	4	0	1	0	0	0	3
	2024	3	1	0	0	0	0	4
CT	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3

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
FL	2022	15	8	1	0	0	0	22
	2023	22	1	0	0	0	0	23
	2024	23	1	3	0	3	0	18
GA	2022	6	3	1	0	0	0	8
	2023	8	0	1	0	0	0	7
	2024	7	1	0	0	0	0	8
IA	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
	2024	2	0	0	0	0	0	2
ID	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	1	0	0	0	1
IL	2022	0	5	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	2	0	0	0	2	5
IN	2022	1	4	0	0	0	0	5
	2023	5	2	0	0	0	1	6
	2024	6	0	0	0	0	1	5
KS	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	2	0
	2024	0	0	0	0	0	0	0
KY	2022	2	2	0	0	0	0	4
	2023	4	0	2	0	0	0	2
	2024	2	0	0	0	0	1	1
LA	2022	0	3	1	0	0	0	2
	2023	2	0	1	0	0	0	1
	2024	1	0	1	0	0	0	0

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
MA	2022	0	3	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	3	0	1
MD	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	1	0	0	0	0
ME	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
MI	2022	0	3	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	2	0	0	0	1	4
MN	2022	0	3	0	0	0	0	3
	2023	3	3	1	0	0	0	5
	2024	5	0	0	0	0	0	5
MO	2022	1	4	0	0	0	0	5
	2023	5	1	1	0	0	0	5
	2024	5	0	1	0	0	0	4
MT	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NC	2022	1	2	0	0	0	0	3
	2023	3	3	1	0	0	0	5
	2024	5	2	4	0	0	0	3
ND	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
NE	2022	0	3	0	0	0	0	3

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
	2023	3	0	3	0	0	0	0
	2024	0	0	0	0	0	0	0
NM	2022	1	2	0	0	0	0	3
	2023	3	0	3	0	0	0	0
	2024	0	0	0	0	0	0	0
NV	2022	0	0	0	0	0	0	0
	2023	0	1	1	0	0	0	0
	2024	0	0	0	0	0	0	0
NY	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
	2024	2	2	0	0	0	0	4
OH	2022	4	5	0	0	0	0	9
	2023	9	1	0	0	0	0	10
	2024	10	1	1	0	0	1	9
OK	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	2	1
OR	2022	1	4	1	0	0	0	4
	2023	4	0	0	0	0	3	1
	2024	1	0	0	0	0	0	1
PA	2022	2	8	0	0	0	0	10
	2023	10	0	4	0	0	0	6
	2024	6	1	0	0	0	0	7
RI	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
SC	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3

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
	2024	3	0	0	0	0	1	2
SD	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
TN	2022	2	6	0	0	0	0	8
	2023	8	1	0	0	0	0	9
	2024	9	0	2	0	0	1	6
TX	2022	10	10	0	0	0	0	20
	2023	20	8	1	0	0	0	27
	2024	27	0	4	0	0	2	21
UT	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
VA	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	2	0	0	0	0	3
VT	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WI	2022	0	5	0	0	0	0	5
	2023	5	2	0	0	0	0	7
	2024	7	0	0	0	0	0	7
WV	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	2	0
	2024	0	0	0	0	0	0	0
WY	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1

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

Totals	2022	58	106	4	0	0	0	160
	2023	160	44	20	0	2	10	172
	2024	172	18	18	0	6	13	153

Table 4
Status of Company/Affiliate-Owned Outlets
For years 2022 to 2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
AL	2022	0	0	0	0	0	0
	2023	0	0	2	0	0	2
	2024	2	0	0	2	0	0
FL	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	4	0	0	4
MA	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	3	0	0	3
NC	2022	5	1	0	0	0	6
	2023	6	0	0	0	0	6
	2024	6	0	0	0	2	4
	2022	4	0	0	0	0	4

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
SC	2023	4	0	0	0	0	4
	2024	4	0	0	1	0	3
TX	2022	2	0	0	0	2	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Totals	2022	11	1	0	0	2	10
	2023	10	0	2	0	0	12
	2024	12	0	7	3	2	14

Table No. 5

Projected Openings as of December 31, 2025

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlet in The Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
AR	1	1	0
FL	0	1	2
All Other States	0	2	0
Total	1	4	2

We sponsor a franchisee advisory council comprised of selected franchisees (“**FAC**”). Although the FAC does not have decision-making authority, we routinely involve them when making decisions and listen to their input regularly. There are no other franchisee organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this disclosure document.

A list of the names of all Franchisees and the addresses and telephone numbers of the owners of the QC Kinetix® Business are listed as **Exhibit F** to this Disclosure Document. A list of the name and last known home address and telephone number of every Franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Fiscal Year 2024 or who has not communicated with us within ten (10) weeks of our application date is attached as **Exhibit G**.

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

At this time, there are no previously owned QC Kinetix® franchised outlets for sale, that are under our control.

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

At this time there are no trademark-specific franchisee organizations representing QC Kinetix® franchisees, and no such trademark specific franchisee organization has asked us to be included in this Disclosure Document. We do host a Franchise Advisory council consisting of franchisees we select to act in an advisory capacity.

ITEM 21

FINANCIAL STATEMENTS

Our audited financial statements, as of December 31, 2024, December 31, 2023, and December 2022 are attached to this Disclosure Document as **Exhibit H**. Our fiscal year end is December 31.

ITEM 22

CONTRACTS

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

Franchise Agreement - Exhibit A
Individual Guaranty – Schedule 1 to Franchise Agreement
Confidentiality and Non-Compete Agreement – Schedule 4 to Franchise Agreement
Amendment and Collateral Assignment of Lease – Schedule 5 to Franchise Agreement
Distributor Agreement – Schedule 6 to Franchise Agreement
Business Associate Agreement – Exhibit C
State Addenda- Exhibit D
Sample General Release – Exhibit I
Development Agreement – Exhibit J

ITEM 23

RECEIPTS

Included as the last document of this Disclosure Document (**Exhibit L**) and/or as a separate executable form, is a Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least fourteen (14) calendar days before signing of the Franchise Agreement or payment of any fee by you.

EXHIBIT A

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

Between

QC Franchise Group LLC

and

Franchisee

UNIT #



FRANCHISE AGREEMENT

Between

QC Franchise Group LLC

227 W. Trade Street

Suite 2160

Charlotte, NC 28202

Phone: 800-269-1421

qcfranchiseinfo@qckinetix.com

and

Collectively referred to as “Franchisee”

UNIT #

QC Franchise Group LLC FRANCHISE AGREEMENT

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QC FRANCHISE GROUP LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into on _____, between QC Franchise Group LLC, a South Carolina limited liability company, having its principal place of business located at 227 W. Trade Street, Suite 2160, Charlotte, NC 28202 (hereinafter referred to as “**Franchisor**”), and that party or parties described as the “**Franchisee**” on the cover page of this Agreement and on the signature line, hereinafter referred to as “**you**,” “**your**,” or “**Franchisee**.” For ease of reference, QC Franchise Group LLC will also be referred to as “**we**,” “**us**,” or “**our**” in this Agreement. The persons signing as Franchisee or Guarantors as defined below will also be referenced to herein individually as “**you**” or “**yours**” or collectively as “the Franchisee.”

WHEREAS, the Franchisor has developed a system of uniform standards, methods, procedures, business techniques and specifications (the “**System**”) for the operation of a franchised business (“**Franchised Business**”) offering non-clinical services related to the field of non-surgical regenerative medicine focused on musculoskeletal pain caused by injuries, arthritis, tendonitis, tendinopathies, muscle tears, ligament tears, weight loss and others (the “**Services**”) identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, including the mark “**QC Kinetix®**” (collectively, the “**Marks**”); and

WHEREAS, the Franchisor has entered into a license (“**License Agreement**”) with QC Holdings Group, LLC for the right to use the Marks and other property in connection with the operation of an QC Kinetix® Franchised Business and has developed expertise (including confidential information) and a unique, distinctive and comprehensive system for the establishment and operation of businesses offering non-clinical services related to the field of non-surgical regenerative medicine services in a distinctive and innovative environment; and

WHEREAS, the Franchisor continues to develop, use, and control the use of such Marks to identify for the public the source of services and products marketed thereunder and under its System, and to represent the System’s high standards of consistent quality, appearance, and service; and

WHEREAS, the Franchisor has established substantial goodwill and business value in its Marks, expertise and the System; and

WHEREAS, the Franchisor has the right to license the System, including expertise for conducting and operating a business under the Marks; and

WHEREAS, the Franchisee wishes to obtain the right from the Franchisor for the use of the Franchisor’s Marks, and in association therewith to establish the Franchised Business, and understands and accepts the

terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain the Franchisor's high and uniform standards of quality and service in order to protect the goodwill and enhance the public image of the Franchisor and the Marks; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by Franchisor, and Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, appearance, and service and the necessity of operating the Franchised Business in conformity with Franchisor's standards and specifications.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. **FRANCHISEE'S ACKNOWLEDGEMENTS / REPRESENTATIONS**

1.1 **Business Risk and Absence of Guarantee.** Franchisee, and if Franchisee is an "Entity" such as a limited liability company, a partnership, corporation or other type of entity, then each person or entity holding any type of ownership interest in the Entity (each an "Owner") hereby represents that Franchisee has conducted an independent investigation of the Franchisor's business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will depend upon Franchisee's abilities as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, sales, revenues, or success of the business contemplated by this Agreement. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Agreement that Franchisee may not have initially understood and that Franchisor has advised Franchisee to have this Agreement reviewed by an attorney. Except as otherwise provided under applicable state law or regulation, Franchisee hereby releases Franchisor, any owners of a direct or indirect interest in Franchisor, all employees of Franchisor, its affiliated companies and all agents of Franchisor from liability based on any such warranties, guarantees, representations or agreements, to the extent permitted by law.

The Franchisee acknowledges that Franchisor has not made, and does not hereby make, any representation or warranty as to potential revenues, income, profits, volume or success of the Franchised Business, or merchantability, performance, condition, fitness or suitability for the Franchisee's purposes of any component of the System, or make any other representation or warranty with respect to the System except as set forth in the Franchisor's disclosure document (the "**Franchise Disclosure Document**"). Franchisor shall not be liable to the Franchisee for, nor shall the Franchisee's obligations hereunder be affected by, any loss, claim, liability, cost, damage or expense of any kind caused, or alleged to be caused, directly or indirectly, by the System, or any Services, or by an inadequacy of the System for any purpose, or by any defect in, the use or maintenance of, any repairs, servicing or adjustments of, or any interruption or loss of service or use of, the System, or any loss of business, profits, consequential or other damage of any nature.

1.2 **Receipt and Thorough Evaluation of Agreement.** Franchisee acknowledges having received, read, and understood this Agreement (and its schedules, the "**Schedules**"), and the Franchise Disclosure Document (and its exhibits, the "**Exhibits**"). Franchisee further acknowledges that Franchisor has provided Franchisee ample time and opportunity to consult with independent legal counsel and other advisors of its own choosing concerning the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that it has received a complete copy of this Agreement, the Schedules, as well as the Franchise Disclosure Document and its Exhibits, at least fourteen (14) days prior to the date on which this Agreement was executed and any money paid for the franchise.

Franchisee acknowledges that it: (i) has read and understands this Agreement, the Schedules and any agreements relating thereto, and that Franchisee has been advised by a representative of Franchisor to consult

with an attorney or advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement prior to its execution; (ii) understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards for each Franchised Business and to protect and preserve the System and goodwill of the Marks; (iii) has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted by a Franchised Business may evolve and change over time; and (iv) in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us.

Franchisee acknowledges that any statements, oral or written, by Franchisor or its agents preceding the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by Franchisor. The only representations, warranties and obligations of Franchisor are those specifically set forth in the Franchise Disclosure Document and this Agreement. Franchisee must not rely on, and the parties do not intend to be bound by, any statement or representation not contained therein.

Franchisee acknowledges that we will not provide or designate locations for Franchisee, will not provide financial assistance to Franchisee and have made no representation that it will buy back from Franchisee any products, supplies, computers, furnishings or fixtures purchased by Franchisee in connection with the Business, except where the Franchisor is otherwise required by law or regulation to buy back products, supplies, computers, furnishings and fixtures upon expiration or termination of this Agreement.

1.3 Actual Average, Projected or Forecasted Franchise Sales, Profits or Earnings. Franchisee, and each party executing this document hereto, acknowledges that neither Franchisor nor any officer, director, employee or agent of Franchisor has made, and Franchisee has not received or relied upon, any express or implied oral, written, or visual information, representations, assurances, warranties, guarantees, inducements, promises or agreements concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings or likelihood of success that Franchisee might expect to achieve from operating the Business (defined as "**Financial Performance Representations**"), except as set forth in the Franchise Disclosure Document reviewed by Franchisee or its representatives.

You acknowledge and understand the following:

(a) any statement regarding the potential or probable revenues, sales or profits of the business venture are made solely in our Franchise Disclosure Document delivered to you prior to signing this Agreement;

(b) any statement regarding the potential or probable revenues, sales or profits of the business venture or statistical information regarding any existing business owned by us or our affiliates that is not contained in our Franchise Disclosure Document, is unauthorized, unwarranted and unreliable and should be reported to us immediately; and

(c) you have not received or relied on any representations about us or our franchise program or policies made by us, or our officers, directors, employees or agents, that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. If there are any exceptions to any of the foregoing, you agree to: (i) immediately notify our CEO in writing; and (ii) note such exceptions by attaching a statement of exceptions to this Agreement prior to signing it.

1.4 Relationship of the Parties.

(a) Franchisee is an independent contractor. During the term of this Agreement, and any renewals or extensions hereof, the Franchisee shall hold itself out to the public as an independent contractor operating its Franchised Business pursuant to a franchise from the Franchisor. This Agreement is not intended to create, and shall not be interpreted as creating, a partnership, joint venture, agency, employment or personal services or similar relationship between Franchisor and Franchisee. Franchisee agrees to take such affirmative action as may be necessary, including, without limitation, exhibiting multiple public notices of that fact, the content and display of which Franchisor shall have the right to specify. For example, such notices shall be provided on letterhead, business cards, bank account names, bank checks, and signs at the place of business. The Franchisee is responsible for collecting and remitting Social Security, Medicare, unemployment contributions and/or any other mandated county, state or federal tax or other obligations on behalf of its employees.

(b) Franchisor Is Not In a Fiduciary Relationship With Franchisee. It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. In addition, the Franchisor shall not have any fiduciary relationship to the Franchisee by virtue of the facts that the Franchisor may operate a Brand Development Fund (as defined in Section 6.2 of this Agreement).

It is understood and agreed that nothing in this Agreement authorizes the Franchisee, and the Franchisee shall have no authority, to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall Franchisor be liable by reason of any act or omission of the Franchisee in its conduct of the Business or for any claim, liability or judgment arising therefrom against the Franchisee or Franchisor.

It is understood that Franchisee will have sole responsibility for its employees and all acts of its employees, and all employment-related decisions involving wages, benefits, hours of work, scheduling, hiring, firing, discipline, supervision, record keeping, withholding income tax, social security contributions, Medicare contributions, unemployment fund contributions and all other terms and conditions of employment (as described in this Agreement).

1.5 Franchisee Representations. Franchisee represents to us, as an inducement to our entry into this Agreement, that

(a) all statements you have made and all materials you have submitted to us in connection with your purchase of a franchise to operate a Franchised Business are accurate and complete and that you have made no misrepresentations or material omissions;

(b) The Franchisee has duly authorized the execution, delivery and performance of this Agreement and all other documents contemplated hereby, which are, or upon signing, will be binding on the Franchisee, and such documents do not and will not contravene any other instrument or agreement to which the Franchisee is party;

(c) there is no pending litigation, tax claim, proceeding or dispute that may adversely affect the Franchisee's financial condition or impair its ability to perform its obligation under the terms of this Agreement;

(d) you will comply with and/or assist us to the fullest extent possible in our efforts to comply with Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**");

(e) neither you nor any of your owners, employees, agents, property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that neither you nor they are otherwise in violation of any of the Anti-Terrorism Laws; and

(f) you and your Owners acknowledge and agree that it shall be your obligation to properly set up your business pursuant to your state's laws, and to determine whether the franchisee entity may be owned entirely by Clinical Personnel (as defined in the Franchise Disclosure Document, whether the franchisee entity may be owned by both Clinical Personnel and non-clinical / non-professionally medically licensed persons, or if the franchise entity must be a "lay" (non-professional) management services organization or "**MSO**," and not a physician, professional corporation, professional association, or professional limited liability company (collectively referred to as a "**PC**"), and therefore must enter into a Management Services Agreement ("**MSA**") with the PC.

1.6 Business Organization. If you are, at any time, an Entity, you agree and represent that:

(a) you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(b) your organizational or governing documents will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(c) the declaration of ownership ("**Declaration of Ownership**"), attached as Schedule 2, completely and accurately describe all of your owners and their interests in you;

(d) you and your Owners shall revise the Declaration of Ownership as may be necessary, to reflect any ownership changes and to furnish such other information about your organization or formation as we may request;

(e) an Owner identified on the Declaration of Ownership as having full authority to act on your behalf (your "**Manager**") must: (i) have management responsibility and authority over your Franchised Business on a day-to-day basis; (ii) be actively employed on a full-time basis to manage your Franchised Business' operations; (iii) be present at the Franchised Business for at least fifty percent (50%) of the hours the Franchised Business is open to the public for business, and; (iv) satisfactorily complete our Initial Training Program (defined in Section 16.1) and any other training programs we may require during the Term (defined in Section 4.1);

(f) each of your Owners, during the Term, will sign and deliver to us our standard form of Owner's Guaranty, Indemnification and Acknowledgement ("**Owner's Guaranty**") undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. A copy of our current form of Owner's Guaranty is attached as Schedule 1 to this Agreement; and

(g) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (e.g., Articles of Incorporation or organization and partnership, operating or shareholder agreements, etc.).

2. FRANCHISE GRANT

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege, and Franchisee hereby accepts a franchise under the terms and conditions set forth herein, to operate a Business that has been assigned a protected territory as set forth in Section 3 of this Agreement with the right to use solely in connection therewith the Franchisor's Marks, Services, its advertising and merchandising methods, and Franchisor's System, as they may be changed, improved and further developed from time to time and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or any other agreement is executed, this franchise grant does not include the right of Franchisee to sub franchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by Franchisor in the manner that Franchisee, in Franchisee's sole and absolute discretion, deems most appropriate for the operation of an QC Kinetix®, provided that Franchisee shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

3. TERRITORY

3.1 Protected Territory. You will receive a franchise for a specific location or a location to be approved by us, in our sole discretion. Franchisee is not granted an exclusive territory. You may face competition from other franchisees, from outlets we and our Affiliates own, or from other channels of distribution or competitive brands that we cannot control. You are awarded a protected marketing territory ("**Territory**") that is based on population and mapped in accordance with Neilson designated market areas, ("**DMA**") as they existed as of the Effective Date. Once you have been awarded the Territory, we will not establish a company-owned Business, nor award another Franchised Business in the Territory. Notwithstanding the foregoing, Franchisor, or its affiliates may, as part of its strategic plan, acquire or be acquired by companies that operate the same businesses as Franchisor under the acquired name, the Marks and/or other service marks and trademarks and the acquired companies may have existing businesses operating in Franchisee's Protected Area. Should a DMA be altered in the future your Territory will continue to be defined by the geographic boundaries established on the Effective Date. Some edges of DMA's overlap and to the extent that they do, your territory will not be exclusive. In those circumstances where the territory of an acquired business overlaps Franchisee's Territory, Franchisor may, with the written agreement of both parties, alter the Territory. If mutual agreement as to the territory definition cannot be made then Franchisor or its affiliates and/or successors may continue to operate the acquired business by the name and/or service marks under which it was identified prior to its acquisition.

Some of the factors that we will use to determine your Territory are economic strength, projected future growth of the population within your Territory, and the number of existing competitors.

The protected Territory is designated in Schedule 3.

If the parties do not select a Territory prior to the signing of this Franchise Agreement, then they shall agree to it at a later date, under the terms of this Franchise Agreement. Failure to agree on a Territory, secure a lease for the Franchised Business within ninety (90) days of the execution of this Agreement and/or failure of the Franchisee to open the Franchised Business within six (6) months after the execution of this Agreement will permit Franchisor to terminate this Franchise Agreement as provided in Section 19.3. The Territory, under the terms of this Franchise Agreement. We reserve the right to grant a Territory with a population that is larger or smaller than the minimum population described above in order to account for more densely or sparsely populated areas.

The Territory is determined once you have chosen a location that is approved by us, and this Territory will not be altered even if there is a population increase or decrease during the term of this Franchise Agreement. The Territory is not dependent upon achievement of certain revenues, market penetration or any other contingency. You may not open or operate another Franchised Business at any other location inside or outside of your Territory unless we approve and you sign another franchise agreement with us. You have no right of first refusal to acquire additional Franchised Businesses inside or outside of your Territory.

3.2 Relocation. You may relocate your business only within your Territory. You must notify us of the physical address of your location, including the physical address of any relocation site within your Territory, within ten (10) days of relocating your office (whether in your home or in a leased premises). Your relocation must be pre-approved by us. Upon our notice to you that your relocation request has been approved, you are required to pay a relocation fee equal to fifteen thousand dollars (\$15,000).

3.3 Target Marketing. You may not advertise and/or solicit business outside of your Territory including, without limitation, direct mail solicitations and advertising which specifies areas outside of your Territory, without our prior written consent. You must not specifically engage in Target Marketing of people within the Territory of another Franchise (and/or company/affiliate owned business or franchise). “**Target Marketing**” means a concerted effort by a franchisee to solicit and obtain customers through any type of advertisement or marketing, directed at all or a portion of another franchisee’s Territory. We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it. If Franchisee is asked by a third party to conduct business at off-site events (such as promotional events, charity events, etc.) in geographical areas in which there is another franchisee, Franchisee must immediately refer that request to the QC Kinetix® business in that geographical area or directly to Franchisor. Franchisee must not conduct business at off-site events in that geographical area if another franchise or company-owned business is operating in that geography. If there is not a QC Kinetix® business in that geographical area, then Franchisee can proceed in that area, subject to Franchisee first procuring our consent to do so, which consent may be withheld, conditioned or withdrawn by us at any time in our sole discretion.

We encourage QC Kinetix businesses, when owned by different individuals, to work out an advertising strategy or arrangement if they are within close proximity of each other (defined as being within the same media market mile radius of each other). Franchisor must be notified of all such arrangements.

3.4 Multi-Territory Accounts. We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to sell products and to provide services to any business or organization which owns, manages, controls or otherwise has responsibility for locations in more than one area whose presence is not confined with any one particular franchisee’s territory regardless of the contract amount of products to be provided or services to be performed (a “**Multi-Territory Account**”). After we sign a contract with a Multi-Territory Account, we may, at our option, provide you the option to provide products or perform

services to businesses under the Multi-Territory Account contract. If we choose, or if you choose not to provide such products or services to the Multi-Territory Account, we may direct the Multi-Territory Account to seek such products and services from another franchisee or company-owned location even if the Multi-Territory Account is located within your Territory without compensation to you.

3.5 Reservation of Rights. Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to:

- (a) Advertise, market and sell QC Kinetix® branded products and services in your Territory;
- (b) Advertise, offer and sell products and/or services to promote the System through the Internet, World Wide Web and/or other similar venues no matter where the person is based to fulfill the demand in your Territory;
- (c) Sell, offer or distribute anywhere products or services to persons or businesses located anywhere through any alternative or other channel of distribution, other than local business operations (franchised or owned by us) providing services and products under the Marks and System and on any terms and conditions we deem appropriate. We have this right whether or not we are using the Marks or System or are acting inside or outside the Territory designated in this Agreement;
- (d) Implement marketing council and/or advertising cooperative programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;
- (e) Own and/or operate ourselves or authorize others to own and/or operate (i) any business located outside the Territory as designated in this Franchise Agreement, whether or not using the Marks and/or System, (ii) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under this Agreement and/or (iii) any business anywhere which does not use the Marks; and
- (f) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with businesses located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other businesses (including your own QC Kinetix® Business) are converted to another format or we acquire a similar business which will be maintained under the System or otherwise. You will fully participate in any conversion subject to any person/entity merging with, or acquiring us or when we acquire, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you concerning the sale of products, supplies or services by use over the Internet, World Wide Web, other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar to the Franchised Business or any business that does not use the Marks. For clarity, this Agreement grants you no rights to offer and provide services or sell products through any alternative channels of distribution (other than our approved list of channels of distribution) without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

4. **TERM AND RENEWAL OF AGREEMENT**

4.1 **Term.** The franchise herein granted for a QC Kinetix® Business, shall be for a term of ten (10) years from the date of execution and acceptance (the “**Effective Date**”) of this Agreement by us and subject to earlier termination as herein provided.

4.2 **Renewal.** Franchisee and Franchisor may, at their mutual option, continue to renew this Franchise for two (2) renewal periods of five (5) years each, provided Franchisor is still offering franchises at that time, and further subject to the following conditions, all of which must be met prior to renewal:

(a) Franchisee shall give the Franchisor written notice of its election to renew not more than twelve (12) months and not less than six (6) months prior to the end of the then current term;

(b) Franchisee must not be in default under any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisor and Franchisee, and Franchisee shall have complied with all the terms and conditions of all such agreements during the terms thereof;

(c) Franchisee’s right to renew is contingent on satisfactory performance of and full compliance with this Agreement and any renewal agreement. Franchisor may refuse to renew or extend the franchise if: (i) Franchisee has failed to use its best efforts to operate the Franchised Business to Franchisor’s satisfaction; (ii) the franchise is terminable by law or under this Agreement; (iii) Franchisee fails to give timely written notice of its exercise of its renewal option; (iv) Franchisor is withdrawing from franchising in the market Franchisee serves; (v) Franchisee fails to satisfy Franchisor’s then-current standards for new franchisees; or (vi) Franchisee is in default of this Agreement;

(d) Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates, and shall have timely met these obligations throughout the previous term;

(e) Franchisee shall execute, before the renewal term, the Franchisor’s then-current form of Agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement. Franchisor will charge Franchisee a flat renewal fee of \$3,000 and renewal may or may not be for the same Territory in the sole discretion of Franchisor;

(f) Franchisee shall comply with Franchisor’s then-current qualification and training requirements; and

(g) Franchisee must execute a general release, in a form prescribed by Franchisor and described in this Agreement, of any and all claims against Franchisor and its affiliates, and their respective owners, officers, directors, agents and employees, if such release is not in conflict with any local, state or federal laws.

(h) Franchisee shall upgrade, remodel and/or refurbish the facility (both inside and outside) in order to meet our then-current standards. Graphics, signage and all equipment, furnishing, fixtures, computers, point-of-sale system, and any other equipment that is necessary to operate the Franchised Business as determined by Franchisor, in its sole discretion, must be updated to meet our then-current requirements. All remodeling, modernization, redecoration, or replacements will be completed at Franchisee’s expense in accordance with our specific standards and specifications.

5. **FRANCHISEE'S INITIAL FRANCHISE FEE**

5.1 **Initial Franchise Fee.** By executing this Franchise Agreement, the applicant agrees to become a Franchisee and pay an initial franchise fee in a lump sum ("**Initial Franchise Fee**") in the amount of \$55,000 for QC Kinetix® Franchised Business in a protected area.

The Initial Franchise Fee is fully earned on payment and is allocated to training and other services to be rendered to Franchisee before opening and, therefore, it is nonrefundable.

5.2 **Time Limit for Starting Business.** The Franchisee shall maintain the Franchised Business in accordance with the provisions and requirements of this Agreement and must open the Franchised Business for business (the "**Opening**") within the required time limit. If you are leasing your Franchised Business premises, you have ninety (90) days to enter into a lease, at your expense, for commercial real estate that is properly zoned for the use of your Franchised Business under this Franchise Agreement. You must submit to us, in the form we specify, a copy of the location plan and other such information or materials we may require, together with an option contract, letter of intent, or other evidence of satisfactory to us which confirms your affirmative prospects for obtaining the location. We will have thirty (30) days following receipt of this information and materials from you to approve or disapprove the proposed location of your QC Kinetix® Franchised Business. If we do not approve a proposed location by email or any other form of written notice to you within this thirty (30) day period, the site will be deemed disapproved unless we extend the period based on our reasonable judgment that you will likely find a location. Once your proposed location has been approved by us, you will have ninety (90) additional days to open your Franchised Business for operation. The Opening requires that Franchisee has qualified for and has obtained all necessary licenses and permits needed to offer Services.

6. **OTHER FEES**

6.1 **Royalty Fees.** In addition to the Initial Franchise Fee, the Franchisee shall pay to Franchisor a Royalty Fee which is equal to eight percent (8%) of weekly Gross Revenues with a \$1,000 minimum royalty in months 3-5 after opening, and \$1,500 minimum royalty starting in month 6 after opening through the expiration of the stated term. The Royalty Fee obligation begins immediately after the opening of your Business for operation and continues for the term of your Franchise. The Royalty Fee is due and payable weekly, but is to be received how we specify. The minimum royalty is calculated monthly if Royalty Fees do not meet the minimum threshold. If your Business opens for operation in the middle of a month, then your Royalty Fee obligation will start at the beginning of the following month. If your Franchise Agreement is terminated, you are required to continue minimum royalty payments for the remaining term of your Franchise Agreement. The Royalty Fee is uniform as to all persons currently acquiring a QC Kinetix® Franchise and is nonrefundable.

As used in this Agreement, Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that is earned from sales and services based upon all business conducted upon or from your QC Kinetix® Franchised Business, whether such sales are evidenced by check, cash, credit, charge account, exchange or otherwise, and shall include but not be limited to, the amounts received from the sale of goods, wares, and merchandise, services including all non-clinical services related to the field of non-surgical regenerative medicine services, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at your QC Kinetix facility, together with the amount of all orders taken or received at your QC Kinetix facility or elsewhere. We exclude only fees paid to third-party finance companies, reasonable discounts you allow, sales tax receipts that you must by law collect or pay and any customer refunds of previous payments you actually make.

6.2 Brand Development Fee. You will pay us a Brand Development Fee contribution equal to one percent (1%) of your weekly Gross Revenue. The Brand Development Fee is collected by us. All Brand Development Fees are non-refundable. The Brand Development Fee begins immediately after the opening of your Franchised Business for operation, is due weekly, and continues for the Term of your Franchise. We may raise, discontinue, or reduce the contribution, but your total contribution will not exceed two percent (2%) of your Gross Revenues in any calendar year. You pay the Brand Development Fee contribution at the same time and under the same terms as the Royalty Fee described above. Brand Development Fees are uniformly imposed on all franchisees.

This Brand Development Fee will be deposited into our Brand Development Fund (the “**Fund**”). We may use this Fund for marketing, local, regional, national, or international advertising, public relations, promotions, surveys, test marketing, research and development, administration (including our salaries, accounting, collection, legal, and other costs), related expenses, and any other media or other costs related to building goodwill of the QC Kinetix® brand. We make the expenditures at our discretion. We do not represent that any particular level of expenditure will be made for particular programs or to benefit particular franchisees or franchised locations. We are not required to spend any amount on advertising in the area where you are located. We will not spend Fund proceeds for activities that are principally a solicitation for the sale of franchises. We have no fiduciary duty to you regarding any Brand Development Fees or other Fund.

Franchisor is not obliged to spend more on advertising and marketing than the amount of the Fund. Any unspent balance in the Fund at the end of the year may be carried over to later years and used for the purposes described in this Agreement.

Franchisee’s failure to pay these required contributions is a material breach of this Agreement, subjecting Franchisee to all remedies at law and as set forth in this Agreement. Franchisor may delete Franchisee from advertising or marketing materials without notice if Franchisee fails to timely remit its Brand Development Fee.

6.3 Local Marketing. Franchisee must initially spend \$20,000 in the first month, provided that by the sixth month and then after, Franchisee may be required to spend up to \$40,000 monthly on local advertising, in addition to payment of the Brand Development Fee required above. The actual amount will be decided by us based on the market where your Business is located and is subject to periodic adjustment, in our sole discretion. We may reduce the amount of your local advertising requirement after your second full year of operation, at our discretion.

The Franchisee agrees to create a local advertising and marketing plan by which Franchisee shall place local advertising in any media it desires, provided local marketing must be implemented in a format and using material and designs approved by us. Currently, franchisees are required to place all local TV and radio marketing and all digital marketing through our designated suppliers. Upon our request, you must submit receipts documenting this marketing activity. All advertising and marketing items are the Franchisor’s property and on termination will revert to the Franchisor. Franchisee agrees to execute any and all documents needed to perfect such reversions. Franchisee shall not advertise the Franchised Business in connection with any other business, except with Franchisor’s prior written approval. Franchisee shall obtain Franchisor’s prior approval of all unapproved advertising and promotional plans and materials that Franchisee desires to use thirty (30) days before the start of any such plans. Franchisee shall submit such unapproved plans and materials to Franchisor (by personal delivery or through the mail, return receipt requested). Franchisee shall not use such plans or materials until they have been approved by Franchisor and shall promptly discontinue use of any advertising or promotional plans and material upon the request of Franchisor. Franchisor shall approve or deny Franchisee’s request by e-mail or any other form of written communication, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee’s written request.

Franchisee will not independently advertise or promote in any media without Franchisor's prior written approval, except when using materials previously approved by Franchisor. Franchisor shall approve or deny Franchisee's request by e-mail or any other form of written communication, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request. Franchisee will participate in at its own expense and cooperate with all advertising and promotional programs Franchisor or any advertising group of franchisees selects, including any franchise marketing council Franchisor may implement. Franchisee is not required to follow or maintain any sales price, except that Franchisor will set minimum and maximum prices and will suggest prices, to the extent allowed by law.

We may, in our discretion, require franchisees to form regional marketing cooperatives when unit development in the marketing area makes such a decision practical. All franchisees in the marketing area will be required to participate. Up to fifty percent (50%) of the local advertising and marketing requirement may be spent in the cooperative unless a majority of a cooperative votes to increase that requirement.

6.4 Additional Training. If we require or you request, and we agree to provide, as scheduled by us, training for more than two (2) individuals for up to ten (10) days in the Initial Training Program, you must pay a flat fee of \$500, per day, per additional person and this amount is subject to change as published in the then-current operations manual. Additional Training Fees are due in full in advance of training.

6.5 Project Management Fee. Franchisee must use our approved Project Management provider and pay our then-current Project Management Fee. Such assistance will be pursuant to a separate project management agreement between Franchisee and such vendor.

6.6 Fees for Technology Related Services and Support. This fee is for technology related goods and services, which may include: licensing or help desk fees for any required software to be used by you; licensing or user-based fees for a franchise portal, e.g. Fran Connect, or benchmarking platform that is ultimately created or selected (through a third party vendor) for use by you; fees related to exposure on the our website (e.g., custom page designs, mapping programs, etc.). This also includes Salesforce support, email campaigns tied to Salesforce, and Pandadoc for Salesforce. Some fees are to be sent to Franchisor. The rest of the fees will be paid to a third-party vendor. The current fee for these goods and services shall not exceed \$1,200 per month; however, we reserve the right to reasonably increase such fee in our discretion. Any part of this fee that is due to us is payable to us at the same time and under the same terms as the Royalty Fee described above.

6.7 Continuing Education. We may require you to attend continuing education classes throughout the Term of this Agreement. You shall be responsible for paying all costs associated with such continuing education, including registration fees, and all of your travel costs and expenses; provided, however, registration fees shall not exceed \$500.00 per person, per day; however, we reserve the right to reasonably increase such fee in our discretion. The two types of additional training include: (a) remedial training, which will be required if we, in our sole discretion, determine that you are not operating your franchised location(s) up to the standards required in the Operations Manual, and may involve additional staff training at either your franchise facility or at a training facility operated by us; and (b) additional onsite training or operations assistance over and above the normal course of training if such assistance is requested by you.

6.8 Interest and Late Fees. There will be a \$25.00 late fee ("**Late Fee**") for every late payment made on each fee and cost due and payable to us by you. Additionally, interest will accrue on the entire overdue amount (including the Late Fee if not paid when due) beginning from the date payment is due until the full amount is paid at the rate of one-and one-half percent (1.5%) per month, or the maximum rate allowed by applicable law, provided that the Late Fees and interest may not exceed the maximum legal rate. Late Fees

cover our internal collection costs only. You must also pay any damages, expenses, collection costs, and reasonable attorneys' fees we incur when you do not make the required payments.

6.9 Audit Expenses. If you fail to report Gross Revenue as required or understate Gross Revenue by two percent (2%) or more for any reported time period, then you shall pay the cost of all audit fees plus interest at eighteen percent (18%) per annum for all understated Gross Revenues or the maximum rate allowed by the laws of the State in which Franchisee's business is located as specified in the Operations Manual. These amounts are due and payable from you to us within ten (10) days of receipt of the audit report. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

6.10 Insufficient Funds Fee. In the event any payment made by you to us cannot be honored due to insufficient funds in your account, then you will pay to us an Insufficient Funds Fee in the amount of \$250.00 per occurrence or the maximum amount allowed by applicable law.

6.11 Call Center Fees. Call Center Fees are charged as follows: \$2,500 for the first Franchise, \$1,500 each for the second and third Franchise unit, \$2,500 for the fourth Franchise unit, \$1,500 each for the fifth and sixth Franchise unit, and a repeating pattern of \$2,500 and \$1,500 for each next Franchise unit. The Call Center Fees are subject to change, at our discretion and a payable monthly. You will not be allowed to outsource this function to a "commercial" answering service or provide the service through your franchised business or any resource other than the Call Center, managed by the Franchisor. These prices may be increased in accordance with the Manual (defined in Section 8.1).

6.12 Convention Unattendance Fee. Failure of Franchisee to attend the national conference/convention, which shall not take place more than once a year, shall require Franchisee to pay Franchisor an unattendance fee, which is currently \$1,000 per day for each day of the convention missed. Failure to attend the annual conference two times in a row is an event of default, which could result in the termination of the Franchise Agreement.

6.13 Failure to Report Fee. You are required to submit your financial data to us each month no later than the 20th day of each month. The report shall include the information we require in Manual and shall cover the results for the prior month. Failure to send the report to us electronically by the 20th of each month shall result in a fee of \$200 being incurred, for the failure to provide a timely report.

6.14 Provider Training No Show Fee. Your medical providers must attend laboratory based training before consulting with patients ("**Provider Training**"). We are required to prepay third parties to schedule a group training class. Accordingly, if your provider(s) does not attend training, as scheduled, you must pay us the current charge for the training (currently \$1,500 per person, but subject to change).

6.15 Inspection Fee. Payable to us if you fail to pass an inspection for the second time in any 12- month period training (currently \$1,500 per person, but subject to change).

7. FINANCING ARRANGEMENTS

Franchisee hereby acknowledges that financing is the responsibility of the Franchisee. The Franchisor does not finance or guarantee the obligations of the Franchisee for a QC Kinetix Franchised Business. The Franchise Fee is due and payable upon execution of this Agreement and as set forth in Section 5 of this Agreement.

8. **OPERATION AND SYSTEM STANDARDS**

8.1 **Operations Manual.** We will loan you (or make available on-line or via other electronic format), during the Term, one (1) copy of our operations manuals (the “**Manual**” or the “**Operations Manual**”), consisting of such materials (including, as applicable, audiotapes, videotapes, magnetic media, computer Software and written materials) that we generally furnish to franchisees from time-to-time for use in operating a Franchised Business. The Manual contains mandatory and suggested specifications, standards, operating procedures and rules (“**System Standards**”) that we prescribe from time-to-time for the operation of a Business and information relating to your other obligations under this Agreement and related agreements. We, in our sole discretion, may make the Manual accessible to you on-line or via other forms of electronic format such as the Internet or CD-ROM (instead of loaning one (1) copy of it to you). You agree to follow the standards, specifications and operating procedures we establish periodically for the System that are described in the Manual. You also must comply with all updates and amendments to the System as described in newsletters or notices we distribute, (including via computer system or other media we select). The Manual may be modified or updated and revised periodically to reflect changes in System Standards. You are responsible for routinely monitoring any on-line version (or electronic format) of the Manual for changes to it. If we make the Manual accessible to you on-line (or electronic format), we will not send to you printed copies of any changes to it. However, any form of the Manual accessible to you on-line is our proprietary information and will be deemed Confidential Information for purposes of this Agreement. You agree to maintain the Manual as confidential and maintain the information in the Manual as secret and confidential. You agree to keep your printed copy of the Manual (if any) current and in a secure location at your Business. In the event of a dispute relating to the contents of any printed copy of the Manual, the master copy of the Manual we maintain at our principal office will be controlling. However, in the event we utilize on-line Manual, the most recent on-line Manual will control any disputes between the on-line version and printed copies of the Manual. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manual.

8.2 **Compliance with System Standards.** You acknowledge and agree that your operation and maintenance of your Franchised Business in accordance with System Standards is essential to preserve the goodwill of the Marks and all Franchised Businesses. Therefore, at all times during the Term, you agree to operate and maintain your Franchised Business in accordance with each and every System Standard, as we periodically modify and supplement them during the Term. System Standards may regulate any one or more of the following with respect to your Franchised Business:

- (a) designated or approved suppliers of fixtures, furnishings, equipment, and other items we require for the operation of your Franchised Business;
- (b) sales, marketing, advertising and promotional programs and materials that are required or approved for use by your Franchised Business;
- (c) use and display of the Marks;
- (d) staffing levels for your Franchised Business, and qualifications, training, dress and appearance of employees and sales representatives;
- (e) days and hours of operation of your Franchised Business;
- (f) payment systems and check verification services;
- (g) bookkeeping, accounting, billing, data processing and record keeping systems, including software, and forms; methods, formats, content and frequency of reports to us of sales,

revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us;

(h) types, terms and conditions of insurance coverage required to be carried for your Franchised Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for your Franchised Business at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;

(i) complying with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and us; and notifying us if any action, suit or proceeding is commenced against you or your Franchised Business;

(j) regulation of such other aspects of the operation and maintenance of your Franchised Business that we determine from time-to-time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks; and

(k) the form of business associate agreement that must be signed by you and us.

You agree that System Standards prescribed from time-to-time in the Manual, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth. All references to this Agreement include all System Standards as periodically modified. You acknowledge that we have the right to require that you purchase from us, our affiliates or vendors various programs, goods and services we may approve or adopt from time-to-time for use within the System. You agree to pay all fees charged or otherwise adopted by us for providing these programs, goods and services whether the fees are payable to us, our affiliates or approved vendors, in the manner specified in the Manual.

8.3 Modification of System Standards. We may periodically modify System Standards, which may accommodate regional or local variations as we determine. Such modifications may obligate you to invest additional capital in your Business. However, such modifications will not alter your fundamental status and rights under this Agreement. We will not obligate you to make any additional investment greater than \$10,000 when such investment cannot, in our reasonable judgment, be amortized during the remaining Term, plus all eligible renewal Terms; unless such investment is necessary in order to comply with applicable laws. In the case of any investment greater than \$10,000 we agree to give you ninety (90) days to comply with any such additional investment we require. You are obligated to comply with all modifications to System Standards, including any additional investment, within the time period we specify.

8.4 Computer Systems. Franchisee may be required to use our proprietary software for the operation of the Franchised Business (currently not in effect). If Franchisor develops proprietary software and requires Franchisee to use such software, Franchisor will provide Franchisee with a ninety (90) day written notice to purchase (if applicable) and use such software for the operation of the Franchised Business. If developed, Franchisor will provide all update and upgrade requirements for the proprietary software as necessary. The installation, maintenance, repairs and upgrade costs for the proprietary software will be the responsibility of the Franchisee. Usage of any propriety software (“**Software**”), if developed, will be subject to the following terms:

(a) Franchisee will use the Software on a computer system that: (i) meets Franchisor’s computer hardware specifications; and (ii) is located at the Franchised Business or on a backup

system if the original computer is inoperable. Franchisee will be licensed to use the Software only for Franchisee's internal, in-house data processing and data communications purposes and only in connection with the Franchised Business and not for re-marketing or redistribution under any circumstances;

(b) Franchisee acknowledges and agrees that Franchisor will be the sole and exclusive owner of all right, title and interest in and to the Software, including all trade secrets and copyrights related to the Software, subject only to the rights we expressly license to Franchisee in this Agreement. This license will not provide Franchisee with title or ownership of the Software, but only a limited right of use. Franchisee agrees that Franchisee will not contest or otherwise seek to share, diminish or invalidate our ownership rights in the Software;

(c) Franchisee will not modify the Software in any way without our prior written consent. Franchisee will promptly disclose to us all ideas and suggestions for modifications or enhancements to the Software that Franchisee conceives or develops and we will have the right to use such ideas and suggestions. The Franchisor shall own all copyrights and other intellectual property rights to all modifications and suggestions proposed by Franchisee. The term "all copyrights and other intellectual property rights" shall mean all means, methods, and process, by all media whether now known or hereinafter invented, including complete and entire interactive rights and rights to derivative works. This Agreement shall be a work for hire. In the event that a court of competent jurisdiction holds that this Agreement is not a work for hire, then the Franchisee agrees to execute all documents that the Franchisor deems is necessary to assign all copyright and other intellectual property rights to the Franchisor. All modifications or enhancements made to the Software will be our property and belong exclusively to us, without regard to the source or creator of the modification or enhancement, however we may provide incentive programs for such contributions;

(d) Franchisor will have the right at all times to access Software and to retrieve, analyze and use all the data in Franchisee's files stored on Franchisee's computer systems or any other computer system. Additionally, Franchisee will electronically transfer all files and reports to us on our request. All information that Franchisee stores in any computer system shall become the Franchisor's confidential and proprietary information, and subject to all of the terms and conditions of this Agreement regarding the Franchisor's Confidential Information;

(e) Franchisee and Franchisee's employees will not make available the Software, or portions thereof, to any person other than Franchisee's or our employees without prior written consent. Franchisee agrees that Franchisee will not: (i) copy the Software except as necessary for use in the Franchised Business; (ii) translate, reverse engineer, reverse compile, disassemble or create derivative works based on the Software; (iii) sublicense, rent, lease, sell or otherwise transfer the Software or any portion thereof, or any rights therein, to any person or entity. Failure to adhere to these guidelines or allowing unauthorized usage of the Software may result in termination of this Agreement;

(f) Franchisee acknowledges and agrees that the Software is our valuable, proprietary product, the design and development of which took the investment of considerable time, money and the effort of skilled computer programmers. Franchisee will keep the Software and any data generated by the use of the Software confidential during and after the term of this Agreement and will maintain security precautions to maintain the secrecy of the Software and to prevent unauthorized access or use of the Software. Franchisee agrees that it will treat the Software as confidential and that the Software will contain substantial trade secrets of ours that we have entrusted to Franchisee in confidence to use only as we authorize under this Agreement. We hereby claim and reserve all rights and benefits afforded under copyright law, trade secret law, patent law, intellectual property law and other laws relating to confidential and proprietary material. Franchisee agrees not to improperly use, disseminate, or disclose the Software, and to ensure that Franchisee's employees who gain access to the Software will protect them against improper use, dissemination or disclosure;

(g) ANY SOFTWARE SHALL BE PROVIDED ON AN “AS-IS” BASIS WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND IMPLIED WARRANTY OF INFORMATIONAL CONTENT. ALL WARRANTIES AGAINST INFRINGEMENT ARE HEREBY DISCLAIMED EXCEPT WE REPRESENT THAT WE HAVE SUFFICIENT AUTHORIZATION TO LICENSE THE SOFTWARE TO FRANCHISEE. WE DO NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE SOFTWARE MEET FRANCHISEE’S REQUIREMENTS OR THAT THE USE OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. WE MAKE NO WARRANTIES THAT THE SOFTWARE IS FREE FROM BUGS, VIRUSES, TROJAN HORSES, OR WORMS. WE MAKE NO WARRANTY REGARDING ANY OPEN-SOURCE SOFTWARE CONTAINED IN THE SOFTWARE. In no event will we be liable to Franchisee for damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to the use of or inability to use the Software, even if we have been advised of the possibility of such damages, or for any claim by any other party. The foregoing limitations of liability are intended to apply without regard to whether other provisions of this Agreement have been breached or proven ineffective;

(h) Franchisee acknowledges and agrees that Franchisee’s license to the Software will terminate immediately and automatically should Franchisee fail to adhere to any of Franchisee’s obligations under this license or if this Agreement expires or is terminated for any reason;

(i) Franchisee acknowledges and agrees that any violation by Franchisee of the provisions of the Software license would cause us irreparable harm for which we would have not adequate remedy at law; and that, in addition to other remedies available to us, we will be entitled to seek injunctive relief against any such violation (without the posting of a bond or other security if permitted by law);

(j) In the event Franchisee fails to adhere to any of Franchisee’s obligations under this Agreement, or is no longer a franchisee of ours, or this Agreement expires or terminates for any reason, Franchisee will immediately (within five (5) days) terminate the use of the Software and destroy any and all material or information related to the Software or any data generated by use of the Software unless we specifically instruct otherwise;

(k) Franchisee must update all computer systems upon our request to optimize performance of the Software; and

(l) Franchisee acknowledges and agrees that Franchisee may be required to license and use third-party software (such as Microsoft Office 365).

Franchisee acknowledges that neither we nor our affiliates, will have any liability and/or obligation (and neither you or any managing partners, managing members, members, shareholders or other Owners of Franchisee will make any claims) about any loss of data, loss of information, inability to use, failures, errors bugs, viruses, Trojan horses, worms, loss of data, or any other occurrences relating to any computer or system hardware, or software without an express written warranty from us, even if recommended or specified by us. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting themselves from these problems. Franchisee must also take reasonable steps to verify that information about Franchisee’s suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee rely, are reasonably protected. This may include taking reasonable steps to secure Franchisee’s systems, including, but not limited to, firewalls, access code protection, anti-virus systems and use of backup systems.

8.5 Maintain Confidentiality of Proprietary Information. Neither Franchisee nor any of its Owners if you are an Entity, officers, directors, agents, employees or independent contractors, except as required in the performance of the duties contemplated by this Agreement, may disclose or use at any time, whether during the terms of this Agreement or thereafter, any confidential and proprietary information disclosed to or known by Franchisee or any such person as a result of this Agreement. Such information, includes, but shall not be limited to, confidential matters, trade secrets, distinctive build-out and design specifications, clinic designs and layouts; Services offered, operational methods, techniques and procedures; specifications and standards for equipment, and supplies; purchasing strategies, inventory management systems, software, vendors and supplier relationships, cost and pricing strategies, merchandising methods and techniques, procedures for safety and quality control, customer service standards, hiring, training and retention programs; sales and promotional programs, advertising and marketing materials, contracts, forms, record keeping and accounting methods, proprietary information conceived, originated, discovered, or developed by Franchisee or by any employee of Franchisee which is not generally known in the trade or industry about Franchisor's products or services, including information relating to discoveries, ideas, production, purchasing, accounting, engineering, website development and design, marketing, merchandising or selling of Services and Products (collectively referred to as "**Confidential Information**" and further defined in Section 12.1 of this Agreement).

Franchisee further acknowledges that the Confidential Information was unknown to Franchisee prior to negotiation for and execution of this Agreement and that the unique and novel combination of "know how," equipment, proprietary facility designs and layouts, services, products, supplies, methods and techniques developed by Franchisor and licensed to Franchisee for the operation of an QC Kinetix® Franchised Business are particular to the cell regeneration industry conducted by QC Kinetix® Franchised Business. Franchisee agrees to take all steps necessary, at Franchisee's expense, to protect the Confidential Information and shall not release it to any person that does not have a need to know, including employees, agents and independent contractors, either during the term or after to the termination or expiration of this Agreement without our prior written consent.

Franchisee further agrees that it will not contest in any litigation, arbitration, mediation, or in any other manner the Franchisor's ownership rights to any or all of the above Confidential Information.

8.6 Maintain and Renovate Franchised Business. Franchisee shall at all times maintain the Franchised Business in a clean, orderly condition and in first class repair in accordance with all maintenance and operating standards set forth in the Manual. Franchisee shall make, at Franchisee's expense, all additions, repairs, replacements improvements and alterations that may be determined by Franchisor to be necessary so that the facilities which are viewed by the public will conform to the uniform corporate image, as may be prescribed by Franchisor from time to time. Franchisee shall undertake and complete such additions, repairs, replacements, improvements and alterations within the time and under the terms and conditions, which may be reasonably specified by Franchisor.

If at any time, in our sole and absolute discretion, the general state of repair, appearance or cleanliness of the Franchised Business or its equipment, fixtures, furnishings or signage does not meet Franchisor's standards, Franchisee expressly agrees that we have the right to notify Franchisee, specifying the action Franchisee must take to correct the deficiency. If Franchisee does not initiate action to correct such deficiencies within ten (10) days after Franchisee receives notice from Franchisor, and then does not continue in good faith and with due diligence, a bona fide program to complete any required maintenance and refurbishing, Franchisor has the right, in addition to all other remedies, to enter the premises of the Franchised Business and do any required maintenance or refurbishing on Franchisee's behalf, and Franchisee agrees to reimburse Franchisor on demand for any expenses Franchisor incurs.

At Franchisor's request, which shall not be made more than once every three (3) years (or as described above), Franchisee shall refurbish the Franchised Business at its expense, to conform to Franchisor's exterior and interior layout, content, décor, color scheme, murals, signage and furnishings, distinctive designs, and layouts, which is not expected to exceed One Hundred and Eighty Thousand Dollars (\$180,000) for each three (3) year period. In addition, if Franchisee's Franchised Business has been open for operation for ten (10) years, Franchisor can require Franchisee to fully remodel its Franchised Business at its expense to bring it up to Franchisor's then current standards. Franchisee shall have six (6) months after receipt of Franchisor's written notice within which to complete the refurbishing of the Franchised Business.

8.7 Personnel. You agree to hire, train and supervise employees, sales representatives and agents, in accordance with the specifications set forth in the Manual. All personnel must meet every requirement imposed by applicable federal, state and local law as a condition to their employment.

8.8 Open Franchised Business within Time Limit. Time is of the essence. Franchisee must secure a lease within ninety (90) days after the execution of this Franchise Agreement and open the Franchised Business for business typically within one hundred eight (180) days of the date of execution of this Franchise Agreement, which includes having obtained Franchisor's approval prior to opening, all subject to Section 5 of this Agreement. Prior to opening, Franchisee shall complete, to Franchisor's satisfaction, all the build-out and preparations of the Franchised Business, in accordance with specifications set forth in the Operations Manual, and as required by local governmental agencies, including the installation of all equipment, furnishings and fixtures; the acquisition of computers, POS System, software, televisions, projectors and screens, sound systems, camera surveillance system, and supplies; completion of the initial training, program and provision to Franchisor of all required local information, artwork and photos for the completion of the Franchisee's website.

8.9 Follow Directives of Franchisor. In order to further protect the System and our goodwill, Franchisee shall:

(a) Build out and construct the Franchised Business in the manner prescribed by Franchisor. Franchisee will be given specifications for the design, layout, storage, equipment, furnishing, fixtures, signage, murals, décor and other items necessary for the build out of the Franchised Business. Franchisee is responsible for purchasing, installing and maintaining these items;

(b) Operate the Business and use the Franchisor's Manual(s) solely in the manner prescribed by Franchisor;

(c) Comply with such requirements respecting the Marks or any other service mark, trade name, trademark, or copyright protection and name registrations as Franchisor may, from time to time, direct;

(d) Follow the methods of operation, service and presentation of each of the Franchised Business and the Services so as to conform to the specifications and standards of Franchisor in effect from time to time;

(e) Use only the types of equipment, supplies and services so as to conform to Franchisor's specifications. This includes using Franchisor's approved vendors in addition to Franchisor's requirements regarding franchise equipment, promotional items, advertising and marketing materials as detailed in the Manual all of which may be revised by Franchisor, at Franchisor's sole discretion, from time to time;

(f) Require uniform dress or identifying badges for Franchisee's staff, conforming to such specifications as to color, design, etc. as Franchisor may designate, from time to time, to be worn by all of Franchisee's employees at all times while in attendance at the Franchised Business, and to cause all employees to present a clean, neat appearance and render competent and courteous service to customers, as may be further detailed in the Manual;

(g) Permit Franchisor or its agents, at any reasonable time, to enter the Franchised Business during normal business hours, for the purpose of conducting inspections and reviewing business operations. This includes access to any electronic records and computers that pertain to the operation of the Franchised Business. In addition to any other remedies it may have under this Agreement, Franchisor requires Franchisee to bear the cost of such inspections if during the review of the Franchised Business it is determined by Franchisor, in its sole discretion, that business operations fail to conform to Franchisor's standards;

(h) Not install or permit to be installed anywhere on the Franchised Business premises (including on vehicles if applicable), without Franchisor's prior written consent, any signage or signage designs not previously approved as meeting our standards and specifications;

(i) Comply with our standards for hiring employees as necessary to operate the Franchised Business at maximum capacity during the development and growth stages of the Franchised Business as recommended by us in the Manual, and to comply with all applicable laws with respect to such services;

(j) Identify itself as the owner of an independently owned and operated Franchised Business (in the manner Franchisor prescribes) in conjunction with any use of the Marks including, without limitation, on vehicles, invoices, contracts, release forms, receipts and stationery, as well as at such conspicuous locations as Franchisor may designate in writing at QC Kinetix Franchised Business;

(k) Agree to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities. Franchisee will not engage in any services, trade practices, abusive, excessive, or illegal collection techniques or other activity, or which constitutes deceptive or unfair competition, results in unfounded litigation against your customers or otherwise is in violation of any applicable laws. The above limitations are closely related to the business image, purpose and marketing strategy of the System, and therefore any change therefrom would fundamentally change the nature of the business;

(l) Conduct any advertising, promotion and/or public relations in any medium in a dignified manner and shall conform to our standards and requirements as set forth in the Operations Manual;

(m) Comply with all applicable ordinances, regulations, bylaws, laws and statutes. Franchisee will not permit unlawful activities on the premises and through the Franchised Business and will not trade, exchange, consign, sell, offer, hold, show, rent or permit to be traded, exchanged, consigned, sold, offered, held, shown or rented any product or service Franchisee knows or reasonably suspects to have been obtained in violation of law or to be otherwise illegal;

(n) Promptly pay when due all taxes, fees, debts, expenses and assessments of the Franchised Business, including payroll taxes. Franchisee will not permit a tax sale or seizure by levy of execution or similar writ or warrant to occur;

(o) Recognize that preservation of the System and the health of the franchise network depend upon the uniformity of Services offered. Franchisee agrees that Franchisor will establish, from time to time, sales pricing or suggested pricing for certain Services in general and/or for promotional periods of time for any or all QC Kinetix® businesses, to the extent such sales pricing or suggested pricing standards are allowed by federal and state laws;

(p) Participate in market research, testing, product and service development programs, and participate in, and pay all dues assessed for, advisory councils (not currently in effect) if applicable;

(q) Use and honor only system-wide gift cards, certificates and checks that we designate. All such gift cards, certificates and checks may be obtained from us or an approved supplier; and

(r) Franchisee must accept credit and debit cards, and other payment systems and check verification services as specified by us, and which we may change from time to time.

8.10 Operate Franchised Business Only. Franchisee shall use the System and the Marks provided to Franchisee by Franchisor for the operation of the Franchised Business and shall not use them in connection with any other line of business or any other activity. Neither Franchisee, nor any of its employees, may conduct any business at the Franchised Business other than that authorized pursuant to this Agreement, without the prior written approval of Franchisor. Neither Franchisee, nor any of its employees, may conduct any activity at the Franchised Business or in connection therewith which is illegal or which could result in damage to the Marks or the reputation and goodwill of Franchisor. Franchisee will not allow the Franchised Business to be used for any immoral, unethical, unauthorized, or illegal purpose.

Franchisee must conduct all business through QC Kinetix Franchised Business unless otherwise approved by us in writing. Franchisee must disclose in writing to us any pre-existing businesses in which it or its Owners are involved.

8.11 Comply with Laws. Franchisee shall comply with all federal, state and local laws, ordinances, consumer protection laws and regulations, wage and hour laws, labor laws, workers compensation and unemployment laws, zoning laws, fire codes and building construction (including zoning classifications and clearances), dumping, hauling off, recycling and price-integrity laws and/or regulations, Equal Employment Opportunity Commission (“EEOC”), Federal Trade Commission (“FTC”), The 21st Century Cures Act (“CURES ACT”), Health Insurance Portability and Accountability Act (“HIPAA”), Health Information Technology and Economic and Clinical Health (“HITECH”) Act, and shall obtain and at all times maintain any and all governmental licenses, permits, industry specific licenses or certificates (if applicable), laws and regulations relating to occupational hazards and health such as Occupational Safety and Health Administration (“OSHA”), or that may be required for full and proper operation of the Franchised Business in Franchisee’s state of operation. In addition, with respect to all credit card transactions and customer information obtained through credit card usage, Franchisee agrees to diligently comply with all laws and rules regarding such usage and Franchisee will protect the privacy of credit card customers. Franchisor’s standards may exceed any and all of the requirements of said laws. Copies of any and all notices, inspection reports or other communication from any governmental entity with respect to the conduct of QC Kinetix business which indicates the Franchisee’s failure to meet or maintain governmental standards, or less than substantial compliance by the Franchisee with any applicable law, rule or regulation, shall be forwarded to the Franchisor within five (5) days of the Franchisee’s receipt thereof. Franchisee agrees to indemnify us for any claims arising out of Franchisee’s failure to perform Franchisee’s obligations as described above.

It is Franchisee’s sole responsibility and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of QC Kinetix Franchised Business including, but not limited

to, Stock Laws, U.S. Department of Health and Human Services (“HHS”), and other medical industry-related laws. Franchisee must secure and maintain in force all required licenses, permits and certificates, including but not limited to a health care professional license, relating to the operation of QC Kinetix Franchised Business and must at all times operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations (including without limitation, regulations relating to safety, truth in advertising, occupational hazards, health, laws relating to non-discrimination in hiring and accessibility, worker’s compensation and unemployment insurance). Franchisor makes no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise will be required for Franchisee in the Franchisee’s Territory in connection with QC Kinetix Franchised Business. It is Franchisee’s sole responsibility to identify and obtain all authorizations necessary for operation. Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities.

Franchisee shall agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224 and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to the Franchised Business as may be required by law. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that Franchisee’s indemnification responsibilities in this Agreement pertain to Franchisee’s obligations hereunder.

8.12 Use Approved Equipment, Services, Vendors and Suppliers.

Franchisee acknowledges that we have spent considerable time in developing the Services, processes, methods and technology used in the operation of QC Kinetix business. Accordingly, Franchisee acknowledges that Franchisee is to use only our approved products, equipment and services from Franchisor, its affiliates or approved vendors and suppliers that includes, but is not limited to: furniture and fixtures used for health care clinics, test kits, equipment, computers, POS system, software, camera surveillance systems, televisions, projectors and screens, apparel, proprietary products (which are products that carry QC Kinetix brand), merchant services, mobile application services (if developed), miscellaneous forms, promotional merchandise, souvenirs, advertising, marketing materials, décor items and signage necessary for the operation of the Franchised Business. We may derive income through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved vendors and/or suppliers. We do not know the precise basis of these payments because we have never previously collected them. If we require Franchisee to buy from us, the equipment and/or product’s price and quality will be comparable to similar equipment and/or products from other sources. We may take a portion of that income to spend on advertising or place in a separate franchise advertising account. Franchisee agrees that we may periodically and upon written notice, add to, modify or change such approved equipment, products, vendors and suppliers. Franchisee promises to promptly accept and implement, in the operation of the Franchised Business, all such additions, modifications and changes at Franchisees expense. In addition, Franchisee acknowledges that:

(a) We have spent considerable time designing the decoration and outfitting of a QC Kinetix business containing equipment, furnishing, fixtures, décor items and signage. This is part of our trade dress. Franchisee must purchase such items from us and/or our affiliates or approved vendors as specified in the Operations Manual.

(b) To ensure the consistent high quality and uniformity of Services provided by QC Kinetix Franchised Businesses, Franchisee must purchase equipment, products, and services (as described above) from Franchisor, its affiliates or approved vendors who demonstrate to Franchisor’s continuing satisfaction an ability to meet Franchisor’s standards and specifications. Franchisor is not liable to Franchisee for any loss or damage, or deemed to be in breach of this Agreement, if Franchisor, its affiliates

or approved vendors and/or suppliers cannot deliver, or cause to be delivered, Franchisee's order of equipment, products or services where such items are out-of-stock or discontinued. Franchisee is prohibited from purchasing unapproved equipment, products and services from unapproved vendors and/or suppliers who are not on Franchisor's approved list without Franchisor's written approval.

(c) In approving any vendor, Franchisor may consider factors such as: price, quality, composition, performance, technical specifications, delivery, safety, design, durability, service maintenance programs, determination of quality control, value, customer service, prompt attention to complaints, litigation against the supplier, any product recalls instituted by the United States Consumer Product Safety Commission, the supplier's financial strength and capacity to supply franchisee's needs promptly, reliably, and cost effectively. All vendors and suppliers must be approved in writing by Franchisor and may be disapproved by Franchisor anytime thereafter. If Franchisee desires to use or sell equipment, products, supplies or services that have not been approved by Franchisor or are unique to Franchisee's area, then Franchisee shall submit to Franchisor a written request for such approval. Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by email or any other form of written communication. If Franchisor does not approve such equipment, products, supplies, vendors, suppliers or services by written notice to Franchisee within this thirty (30) day period, the equipment, products, supplies, vendor, supplier or service will be deemed disapproved. Franchisor shall have the right to require, as a condition of its approval and review, that its representatives are permitted to inspect the facilities of the proposed vendor and that the proposed item is delivered to Franchisor or its designee for testing. The cost of such inspection and testing shall be paid by Franchisee, vendor or supplier and Franchisor shall not be liable for damage to or for the return of any sample. Franchisor reserves the right, at any time, to re-inspect the facilities and to retest any equipment or product of any approved vendor and to revoke any approval if the vendor fails to continue to meet Franchisor's high standards.

(d) Franchisee will not make any claims against us or our affiliates with respect to any vendor and/or related supplier for any equipment, products, supplies or services (as described above) necessary for the operation of the Franchised Business (and/or our designation of, or our relationship with, any vendor/supplier/products). THE FRANCHISOR MAKES NO WARRANTIES REGARDING ANY VENDOR EQUIPMENT, PRODUCTS OR SUPPLIES, AND HEREBY DISCLAIMS THE IMPLIED WARRANTY OF MERCHANTABILITY AND THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE. FRANCHISEE HEREBY AGREES THAT SUCH DISCLAIMER IS AN ESSENTIAL PART OF THE BARGAIN, AND THAT THE FRANCHISOR WOULD NOT HAVE ENTERED INTO THIS TRANSACTION ABSENT SUCH DISCLAIMER. Any claim with respect to any vendor-related and/or similar matters shall be made only against the vendor in question. Franchisee will provide us with written notice prior to taking any action in connection with such a claim. Franchisor will use diligent efforts to assist Franchisees in resolving any disputes with vendors approved and/or designated by us.

(e) Franchisee must inspect all equipment and products promptly upon receipt and may reject any equipment or product that fails in any material respect to conform to manufacturer's description. Any equipment or product that has not been rejected within forty-eight (48) hours upon receipt shall be considered accepted by Franchisee. Rejected equipment or products must be returned to the manufacturer within three (3) days of the date on which manufacturer authorizes the return or as manufacturer specifies.

(f) Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some QC Kinetix Businesses with some or all of equipment, products or

services (as defined above) that Franchisor requires for use and/or sale in the development and/or operation of the Franchised Business. In this event, Franchisor may limit the number of approved vendors with whom Franchisee may deal, designate sources that Franchisee must use for some or all of the above items and/or refuse any of Franchisee's requests to approve vendors or suppliers if Franchisor believes that this action is in the best interests of the System. Franchisor shall have unlimited discretion to approve or disapprove of the vendors who may be permitted to sell such items to Franchisees.

(g) Franchisee agrees to purchase, use, maintain and update at Franchisee's expense all computers, point of sale, "**POS**" system, software and camera surveillance system that meet our specifications, as we may modify them. Franchisee agrees to maintain all computers, POS and camera surveillance systems on-line to allow us to access system data and information. Franchisee agrees to comply with our then-current Terms of Use and Privacy Policies and any other upgrade requirements regarding all computers, POS system, camera surveillance system and software, including Internet usage. Supplier and/or licensor charges for use, maintenance, support and/or updates of and to such required items are the Franchisee's responsibility.

(h) Franchisor cannot estimate the future costs of the computers, POS system, software and camera surveillance system or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs of obtaining the computers, POS system, software, camera surveillance system (including any additions and modifications) and required service and support. Franchisor has no obligation to reimburse Franchisee for any such costs. Within ninety (90) days after Franchisee receives notice from Franchisor, Franchisee agrees to obtain the computers, POS system, software, camera surveillance system and components that we designate. In addition, Franchisee will ensure that its computers, POS systems, software and camera surveillance system as modified, is functioning properly.

(i) Franchisee acknowledges that neither we nor our affiliates, will have any liability and/or obligation (and neither you or any managing partners, managing members, members, shareholders or other Owners of Franchisee will make any claims) about any loss of data, loss of information, inability to use, failures, errors or any other occurrences relating to any computer hardware or software, POS system, camera surveillance system or software without an express written warranty from us, even if recommended or specified by us. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting themselves from these problems. Franchisee must also take reasonable steps to verify that information about Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee rely, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems and use of backup systems.

(j) Franchisor may set standards or specifications for leases, real estate, the construction and build-out of the Franchised Business; equipment, furniture, fixtures, décor items, signage, Internet or network access, and services, at its discretion, including its subjective determinations relating to quality, value and appearance.

Nothing in this Agreement shall be construed to be a promise or guarantee by Franchisor as to the continued existence of any particular equipment or product nor shall any provision herein imply or establish an obligation on the part of the Franchisor and its affiliates to sell equipment, products or services to Franchisee if Franchisee is in arrears on any payment to Franchisor, its affiliates, or any other designated vendor or approved supplier, or otherwise is in default under this Agreement. If Franchisee fails to pay for each shipment of equipment or products (if required), Franchisor or its affiliates shall not be obligated to sell such items to Franchisee.

8.13 Use Approved Design and Signage for Franchised Business. In operating QC Kinetix Franchised Business, Franchisee must adhere to Franchisor's signage standards, and utilize signage designs in accordance with the standards and specifications recommended by Franchisor, or that will continue to be recommended by Franchisor. Franchisee may use an approved supplier for signage, or submit an alternate supplier to Franchisor for approval. Franchisee shall purchase or lease, subject to local building codes and regulations, such signs that provide maximum displays of the Marks of Franchisor. Franchisee shall be totally responsible for obtaining and equipping the Franchised Business with the signage that is approved for use by Franchisor from time to time. The color, size, design and location of said signage shall be as specified and/or approved by us. Franchisee shall not place additional signs, posters, newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar devices and décor items in the Franchised Business without our prior written consent.

8.14 Participation in the Operation of the Business. Franchisee acknowledges that the Franchised Business must at all times be under Franchisee's direct, day-to-day, full-time supervision (or if you are an Entity, then the Manager). The requirements of the Manager are as stated in Section 1.6(e) of this Agreement. The medical staff must be supervised by a doctor, whose physical presence is not required, but shall supervise the medical providers.

8.15 Maintain Regular Business Hours. Franchisee's Franchised Business must be open for business as set forth in our Operations Manual.

8.16 Maintain Uniform Operating Standards. Franchisee understands and acknowledges that every detail in the operation of the Franchised Business is important to the Franchisee, Franchisor and other franchisees in order to develop and maintain uniform operating standards, to increase the demand for the Services and Products offered by the Franchised Business under the System, and to protect Franchisor's Marks, reputation and goodwill.

Franchisee acknowledges and agrees that the System must continue to evolve in order to reflect changing market conditions and meet new and changing customer demands. As a consequence, changes, modifications and variations to the System's standards may be required from time to time to preserve and enhance the public image of the System and enhance the operational efficiency of all franchises.

Franchisee therefore agrees that we may periodically and upon written notice, add to, modify or change the System, including without limitation the adoption and use of new or modified trademarks, equipment, Services, signage, décor, furnishings, fixtures, computers, Software, non-proprietary software, security system, membership billing procedures, programs and services, employee hiring guidelines and retention programs, advertising, sales and marketing strategies. Franchisee promises to promptly accept, implement, execute, use and display in the operation of the Franchised Business, all such additions, modifications and changes at Franchisee's expense.

Franchisor will not require Franchisee to make any changes, modifications and/or variations to the System that are not required of all Franchisees (unless such change, modification or variation relates only to certain Franchisees due to one or more unique factors such as geographic location, local laws, regulations or customs); further Franchisor may periodically meet with representative groups of franchisees and solicit their input prior to the implementation of any material change or modification. Franchisees failure to comply with additions, modifications or changes to the System within ninety (90) days of such written notice is an incurable default of this Agreement, except as allowed in Section 8.6 of this Agreement.

8.17 Telephone Number of Business and Websites. Franchisee understands and agrees that the telephone number(s), the URL address, and website for the Franchised Business (in addition to any cell phone numbers) constitute a part of the System and are subject to the restrictions of this Agreement.

Accordingly, Franchisee shall not change the telephone number(s), URL address, or website for the Franchised Business without prior notice and written approval by Franchisor. Franchisee shall advertise and publicize the telephone number(s) and, permitted by Franchisor, the URL address, and website for the Franchised Business in the manner prescribed by Franchisor. As stated above, all telephone numbers, URL addresses, website, Internet or similar connections, directory and listings for the Franchised Business are the Franchisor's property and upon termination will revert to the Franchisor.

8.18 Disclose Discoveries and Ideas to Franchisor. Franchisee shall promptly disclose to Franchisor all products, equipment, discoveries, concepts, methods, techniques, processes, programs, operational procedures, inventions or ideas, whether patentable or not, relating to Franchisor's business, which are conceived or made by Franchisee or any Owner, agent, or employee of Franchisee solely or jointly with others, during the term of this Agreement, whether or not Franchisor's facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such products, discoveries, concepts, methods, techniques, processes, programs, operational procedures, inventions or ideas are the exclusive property of Franchisor, and that Franchisor shall have no obligation to Franchisee. The Franchisor shall own all copyrights and other intellectual property rights to all discoveries and products proposed by Franchisee. However, as a matter of corporate policy, Franchisor may, in its sole discretion, create an incentive program to reward Franchisee, its Owners, employees or agents for any such new product, program, discovery, concept, method, technique, process or improvement that Franchisor implements throughout the System. The Franchisee, its officers, directors, managers, members, partners or shareholders agree to execute all documents deemed reasonably necessary by the Franchisor to assign all such patent, trade secret, trademark, and copyright rights in any Franchisee discovery or idea to the Franchisor. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by Franchisees within the System will be distributed to the other Franchisees as a benefit of belonging to the System. The Franchisee agrees to execute all documents that the Franchisor deems reasonably necessary to carry out such transfer of intellectual property rights to the Franchisor.

8.19 Permit Franchisor to Enter Business. Franchisee shall permit Franchisor and its agents or representatives to enter the Franchised Business during normal business hours for the purpose of conducting inspections without notice to Franchisee and inspect the operations of the Franchised Business, review business operations (which includes photographing and taking video or digital recordings of the operations of the Franchised Business and execution of Services for observation purposes). In addition, Franchisor may use secret shoppers to inspect and ensure that unauthorized equipment, supplies and Services are not being used, offered or sold. Franchisee shall cooperate fully with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be deemed necessary to immediately correct any deficiencies detected during such inspections. In the event Franchisee fails or refuses to promptly correct any deficiency detected during such inspection, Franchisor shall have the right to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. In addition, to maintain the highest degree of quality, if Franchisee fails an inspection twice in any twelve (12) month period the Franchisee will also be responsible for a \$1,500 inspection fee. The foregoing shall be in addition to any other remedies Franchisor may have pursuant to this Agreement.

8.20 Additional Requirements for Corporate Franchisee. If Franchisee is or becomes a corporation, limited liability company, general or limited partnership or other organization or entity, the following requirements shall apply:

(a) Franchisee shall confine its activities to the establishment and operation of the Franchised Business within the Territory;

(b) Franchisee's Certificate of Formation, Articles/Certificates of Incorporation or Articles of Organization, Shareholders Agreement, Operating Agreement, Partnership Agreement and/or Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to the operation of the Franchised Business and that the issuance, redemption, purchase for cancellation and transfer of voting stock, voting membership units or other ownership interest therein, is restricted by the terms of this Agreement. Franchisee shall furnish Franchisor promptly upon request copies of Franchisee's Articles/Certificates of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, Shareholders Agreement, and other governing documents, and any other documents we may reasonably request, and any amendments thereto, from time to time;

(c) Franchisee shall maintain a current list of all owners of record and beneficial owners of any class of voting stock, partnership interest or membership of Franchisee and shall furnish such list to Franchisor upon request;

(d) Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) except in accordance with the provisions of this Agreement. All securities issued by Franchisee shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate, membership unit certificate, partnership unit certificate, or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT WITH QC FRANCHISE GROUP LLC AS OF THE SIGNING DATE. REFERENCE IS MADE TO SAID AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE ARTICLES AND BYLAWS OF THIS ENTITY;

(e) All shareholders, members, general partners and others of Franchisee shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement; provided, however, that these requirements shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "**Publicly-Held Corporation**");

(f) Each individual or Entity holding a ten percent (10%) or greater ownership or beneficial ownership interest in the Franchisee's business, directly or indirectly, (including each individual holding a fifty percent (50%) or greater interest in any partnership, limited liability company, or corporation which has a ten percent (10%) or greater interest in the Franchisee's business) shall enter into a continuing guaranty agreement, in the form attached hereto as Schedule 1 as such form may be amended or modified by Franchisor, from time to time (if such guaranty agreement is to be executed after the date of this Agreement in accordance with the terms of this Franchise Agreement); and

(g) From and after the date of this Agreement, Franchisee and its Owners shall not sell, transfer, assign, pledge, mortgage, hypothecate or encumber all or any direct or indirect ownership interest in Franchisee without first obtaining Franchisor's written consent in which consent shall be approved or denied within thirty (30) days of Franchisee's request.

8.21 Site Selection. Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining and developing a site for the Franchised Business to be established under the Franchise Agreement and for equipping the Franchised Business at such premises. The space for QC Kinetix® Franchised Business must be enclosed and separate from other businesses with its own locking door. Franchisee may buy or lease the required real property and improvements from any source and on terms approved by Franchisor in writing. Franchisee may not sign a lease (or a contract to purchase the premises,

if applicable) for the Franchised Business until Franchisee has obtained Franchisor's written approval. Franchisee must not invest any monies for a site which Franchisee wishes to open a Franchised Business until Franchisee has obtained Franchisor's written approval for the site which will be made by email or any other form of written communication. On the execution of any lease for the Franchised Business, Franchisee will deliver to Franchisor a copy of the executed lease and an option to assume the lease executed by the lessor in favor of Franchisor in a form acceptable to Franchisor. All improvements to the Franchised Business facility must be approved by Franchisor.

FRANCHISEE ACKNOWLEDGES THAT OUR APPROVAL OF A PROSPECTIVE SITE AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF A SITE DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY, OR GUARANTEE BY US THAT QC KINETIX® FRANCHISE OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

Franchisee acknowledges that we have spent considerable amount of time choosing and creating the decoration and outfitting QC Kinetix business. It is part of our trade dress. Franchisee acknowledges and agrees that the design, layout and other characteristics of the Franchised Business constitute and/or contain Confidential Information and/or Trade Secrets of ours. Franchisee agrees that the Franchised Business shall be maintained and operated as follows:

(a) Franchisee will maintain the Franchised Business and every component of the clinic, equipment, furnishings, fixtures, computers, POS system, camera surveillance system, televisions and other electronics in good order and repair at all times as specified in the Operations Manual;

(b) Franchisee will keep the Franchised Business fully insured as specified in this Agreement and in the Operations Manual and will only purchase insurance through approved insurance vendors/brokers;

(c) Franchisee will keep the Franchised Business at all times in a clean and tidy condition and free of any advertising and promotional material other than that required by law or the Operations Manual, and will exhibit such signage, décor, murals, colors and logos in the Franchised Business and upgrade or review the same as specified in the Operations Manual;

(d) Franchisee will not alter or in any way amend the appearance of the Franchised Business, or any equipment, furnishings, fixtures, computers, POS system, camera surveillance system, televisions and other electronics contained within the Franchised Business as specified in the Operations Manual;

(e) Franchisee will maintain all equipment, furnishings, fixtures, computers, POS system, camera surveillance system, televisions, other electronics and signage as specified from time-to-time in the Operations Manual and may be required to upgrade such items as technology advances or in Franchisor's sole discretion because of new functionality so as to always use our then-current specifications;

(f) Franchisee shall maintain the cleanliness of the Franchised Business and use a professional cleaning service. Franchisee shall also meet and maintain the highest level of health standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates and/or ratings resulting from inspections conducted by any federal, state or local governmental authority with jurisdiction over the Franchised Business; and

(g) Franchisee may be required to use only approved service centers for repairs and maintenance of equipment, furnishings, fixtures, computers, POS system, camera surveillance system, televisions, other electronics and signage in the Franchised Business.

Franchisee shall not execute a lease or sublease for the Franchised Business, or make any modifications or amendments to the lease or sublease, without our prior written consent, which we may grant, condition or withhold in our Business Judgment. Franchisee will deliver to Franchisor a copy of any lease or sublease for Franchisor's review at least thirty (30) days before execution. Franchisee must deliver a copy of the signed lease or sublease to us within five (5) business days after it is signed. Franchisee shall ensure that the lease or sublease for the Franchised Business contains, in an addendum or otherwise, the following provisions which:

(a) Permit Franchisee to operate the Franchised Business in accordance this Agreement and the Manuals;

(b) Provide that the site will be used only for the operation of QC Kinetix Franchised Business, and prohibit Franchisee from assigning or modifying any of Franchisee's lease rights, or extending the term without our prior written consent;

(c) Require the lessor to concurrently provide us with a copy of any written notices of default of Franchisee under the lease and give us the right to cure any default if we so choose; within fifteen (15) days following the expiration of the Franchisee's cure period under the lease;

(d) Provide us with a right to take assignment and possession of QC Kinetix Franchised Business, without the lessor's consent or any additional consideration. If we exercise this right and Franchisee is in good standing, we will agree to pay the same rent Franchisee is paying. In any case, we will not assume any liability for any obligations incurred prior to our occupancy. Franchisee agrees to take whatever actions are necessary to accomplish such assignment and will, when you sign this Agreement, also sign the Collateral Assignment of Lease attached as Schedule 5. If Franchisee loses lease rights to the site in connection with any bankruptcy, the lessor will, on our request, enter into a new lease with us on essentially the same terms as the terminated lease;

(e) Provide that the lessor consents to the use of the Marks, trade dress and other aspects of the System, as modified from time-to-time, and give us the right to enter the premises during normal business hours for purposes of inspection, to take steps to protect the Marks and Trade Dress and/or prevent/cure any default; and

(f) Not contain any clause providing that if the Franchisee sells the assets of its Business, or the stock/membership units/partnership units of the Franchised Business, Franchisee must pay the landlord a certain percentage or a flat amount of the sale. Provided, that nothing in this sentence shall impair the Franchisee from entering into a lease that allows its landlord to impose a reasonable administrative fee for processing the assignment or sublease.

8.22 Development and Construction of Franchised Business. Franchisee must select and employ licensed architects and contractors reasonably acceptable by us for the complete build out and/or any leasehold improvements. Franchisee is solely responsible for the selection and work of any contractor selected and/or employed by Franchisee, even if referred by Franchisor, and for the preparation of architectural and working drawings necessary to complete construction and/or build out at the approved Franchised Business location. Franchisee will be provided with mandatory requirements and specifications (interior and exterior) for the build out of the Franchised Business which includes specifications for Franchised Business layout, the design and specifications of each Franchised Business, equipment

specifications, storage, furnishings, fixtures, sound system, camera surveillance system, décor and signage. Franchisor must review Franchisee's architect's final plans prior to implementation. Such plans and specifications are subject to alteration as may be necessary in Franchisor's sole discretion and Franchisee must be in full and strict compliance with plans and specifications approved by Franchisor. Franchisee is responsible for the cost and installation of all build out specifications. Franchisor reserves the right to receive rebates, commissions or other forms of consideration from designated or approved vendors and suppliers involved in the construction of Franchisee's Franchised Business or supplying room equipment, furniture, fixtures, camera surveillance system, décor and signage for the Franchised Business and to use such rebates, commissions or other consideration in any way Franchisor deems appropriate in Franchisor's sole discretion, without obligation to share or remit any portion of such rebates, commissions or other consideration to Franchisee.

Franchisor expects that a QC Kinetix® Franchised Business location would need construction improvements. Costs may vary widely depending on such factors as property location, size of the property, the condition of the property, the extent of alterations required for the property. Franchisee shall be responsible for obtaining all zoning classifications, health, sanitation, clearances, permits and certifications which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Franchised Business until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

Franchisee shall comply with all federal, state and local laws, codes and regulations, including without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Business. If Franchisee receives any complaint, claim or other notice alleging a failure to comply with the ADA or other law or regulation related to health or safety, Franchisee agrees that it shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

Franchisee shall construct, furnish and open the Franchised Business according to the requirements contained herein and the Manual, and Franchisee shall open the Franchised Business no later than six (6) months from the Effective Date. Time is of the essence. Prior to opening for business, Franchisee shall provide Franchisor with evidence of lien-free completion of all work (including, without limitation, any and all mechanic liens) and to comply with all pre-opening requirements set forth in this Agreement, the Operations Manual, and/or elsewhere in writing by Franchisor.

Franchisee shall not open the Franchised Business until Franchisor has determined that all construction has been substantially completed, and that such construction conforms to Franchisor's standards including, but not limited to: materials, quality of work, design and layout, equipment, furnishings, fixtures, camera surveillance system, signage, decor, paint and Franchisor has given Franchisee written approval to open, which approval shall not be unreasonably withheld. Franchisor's approval to open the Franchised Business does not constitute a waiver of Franchisor's right to require Franchisee to conform the Franchised Business to Franchisor's standards.

8.23 Training. Prior to Franchisee's opening of the Franchised Business to the public, Franchisee, its Owners if it is an Entity, or General Manager shall complete to our satisfaction the five (5) day training program required by this Agreement and set forth in the Operations Manual and the Franchise Disclosure Document. This training could be increased to as much as ten (10) days. In addition, each medical provider providing medical services must successfully pay for, attend and complete laboratory based training

provided by us, or an approved supplier, before engaging in providing medical services, (“**Provider Training**”).

At our option, key personnel subsequently employed by Franchisee shall also complete the training program. We may, at our discretion, make available additional training programs, certifications, seminars, as well as refresher courses available to the Franchisee and/or Franchisee’s designated individual(s) from time to time. We may, at any time, discontinue management training and decline to certify Franchisee and/or Franchisee’s designated individual(s) who fail to demonstrate an understanding of the management training acceptable to us. If Franchisee or Franchisee’s designated individual’s management training is discontinued by us, Franchisee shall have thirty (30) days to present an alternative acceptable candidate for management training to Franchisor. If Franchisee’s new candidate does not adequately complete the management training, then we shall have the option of terminating this Agreement. We shall provide instructors and training materials for all required training programs; and Franchisee, its Owners, General Manager and/or any of its employees who attend the training shall be responsible for all other expenses incurred in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages.

8.24 Ongoing Training and Support. The Franchisee will have access to our personnel for questions, ongoing training and support by e-mail. Franchisor will continue to consult with and advise Franchisee to answer any questions from Franchisee or its staff, provide the Manual specifications; equipment, Product, vendor, supplier, marketing and operational updates as they become available; review advertising, equipment, product, vendor and/or supplier approval requests; and administer the System Advertising Fund.

9. INSURANCE

9.1 Overall Coverage Required. Before Franchisee opens QC Kinetix® Franchised Business, Franchisee must purchase insurance coverage from a responsible carrier with a performance rating of A or higher as rated in the most recent edition of Best Insurance Reports (or comparable criteria as we may specify) and Franchisee must maintain such insurance throughout the duration of the initial term of the Franchise Agreement and any renewal terms. The types, amounts, and terms of coverage are subject to adjustment from time to time by Franchisor in its sole discretion. Franchisee shall list Franchisor as additional insured on all its insurance policies.

Franchisee will procure and maintain general comprehensive liability insurance, including broad form contractual liability, broad form property damage, general tort, premises damage, personal and advertising injury, completed operations, products liability and fire damage. with a minimum policy limit of \$2,000,000 per occurrence and \$2,000,000 aggregate (this policy should include general tort, premises damage, personal and advertising injury should be at least \$1,000,000) in addition to property and casualty insurance with a minimum policy limit of \$1,000,000 or an amount specified by the Franchisor.

Franchisee must require that the PC carry professional liability coverage for all Affiliated Physicians and affiliated non-physician clinical personnel with limits of \$1,000,000 per occurrence/\$3,000,000 aggregate or as required by state law, whichever is greater.

Franchisee must also procure and maintain “**All Risks**” or “**Special Form**” insurance (coverage for the full cost of replacement of the Business premises and all other property in which Franchisor may have an interest with no coinsurance clause) in addition to business interruption insurance to fully insure loss of earnings attributed to all perils commonly insured against by prudent business owners (including lost royalties, national advertising and other fees due to Franchisor and/or Franchisor’s affiliates), or attributable to prevention of access to the Business, with coverage for a period of interruption of one-hundred and eighty

(180) days or longer, with a stated daily loss limit of \$10,000 per day and statutory workers' compensation insurance with limits of greater than \$100,000 or the minimum limits required by law.

Franchisee must also procure and maintain professional liability insurance that covers Franchisee for damages caused by Franchisee that do not result in property or bodily injury with a minimum policy limit of \$1,000,000 or an amount specified by the Franchisor.

For any construction, renovation, refurbishment or remodeling of the site, Franchisee must require that the general contractor maintain, with an approved insurer, commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builders risk, product liability and independent contractor's coverage) with limits of no less than \$1,000,000 per claim, naming Franchisee and us as additional insureds, as their interests may appear, together with workers' compensation and employer's liability insurance as required by law and as required by the lease. It is Franchisee's responsibility to obtain certificates of insurance from the contractor prior to the initiation of any construction.

Franchisee must acquire and maintain employment practices liability insurance that covers Franchisee and Franchisee's Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations in the amount of \$250,000 per accident for bodily injury, \$250,000 policy limit for bodily injury by disease, and \$250,000 per employee for bodily injury by disease.

Franchisee must also acquire and maintain Umbrella Liability Insurance in the amount of \$1,000,000 per occurrence and in the aggregate.

Franchisee must also acquire and maintain Cyber Liability Insurance and Data Breach in the amount of \$100,000 per occurrence and \$100,000 aggregate.

Franchisee shall also acquire tenant's liability insurance (if applicable); any other insurance required by the state or locality in which the Franchised Business is located and operated, in such amounts as required by statute; and other insurance coverage, as we or the landlord may reasonably require.

All insurance policies will name Franchisor as certificate holder and additional named insured with waiver of subrogation against Franchisor. Franchisor may establish minimum standards for coverage to be met by underwriters for insurance. Before beginning operations, Franchisee will obtain any other liability insurance required by law, provide Franchisor with certificates of insurance within ten (10) days of issuance, and maintain all required insurance during the term of this Agreement. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing insurance coverage within ten (10) days after each of the following events (i) at all policy renewal periods, no less often than annually and (ii) at all instances of any change to, addition to or replacement of any insurance. Lapses, alterations, or cancellations require immediate notice to Franchisor and shall, in Franchisor's sole discretion, be deemed an immediate material breach of this Agreement. If Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but shall not be obligated to, pay the premiums or acquire insurance, and bill Franchisee. Franchisee shall reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure such insurance. Franchisor may change these insurance requirements on thirty (30) days' prior written notice to Franchisee.

Franchisee's insurance will cover all claims for injury, damage and death or otherwise, arising directly or indirectly out of the Franchised Business.

Franchisee shall notify Franchisor immediately in writing of any event that could materially affect Franchisee or the Franchised Business, and no later than the date on which Franchisee notifies its insurance carrier.

Franchisor makes no representation or warranty to Franchisee that the amount of insurance to be carried by Franchisee under the terms of this Agreement is adequate to fully protect Franchisee's interest. If Franchisee believes that the amount of any such insurance is insufficient, Franchisee is encouraged to obtain, at its sole cost and expense, such additional insurance as it may deem desirable or adequate. Franchisee acknowledges that Franchisor shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for, or with respect to, the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance coverage, and Franchisee hereby expressly assumes full responsibility therefore and all liability, if any, with respect thereto.

Franchisee's compliance with insurance requirements shall not relieve Franchisee of its liability under the indemnity provisions of this Agreement. Obligations to maintain insurance coverage will not be affected by reason of any separate insurance maintained by us, nor will the maintenance of such insurance relieve Franchisee of any obligations under this Agreement.

Franchisee shall furnish Franchisor with certified copies of each of the insurance policies described above on the earlier of the opening of the Franchised Business or sixty (60) days following the date this Agreement is executed.

10. **ACCOUNTING AND RECORDS**

10.1. Bookkeeping, Accounting and Records. Franchisee acknowledges that the maintenance of accurate financial records and the preparation of financial statements on a timely basis are essential to the efficient operation of the Franchised Business. Franchisee is permitted to generate their own accounting statements at this time but is required to utilize Franchisor's mandated chart of accounts, income and balance sheet format. Franchisee is required to use QuickBooks online for their accounting and is required to give Franchisor fill-time read-only live electronic access to you financial records. If Franchisee does not maintain our accounting and reporting standards, Franchisee may be required to migrate to an external accounting firm designated by Franchisor.

Franchisee shall maintain during the term of this Agreement and shall preserve for a minimum of five (5) years, full, complete accurate records of sales, payroll, accounts payable and accounts receivable in accordance with the standard accounting system described by Franchisor in the Operations Manual or otherwise specified in writing however state or federal guidelines may require a longer time period. Franchisee will keep its books and records related to this business separate from any other business owned by Franchisee or its principals. Any such separate business will be conducted by a separate entity.

Franchisee will provide Franchisor all hard copy and electronic reports Franchisor prescribes. On or before each Tuesday of the following week or daily if Franchisor requires, Franchisee will deliver or provide electronic access to business records (Franchisor will have independent access to all information that Franchisee stores in any computer system), including an itemized report of Franchisee's Gross Revenue for the prior period on a form Franchisor prescribes, which will include payment for that periods' or months' fees due, and may include, to the extent that Franchisor requires:

(a) Franchisee's payroll records, certification or records of Gross Revenue for the month, week, day or period reported;

- (b) Copies of any receipts and contracts with updated location information in any format Franchisor specifies;
- (c) Copies of all invoices for purchases of equipment, products, and supplies;
- (d) Copies of all merchant account printouts received from the Franchisee's merchant account banking provided (i.e., records of credit and debit card transactions);
- (e) Copies of all bank deposits, and bank deposit records made by the Franchisee; and
- (f) A complete list of all customers, their email addresses, physical addresses and telephone numbers, who have filed a complaint (internally or with third parties such as the Better Business Bureau) or sought refunds for Services greater than \$1,000 during the preceding month, by the tenth (10th) day of each month.

Franchisee acknowledges and agrees that Franchisor, at all times during and after termination, expiration or cancellation of this Agreement, has the right to access (electronically or otherwise) all Business Records of the Franchised Business. Franchisor may use, transfer, copy or analyze such Business Records as Franchisor determines in its sole discretion to be in the best interest of the System. For purposes of this Agreement, "**Business Records**" means all records, documents, databases and the like (whether in print, electronic or other form), including all names, addresses, phone numbers, email addresses, customer purchase records, purchase or consignment arrangements, vendor records and all other records contained in databases created and maintained by Franchisee pertaining to the operation of an QC Kinetix® Franchised Business, including but not limited to customers, employees, vendors and other professionals related to the Franchised Business.

Franchisee will be required by us to obtain specified computers and may be required to use specific software, including, without limitation, a license to use the Software, or any of our vendors in accordance with this Agreement and the Operations Manual. Franchisee agrees to pay all costs in connection with obtaining the computers and Software, and Franchisee agrees to maintain, upgrade, etc. the computers and any additional licenses for the software at its own expense (upgrades, maintenance and support for the Software (if developed) will be provided by Franchisor). We have the right to charge a reasonable fee for any additional licenses, modification, maintenance and/or support of Software that we may license to Franchisee and other products and services that we may furnish to Franchisee related to the computer systems.

Franchisee will adopt a fiscal year as approved by us and prepare all financial reports in accordance with U.S. generally accepted accounting principles, consistently applied. Franchisee must periodically deliver to Franchisor accounting, tax and other information or copies of documents, as Franchisor requests.

10.2 Franchisor's Right to Audit. Franchisor or its agents may enter the Franchisee's location to examine or audit Franchisee's business at any reasonable time without notice. Franchisor may examine, inspect or audit Franchisee's database and Business Records, which records will include, but will not be limited to: payroll records, ledgers, consignment agreements, sales reports, timecards, check stubs, bank deposits, bank statements, merchant account printouts, receipts, sales tax records and returns, insurance policies and other documents. Franchisor will bear the cost of the audit, provided however, if Franchisee fails to report as required or understates Gross Revenue by two percent (2%) or more for any reported time period, in which case Franchisee will pay the audit costs plus interest at eighteen percent (18%) per annum (or one and one half percent (1.5%) per month) for all understated Gross Revenues or the maximum rate allowed by the laws of the State in which Franchisee's business is located as specified in the Operations Manual.

Franchisee will immediately pay Franchisor all sums owed. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

In addition to the cost of the audit described above, Franchisee shall reimburse Franchisor for any and all costs and expenses relating to the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs), and, at Franchisor's discretion, submit audited financial statements prepared, at Franchisee's expense, by an independent certified public accountant satisfactory to Franchisor. If an inspection discloses an understatement in any payment to Franchisor of two percent (2%) or more, twice within any two (2) year period, such act or omission shall constitute grounds for immediate termination of this Agreement, as set forth in this Agreement. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

10.3 Method of Payment. All payments Franchisee makes to Franchisor will be by any method Franchisor specifies, including cash, check, certified check, money order, credit card, automatic pre-authorized payment plan, Internet, or electronic funds transfer. All payments to Franchisor and dollar amounts stated in this Agreement shall be made in United States Dollars unless otherwise expressed. If a conversion of royalties or other payments from another currency is made, the conversion shall be made as of the date the payment is due, or the date the payment is actually made, whichever is more beneficial to Franchisor. Franchisee is responsible for any fees associated with payment methods other than cash or check.

10.4 Submission of Financial Statements. Franchisor or a designated vendor shall be provided twenty-four (24) hour electronic access to the Franchisee's financial statements in a form required by Franchisor. At its option, Franchisor may require Franchisee to provide financial statements directly to the Franchisor or a designated vendor. Such statements will be prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") according to any standard established by Franchisor, by an independent accountant, and will be delivered to Franchisor within ninety (90) days after Franchisee's fiscal year end.

10.5 Disclosure of Financial Statements. Franchisee hereby grants us permission to release to Franchisee's lenders or prospective lenders, Franchisor's purchasers or prospective purchasers, any financial and operational information relating to Franchisee and/or the Franchised Business; however, we have no obligation to do so. Should Franchisor have acquired Franchisee's Business and intends to sell it to a prospective franchisee, Franchisor may show such buyer Franchisee's financial statements and related information.

Franchisee also authorizes us to make reasonable inquiries of Franchisee's bank, suppliers, landlord, and creditors concerning the Franchised Business and hereby directs such persons and companies to provide to us such information and copies of documents pertaining to the Franchised Business as we may request.

11. USES OF NAMES AND MARKS

11.1 Marks are Owned by Franchisor. Franchisor warrants with respect to the proprietary Marks that:

(a) Pursuant to a License Agreement between Franchisor and QC Holdings LLC, the Franchisor has been granted the right to use the Marks to establish QC Kinetix® franchises in the United States.

(b) Franchisor will take such steps as Franchisor deems reasonably necessary to preserve and protect the ownership and validity of such Marks; and

(c) Franchisor will use and permit Franchisee and other franchisees to use the Marks in compliance with the System and standards attendant thereto and contained in the Operations Manual as well as the Franchisor's policy statements, which underlie the goodwill associated with and symbolized by the Marks.

11.2 Franchisee is Licensed to Use the Marks. With respect to Franchisee's franchised use of the Marks pursuant to this Agreement, Franchisee agrees that:

(a) Franchisee shall use only the Marks as are approved in writing by Franchisor for Franchisee's use, and shall use them only in the manner authorized and permitted by Franchisor and that in any use whatsoever of the Marks of Franchisor that the Marks are identified as being registered to or owned by Franchisor;

(b) Franchisee shall use the Marks only in connection with the operation of the Franchised Business and in advertising for the Franchised Business conducted at or from the Franchisee's website and accepted Franchised Business location;

(c) Franchisee shall use and display, as Franchisor may require in the operation of the Franchised Business, and on all social media landing pages, a notice in the form approved by Franchisor indicating that Franchisee is a "Franchise of QC Franchise Group LLC" and that the Marks are used by Franchisee under such Franchise. Franchisee must indicate to third parties that it is "independently owned and operated" and that Franchisor owns the Marks and Franchisee uses them under a license;

(d) Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Franchised Business under the Mark "QC Kinetix®";

(e) Franchisee's right to use the Marks is limited to such usages as are authorized under this Agreement, and any unauthorized use shall constitute an infringement of Franchisor's rights and material breach of this Agreement;

(f) Franchisee must obtain Franchisor's approval for any use of any item of printed material of any kind bearing any of the Marks unless Franchisor supplied the item. Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Franchisee shall use such notices of Trademark registrations and copyrights as Franchisor specifies;

(g) Franchisee shall not use the Marks to incur any obligations or indebtedness on behalf of Franchisor;

(h) Franchisee shall not use the Marks or any part thereof as part of its corporate or other legal name;

(i) Except as provided in this Agreement, Franchisee shall not use the Marks or any part thereof in any form on the Internet, including but not limited to, addresses, domain names, URL's, website, links, metatags, locators and search techniques;

(j) Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registration, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain their continued validity and enforceability;

(k) In the event any litigation involving Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and shall cooperate fully with Franchisor in defending such litigation. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the sole opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other interested party in the Marks. Other than what is stated in this Agreement, Franchisor is not obligated to protect Franchisee's right to use the Marks or protect Franchisee against claims of infringement or unfair competition with respect to them and may direct Franchisee not to use the Marks or to change the Marks at Franchisee's expense. The Franchisor will control any and all such litigation, arbitration, and mediation involving the Franchisor's Marks. The Franchisee has no authority to institute any litigation, file and arbitration, or institute any request for mediation regarding the Franchisor's Marks, nor does the Franchisee have any authority to enter into any settlement negotiations. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously;

(l) During the term of this Agreement and any renewal, Franchisee shall identify itself as the owner of the Franchised Business in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, and contracts, as well as at such conspicuous locations on the premises as may designate in writing. The form and content of such identification shall comply with standards set forth in the Operations Manual; and

(m) Franchisee further agrees to follow all of the Franchisor's quality standards that are inherent in the Marks. Such quality standards are contained in the Manual, as well as various memos or policy statements issued by the Franchisor, and may be changed from time to time at the Franchisor's sole discretion.

11.3 Franchisee Will Not Challenge Franchisor's Rights in Its Use of Marks. Franchisee expressly understands and acknowledges that:

(a) As between the parties hereto, Franchisor is the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them;

(b) The Marks are valid and serve to identify the System and those who are franchised under the System;

(c) Franchisee shall not directly or indirectly contest the validity or the ownership of the Marks;

(d) Franchisee's use of the Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Marks, except the non-exclusive Franchise granted herein;

(e) Any goodwill arising from Franchisee's use of the Marks in its Franchised Business under the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks;

(f) Franchisor reserves the right to substitute different Marks for use in identifying the System, the Franchised Business and other franchised businesses operating thereunder;

(g) Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute, or add Marks. Franchisor cannot and does not make

any guaranty that a modification, discontinuance or otherwise will not be required for any reason. In such event, Franchisor has no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance, or other action, and/or with any dispute regarding the Marks. There is always a possibility that there might be one or more businesses using a name and/or marks similar to Franchisor with superior rights;

(h) Franchisee hereby agrees not to register or attempt to register Marks in Franchisee's name or that of any other firm, person or corporation;

(i) The right and license of the Marks granted to Franchisee is nonexclusive, and thus Franchisor has and retains the rights, among others:

(1) To use the Marks and itself in connection with selling and offering Services;

(2) To use the Marks to market on the Internet, including all use of websites, domain names, URL's, linking, advertising, and co-branding arrangements. Franchisee may not establish a presence on the Internet except as Franchisor may specify and only with Franchisor's prior written consent. Franchisor retains the right to approve any linking to or other use of Franchisor's website or any other website specific to our Services;

(3) To grant other franchises or licenses for the Marks, in addition to those already granted to existing franchisees; and

(j) To develop and establish other systems using similar Marks, or any other proprietary marks and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.

(k) Franchisee understands and acknowledges that Franchisor has the unrestricted right to engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the sale of Services and/or Software (if developed) bearing the Marks licensed or other names or marks, including without limitation, products included as part of the System. Franchisee shall not under any circumstances engage in any wholesale trade or sale of Software for resale and/or independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights for any Software or non-System products or software without Franchisor's written consent.

11.4 Ownership of Intellectual Property. Franchisee acknowledges that as between you and us, we are the exclusive owner of the Intellectual Property, the Marks, all Confidential Information, all intellectual property associated with the Marks and the System, all manufacturer, vendor and supplier relationships; all employees and customer lists and all customer phone listings/addresses/URLs held by Franchisee. Franchisee agrees that Franchisee will not use these lists for any purpose other than in relation to the Franchised Business. Franchisee will, on demand, promptly deliver to us a complete list of Franchisee's customers and employees including information we may request related to such customers and employees. The use of any or all such intellectual property shall not create in Franchisee, or its Owners, if it is an Entity, title or interest in or to any of it except as expressly provided in this Agreement. Neither Franchisee, nor any of its Owners, or employees shall directly or indirectly assert any right, title or interest in or to any of the Marks or any other part of the Intellectual Property other than as provided for in this Agreement. Franchisee acknowledges that the Franchisor shall own all intellectual property rights to any materials provided to the Franchisee by the Franchisor or developed by the Franchisee pursuant to this Agreement. Franchisee agrees to execute all documents deemed reasonably necessary by the Franchisor to carry out such assignment. Such ownership rights shall be in all media, whether now known or hereinafter invented, by all means, methods,

and processes, including complete and entire interactive rights, and rights to derivative works. Franchisor shall be free to collect data from Franchisee, and its electronic information and share this data (except for protected health information of the patients) with other third parties as well as other franchisees in the system.

11.5 Pre-Existing Users. Franchisee acknowledges that there may be third-party pre-existing users or applicants/registrants of trademarks, trade names, or business names similar to the Marks. Franchisor and Franchisee shall investigate such use, applications, or registrations, if any, and Franchisor shall in its sole discretion decide on the appropriate action to be taken. Any unsuccessful challenge made by Franchisor shall not constitute a ground for the termination of this Agreement. In the event Franchisor determines in its sole judgment that challenging any such third party's use of the Marks will not likely be successful, or would not be economically feasible to achieve, or if Franchisee shall be required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any such trademark claim by a prior registrant or any pre-existing user, or any other such trademark claim, or if Franchisor shall deem it necessary or appropriate to change the name of the Franchise in order to mitigate any potential exposure or damages arising under any trademark claim, Franchisee shall promptly change the name of its Franchise, and thereafter utilize an alternative name established by Franchisor, at Franchisees' sole expense. Franchisor shall not be liable for any losses or any consequential damages, incidental damage, punitive damages, exemplary damages, special damages, including lost future profits, resulting from or arising out of any trademark service mark, and/or unfair competition claim(s). The Franchisor shall have no obligation to reimburse the Franchisee for any costs, causes of action, damages, demands, expenses, fines, liabilities, or penalties, arising out of such a trademark, service mark, logo or trade name change.

12. CONFIDENTIALITY OF PROPRIETARY INFORMATION

12.1 Franchisee Will Learn Proprietary Matters. Franchisee acknowledges that it will obtain knowledge of proprietary matters, methods, techniques and business procedures of Franchisor that are necessary and essential to the operation of the Franchise, without which Franchisee could not effectively and efficiently operate such business, including, without limitation, knowledge regarding the System, specifications for the clinic, specifications for Services, Software, promotional programs, advertising and marketing materials; customer service standards and business strategies necessary for the operation of the Franchised Business and the Operations Manual. Franchisee further acknowledges that all Confidential Information was not known to Franchisee prior to execution of this Agreement and that the methods of Franchisor are unique and novel to the System. Franchisee acknowledges that Confidential Information shall also include:

(a) Any person or entity, which has, been or becomes a Franchisee of the System and any investors therein;

(b) Any person or entity which has, have been or becomes customers of QC Kinetix® Franchised Business;

(c) The terms of and negotiations relating to past or current Franchise Agreements with respect to the System;

(d) The operating procedures of the System, including without limitation: the design, layout and format, techniques and methods; contracts, forms and waivers; bookkeeping, financing and accounting systems and procedures, advertising, promotional and marketing methods, standards for hiring staff, training procedures, and lists of approved vendors and suppliers;

(e) The economic and financial characteristics of the System and franchisees, including without limitation: pricing policies, revenues, sales, training, profitability, earnings and losses and capital and debt structures;

(f) The Services offered to customers of QC Kinetix® Franchised Business, including, without limitation, the scope of Services performed, and Services refused; and

(g) All documentation of the information listed in Sections (a) through (f) above, including, without limitation, our training program and Operations Manual.

(h) During the term of this Agreement and for a period of five (5) years following the expiration or termination of this Agreement, Franchisee agrees not to divulge, directly or indirectly, any Confidential Information, without the prior written consent of Franchisor. Nothing contained herein shall be construed so as to require Franchisee to divulge any secret processes, techniques, formulas, or the like.

12.2 Franchisee's Employees Will Not Disclose Confidential Information. Franchisee must keep the methods of operations (confidential information found in the Manual and other documents) and Manual confidential and not disclose them except to Franchisee's employees, agents, and representatives, as they must have access to it in order to operate QC Kinetix® Franchised Business. Franchisee must follow all Franchisor's security procedures, which include the execution and delivery to Franchisor of approved nondisclosure or non-competition agreements from each such employee, agent or representative within one week after they are hired. These agreements state that such person shall not during the course of his/her employment, representation, or agency with Franchisee, or for a period of three (3) years thereafter, use, divulge, disclose or communicate, directly or indirectly, in any form or manner, to any person, firm or corporation or other Entity, any of the Confidential Information of Franchisor.

The Manual is, and remains, the exclusive property of the Franchisor. Franchisor will loan Franchisee one copy (hard or electronic) of the Manual for the term of this Agreement. Franchisee must return the Manual (and/or destroy any electronic versions of the Manual) to Franchisor at the termination or expiration of this Agreement for any reason, or at any other time at Franchisor's request. The Manual contains mandatory and suggested specifications for the Franchised Business, standards and operating procedures and further defines Franchisee's other obligations under this Agreement. Franchisor may change or add to the Manual to reflect changes in its image, specifications, and procedures and methods of operation, and will lend Franchisee copies of any changes or additions. However, Franchisor will not make any change that will change Franchisee's fundamental status and rights under this Agreement. Franchisee shall not copy any part of the Manual (except for designated training sections), either physically or electronically. If Franchisee's copy or the Manual are lost, destroyed or significantly damaged, Franchisee must replace the Manual at its own expense.

12.3 Relationship with Former Franchisees. Franchisee acknowledges that former franchisees (those whose franchise agreements have expired or have been terminated) or licensees are in a position to compete unfairly with Franchisee and/or other members of QC Kinetix® System and to cause great injury to the reputation of the System and the Marks. Franchisee therefore agrees as follows:

(a) Franchisee will not sell, loan, give or otherwise transfer or deliver to any former franchisees or licensees, or allow any former franchisee to copy or otherwise obtain, any Confidential Information; any advertising or promotional materials produced by Franchisor or which bear any of Franchisor's Marks; any other materials or publications of Franchisor, including, without limitation, the Operations Manual; any directory or roster of franchisees or approved vendors and suppliers, any other customer lists or mailing lists pertaining in any way to the System; or any other information about the System, business or Confidential Information which is not available to the public.

(b) Franchisee will not refer actual or prospective customers, manufacturers, vendors or suppliers to any former franchisee or licensee.

(c) Franchisee will not notify or advise any former franchisee or licensee of, or in any other way assist any former franchisee or licensee in learning about, the date, time and place of any meetings of franchisees.

(d) If Franchisee observes any former franchisee or licensee using any of the Marks in any way or utilizing a business facility (including any vehicles) for which the Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observations to Franchisor along with all details available to Franchisee.

(e) Franchisee shall in general have no dealings with former franchisees or licensees which Franchisee, under this Agreement, could not have with a person who has never been QC Kinetix® franchisee or licensee.

(f) The provisions of this Section 12.3 shall apply to Franchisee as soon as Franchisee is on notice of the expiration or termination of another franchise agreement or licensee. Franchisee shall be deemed to be on such notice when:

(1) Franchisee receives a new franchisee or licensee directory in which such franchisee or licensee does not appear; or

(2) Franchisee receives written notice from Franchisor that one or more particular franchisee or licensee has expired or has been terminated.

12.4 Injunctive Relief is Available to Franchisor. Franchisee acknowledges that any failure to comply with the requirements of this Section 12 will cause Franchisor irreparable injury, and Franchisor shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements; Franchisee waives any requirements for the posting of any bond(s) relating thereto. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against, violation of requirements of this Section 12. The foregoing remedies shall be in addition to any other legal or equitable remedies, which Franchisor may have.

12.5 Franchisor's Patent Rights and Copyrights. Franchisor does not own rights in or to any patents that are material to the Franchise at this time. However, Franchisor claims copyright protection for the Operations Manual, Software, website and all promotions, marketing, sales, advertising, and operations literature. Such copyright ownership shall extend to all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including rights to interactive works and derivative works. Furthermore, Franchisor claims rights to certain trade secrets and Confidential Information as discussed above.

12.6 Franchisee Shall Not Contest the Franchisor's Ownership Right To Any Confidential Information, Trade Secrets, Patents or Copyrights. Franchisee expressly understands and acknowledges that:

(a) The Franchisor's Confidential Information, trade secrets, copyrights, and patent rights are valid;

(b) Franchisee shall not directly or indirectly contest the validity or the ownership of the Franchisor's Confidential Information, trade secrets, copyrights, and patents;

(c) Franchisee's use of the Franchisor's Confidential Information, trade secrets, copyrights, and patents does not give Franchisee any ownership interest or other interest in or to the Confidential Information, trade secrets, copyrights, and patents, except the non-exclusive Franchise granted herein;

(d) Any goodwill arising from Franchisee's use of the Confidential Information, trade secrets, copyrights, and patents in its Franchised Business under the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any licensed Confidential Information, trade secrets, copyrights, and patents;

(e) Franchisor reserves the right to substitute different Confidential Information, trade secrets, copyrights, and patents for use in operating and maintaining the System;

(f) Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute, or add any new Confidential Information, trade secrets, copyrights and patents. Franchisor cannot and does not make any guaranty that any modification or discontinuation of any aspect of the System or any other System related change will not be required. In such event, Franchisor has no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding any licensed Confidential Information, trade secrets, copyrights, and patents;

(g) Franchisee hereby agrees not to register or attempt to register any Confidential Information, trade secrets, copyrights or patents in Franchisee's name or that of any other firm, person or corporation; and

(h) The right and license of the Confidential Information, trade secrets, copyrights, and patents granted to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others:

(1) To use the trade secrets, Confidential Information, patents, and copyrights and itself in connection with selling and offering Services;

(2) To use the trade secrets, Confidential Information, copyrights, and patents to market on the Internet, including all use of websites, domain names, URL's, linking, advertising and co-branding arrangements;

(3) To grant other licenses for the trade secrets, Confidential Information, copyrights, and patents, in addition to those licenses already granted to existing franchisees and licensee; and

(4) To develop and establish other systems using similar trade secrets, Confidential Information, patents, and copyrights, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.

(i) Franchisee understands and acknowledges that Franchisor has the unrestricted right to engage, directly or indirectly, through its or their employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution, and sale of products bearing the trade secrets, Confidential Information, patents, and copyrights licensed, including without limitation, products and equipment included as part of the System.

13. **TAXES, LICENSES, PERMITS AND LAWSUITS**

13.1 **Franchisee Must Notify Franchisor of Lawsuits.** Franchisee shall notify Franchisor in writing within five (5) days of notice of the commencement of any action, suit, or proceeding against Franchisee, and of the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of the Franchised Business, including, without limitation, any criminal action or other proceedings brought by Franchisee against its employees, customers or other persons. The Franchisee shall give advance written notice of Franchisee's intent to institute legal action against third parties or us, specifying the basis for such proposed action, and shall grant us thirty (30) days from receipt of said notice to cure the alleged act upon which such legal action is to be based.

13.2 **Franchisee Must Pay Taxes Promptly.** Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of any kind incurred by Franchisee in the conduct of the Franchised Business. Franchisee shall pay Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless tax is credited against income tax otherwise payable by Franchisor.

13.3 **Franchisee May Contest Tax Assessments.** In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, lien, or attachment by a creditor to occur against the premises of the Franchised Business, or any improvements thereon.

13.4 **Licenses and Permits.** Franchisee must maintain all required licenses, permits, and certifications necessary to operate your Franchise and other licenses applicable to the operation of a health care clinic. Franchisee shall check with local authorities, an attorney, or a business consultant to determine what licenses, permits, and certifications are necessary.

14. **INDEMNIFICATION**

Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name or the name of any of Franchisor's officers, owners, agents, directors, shareholders or employees. Franchisee further understands and agrees that Franchisor, and its officers, owners, agents, directors, shareholders and employees, shall in no event have or assume liability for, or be deemed liable as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Franchised Business or any claim or judgment arising there from against Franchisee.

For the purposes of this indemnification, the terms "**claim**," "**loss**" or "**obligation**" will include compensatory, exemplary or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing claims, losses or obligations.

Franchisee shall defend, indemnify and hold Franchisor and Franchisor's officers, owners, agents, directors, members, partners, shareholders and employees harmless from and against all fines, suits, proceedings, claims (including but not limited to, any safety and security claims, claims of injury, claims of

theft, claims of neglect, abuse, death, vicarious or other liability), demands, actions, losses, damages, costs, expenses, fees (including legal fees, disbursements and related expenses), penalties and/or any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to any act, error and/or omission of Franchisee (including Franchisee's ownership, operation and/or management of the Franchised Business) and/or any referral, service provider, supplier or other agent/independent contractor or employee of Franchisee including acts, errors or omissions committed or incurred, negligent or intentional acts in connection with Franchisee's operation of the Business and infringement, violation or alleged infringement or violation of any Name, Mark, patent or copyright or any misuse of the Confidential Information. This provision includes all claims as indicated above, of Franchisor, directly against Franchisee (without a third-party involvement) due to acts or omissions of Franchisee or Franchisor in which Franchisor suffers damages including but not limited to, harm to its goodwill and reputation.

Franchisor will have the right to control all litigation, including selection and management of counsel, and defend and/or settle any claim, and arbitration, against and/or including us and/or the Franchisor-related persons/entities, or affecting our and/or their interests with no obligation to you and without affecting our rights under this indemnity or otherwise. Franchisee may appoint separate independent counsel to represent Franchisee's interest in such suits, proceedings, claims, etc., all at Franchisee's expense. Franchisee's indemnification obligations shall survive the termination or expiration of this Agreement.

15. RESTRICTIVE COVENANTS ON FRANCHISEE

15.1 Covenants are Independent. The parties agree that each covenant herein shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Agreement is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant was separately stated in and made a part of this Agreement.

15.2 Franchisee's Principals. The term "**Franchisee's Principals**" (sometimes referred to herein as "**Principals**") shall include, collectively and individually, Franchisee's spouse, if Franchisee is an Entity, its Owners, officers, directors and other operational personnel whom we designate as Franchisee's Principals and all holders of an ownership interest in any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The initial Franchisee's Principals shall be listed on Schedule 2 of this Agreement.

15.3 Franchisee Will Not Compete Against Franchisor. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information. Franchisee acknowledges and agrees that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, employ or seek to employ any person who is at that time employed or was at any time during the prior twelve (12) months employed by us or by any other Franchisee or affiliate of ours, or otherwise directly or indirectly induce such person to leave his or her employment.

Franchisee further agrees that, except as otherwise approved in writing by us, Franchisee shall not, during the term of this Agreement and for a continuous uninterrupted period of two (2) years from the date of: (i) a transfer permitted under this Agreement; (ii) the expiration or termination of this Agreement (regardless of the cause for termination); or (iii) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement, either directly or indirectly for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, maintain, operate,

engage in, be employed by, or have any interest in any business offering non-clinical services related to the field of non-surgical regenerative medicine services using any aspect of the System, the overall QC Kinetix® business concept, with similar products and/or services of QC Kinetix® Franchised Business within a fifty (50) mile radius of the Franchised Business location designated hereunder, or within a fifty (50) mile radius of any other System franchisee in existence or planned as of the time of termination or expiration of this Agreement, as identified in the Franchise Disclosure Document in effect as of the date of expiration or termination of this Agreement.

The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in other jurisdictions, or the enforceability of the remainder of this Agreement. This covenant not to compete is given in part in specific consideration for access to trade secrets provided as a part of Franchisor's training or ongoing support programs. In any jurisdiction in which the covenant contained in this Section 15.3 or any part of it is deemed not enforceable in whole or in part, Franchisee hereby grants Franchisor an option to purchase Franchisee's business or its assets on expiration or termination of this Agreement. Franchisor will exercise this option by giving thirty (30) days' written notice to Franchisee. On termination or expiration, Franchisee will deliver to Franchisor a list of these assets and their cost as well as receipts evidencing their cost. Franchisee must relinquish possession on receipt of payment, but no later than ninety (90) days after expiration or termination. Franchisee's other post termination obligations under this Agreement and by law remain in effect on termination or expiration of this Agreement.

15.4 Exception to Covenant Not to Compete. Section 15.3 hereof shall not apply to ownership by Franchisee or any of its Owners of less than a five percent (5%) beneficial interest in the outstanding equity securities of any Publicly Held Corporation. As used in this Agreement the term "**Publicly Held Corporation**" shall be deemed to refer to a corporation which has securities that has been registered under the Federal Securities Exchange Act of 1934.

15.5 Franchisee Will Not Divert Business. During the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement, Franchisee covenants that it will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

(a) Solicit, service, sell or attempt to divert business directly or indirectly to any competitor by direct or indirect inducement or otherwise, or any customers of its Franchised Business or any other Franchisee including company-owned stores with which or with whom Franchisee has had contact during the term of this Agreement to any competitor by direct or indirect inducement or otherwise; or

(b) Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System or both; or

(c) Induce, directly or indirectly, any person who is at that time employed by Franchisor, to leave his or her employment. This also applies to any person (regardless of position) who was at any time during the prior twelve (12) months employed by Franchisor, company-owned business or by any other franchisee of Franchisor. The only exception is if Franchisee receives written consent by Franchisor or any other franchisee and works out some type of an arrangement to compensate the former employer for reasonable costs and expenses related to replacing the person.

15.6 Franchisor Is Entitled to Injunctive Relief. In addition to any and all other remedies and damages to which it is entitled, in order to protect its Names, Marks, Services, Confidential Information, proprietary materials and rights, and goodwill, Franchisor may seek a permanent injunction and the preliminary or temporary equitable relief Franchisor deems necessary, to restrain the violation of this

Agreement by Franchisee or any persons, parties, and entities acting for Franchisee. Franchisee agrees that Franchisor may obtain the injunctive relief and enter it in any court or arbitration forum that Franchisor deems appropriate.

In recognition of the difficulty in determining on an expedited basis the value of, and the necessity of Franchisor to avoid irreparable harm and to protect, Franchisor's Marks, Services, Confidential Information, programs, methods of operation, copyrighted materials, patents, trade secrets, proprietary materials and rights, and goodwill, Franchisee waives, to the extent permitted by law, the right to interpose the defense that Franchisor has an adequate remedy at law. Franchisee further waives any requirement that Franchisor post a bond or other security, to the extent permitted by law.

15.7 Covenants Are Enforceable Independent of Claims. Franchisee expressly agrees that the existence of any claim it may have against Franchisor, whether arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants of this Section 15. Franchisee further agrees that Franchisor shall be entitled to set off any amounts owed by Franchisor to Franchisee against any loss or damage to Franchisor resulting from Franchisee's breach of this Section 15.

15.8 No Right of Set-Off. Franchisee expressly agrees that the existence of any claims it may have against us, whether arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Agreement, and there shall be no set off for Franchisee's claim. Franchisee agrees to pay all damages, costs and expenses (including reasonable attorney's fees) incurred by us in connection with the enforcement of this Agreement.

15.9 Disclosure of Contact Information in FDD. Franchisee acknowledges that its contact information will be included in our Franchise Disclosure Document in the future, as required by South Carolina and other state agencies and the Federal Trade Commission, and that such inclusion may result in prospective franchisees contacting Franchisee.

16. TRAINING AND ASSISTANCE

The Franchisor shall provide the Franchisee with the following training and assistance:

16.1 The Initial Training Program. Franchisee, or if you are an Entity, your Manager, are required to participate in and successfully complete an initial training program ("**Initial Training Program**"). Franchisor will provide the Initial Training Program at its headquarters or another location of its choice. Initial training will take place after Franchisee pays the Initial Franchisee Fee, but before Franchisee opens the Franchised Business. The Initial Training Program shall be conducted over a five (5) day period, which may, in the future be extended to ten (10) days, at a location designated by Franchisor. Franchisor will provide the Initial Training Program for up to two (2) individuals, who must be the Franchisee and the Manager (as applicable). Additional owners, managers, or employees of the Franchisee may attend the Initial Training Program at an additional cost of \$1,000 per person, subject to change, from time-to-time as set forth in the Manual. All training must be completed no later than sixty (60) days before the date the Franchisee anticipates opening the Business. Franchisee will, however, be responsible for travel, accommodation and other costs for all its attendees.

In addition, each medical provider providing medical services must successfully attend and complete Provider Training, provided by us, or an approved supplier before engaging in providing medical services. Franchisee must attend and satisfactorily complete training before opening the Franchised Business and the medical providers must complete the Provider Training prior to providing services to patients. If Franchisee fails to timely complete the Initial Training Program to Franchisor's satisfaction, Franchisor may terminate this Agreement.

16.2 Additional Training. Franchisor may reasonably require Franchisee or Manager to receive or attend and complete to Franchisor's satisfaction additional or advanced training from time to time. Franchisee may be required to pay for such training for a training fee which is currently \$500 per person per day, subject to change as set forth in the Manual, from time to time. Franchisee must also pay travel, food, and accommodations and all other related expenses. Franchisor will attempt to use distance learning techniques where possible, to minimize these costs.

Depending on availability, Franchisor may provide additional training to Franchisee for Franchisee's Owners at Franchisee's request. Franchisee may be required to pay Franchisor the charges that Franchisor reasonably determines. Franchisee will be responsible for travel, room and board and other expenses of trainees.

Franchisor offers training resources to assist franchisees at their business location. Franchisee shall give Franchisor not less than thirty (30) days' notice of the dates and times when Franchisee is available for training. Training dates must be mutually agreed upon by Franchisee and Franchisor.

Franchisor shall also offer:

(a) additional training resources to the Franchisee to be determined by Franchisor, for the operation, advertising and promotion of the Franchised Business, including refresher training programs, seminars, workshops, annual conference and information available through the franchise website for the benefit of the Franchisee and the Franchisee's employees. Franchisor may charge a reasonable fee for additional training if deemed appropriate (distinct from Continuing Education) but not to exceed a pro-rated amount of the advanced/additional training fee. Any and all traveling, living and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending Franchisor's training shall be paid by Franchisee.

(b) an annual conference at such place as shall be designated by it for all Franchisees but initially will most likely be the Franchisor's headquarters. A registration fee for each participant may be required as set forth in the Manual, from time-to-time, but in any event no less than \$500 per person and our expenses and Franchisee will be responsible for costs associated with attending the conference such as travel, room and board. We reserve the right to increase the fee a reasonable amount based on reasonable criteria.

(c) Continuing Education sessions at locations designated by it but most likely at our headquarters. Continuing Education sessions may have a registration charge of \$300 per day per person, which is subject to change, in our discretion. The Franchisee is also responsible for costs associated with attending the meetings such as travel, room and board. The programs will normally not exceed one (1) day (up to five (5) days per year) and Franchisor expects to have quarterly programs subject to special need. The content will cover particular aspects of the franchise including but not limited to: new services, operational and customer service standards, software developments, administration and so forth. Franchisor reserves the right to increase the per day fee a reasonable amount based on reasonable criteria.

Franchisor will provide ongoing guidance in the operation of Franchisee's Franchised Business and provide assistance to resolve operational challenges Franchisee may encounter outside the scope of the Manual. This guidance can be furnished in whatever manner we consider appropriate in our Business Judgment, including electronically, free of charge, to answer questions from Franchisee and its staff (responses to be provided as promptly as possible during regular business hours in the Eastern Time zone). Guidance may also be furnished in writing, telephonically, through training programs and/or on-site consultations, web based computer training, among other methods. On-site consultations are subject to

additional training fees (as mentioned above) in addition to any and all traveling, living and/or other expenses incurred by the Franchisor and shall be paid by Franchisee.

All obligations of Franchisor under this Agreement shall benefit only the Franchisee, and no other party is entitled to rely on, enforce, benefit from or obtain relief for breach of such obligations, either directly or by subrogation.

16.3 Website. Franchisor will provide to Franchisee QC Kinetix® URL housed within the corporate website that may include interactive functionality and portals online for additional training, advertising, operational and support materials. Franchisee may customize parts of the website; however, the look is to remain consistent as specified in the Operations Manual. Franchisee agrees and acknowledges that maintenance and any changes, edits or updates to the website and/or any Website promotions over the Internet must be performed by Franchisor, its affiliates and/or approved vendors. Upon approval of Franchisee request, which must be submitted in writing, Franchisee is responsible for the cost of such changes. Franchisee may neither establish nor use any Website without Franchisor's prior written approval and if such approval is granted Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information on a website, regarding the Business as described in this Agreement. Such approval may be revoked at any time by Franchisor in its sole and absolute discretion. The Franchisor shall own all copyright and other intellectual property rights to the website, as well as the contents of the corporate website or any other website upon expiration or termination of this Agreement as described in this Agreement. This shall include ownership rights in all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including interactive rights and rights to derivative works.

16.4 Site Selection. The Franchisee has the responsibility for selecting a site for the Franchised Business. The Franchisor will review and approve or disapprove the location of the Franchised Business and will not unreasonably withhold its approval. Franchisor shall have the right, but not the obligation, to inspect the business location prior to opening.

The Franchisor does not represent that Franchisor has any special expertise in selecting sites by their approval. Franchisor approval of a site is not a representation or warranty that the Franchised Business will be profitable or that Franchisee's sales will attain any predetermined levels. Approval is intended only to indicate that the proposed site meets our minimum criteria for identifying sites. Franchisee agrees that Franchisor approval or disapproval of a proposed site does not impose any liability on Franchisor.

16.5 Layout and Design.

Franchisor will assist the Franchisee in the review of the layout and design of the Franchised Business prior to the Franchisee signing a lease or sublease. The costs of leasehold improvements, design, equipment, furniture, fixtures, computers, sound system, security system, signs, and décor for finishing out the Franchised Business are the responsibility of the Franchisee. The Franchisee is responsible for all lease negotiations.

Franchisor will make available, at no charge to Franchisee, and will advise Franchisee with regards to architectural plans, design plans and floor plans, and mandatory specifications for the construction and layout of the Franchised Business which includes the exterior and interior design and the design of each of the Franchised Businesses. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the ADA or similar rules governing public accommodations or commercial facilities for persons with disabilities). Franchisee must adhere to all local zoning ordinances, regulations, fire, health and building codes, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the business location, subject

to Franchisor's approval, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria.

Franchisee understands and acknowledges that Franchisor has the right to modify the architectural plans and specifications as Franchisor deems appropriate, periodically (however Franchisor will not modify the architectural plans and specifications for the Franchised Business developed pursuant to this Agreement once those architectural plans and specifications have been approved by Franchisor and given to Franchisee).

16.6 No Warranties Other than in Writing. With respect to any computers, software, products, supplies and/or services provided by us or our affiliates and/or any person/company referred/approved by us or our affiliates, other than specific written warranties expressly provided in connection with such items, such items are provided without any warranties, express or implied, the warranties of merchantability, quality of such items, accuracy of informational content, system integration and suitability for a particular purpose being expressly disclaimed. Franchisor makes no warranties regarding any open-source code contained in any software that the Franchisor provides to the Franchisee. Franchisor does not warrant that any such software shall be free of bugs, viruses, worms, or Trojan horses.

Franchisor is not liable for any guarantee or warranty that Franchisee or any Owners, managers, agents or employees make to a customer or third party. Franchisee will fully comply with any Franchisor customer service program. Franchisee will not misrepresent or omit or fail to state any warranty or guarantee if such program is implemented.

16.7 Operations Manual. Franchisor will continue its efforts to improve the methods of operations. Franchisor will lend Franchisee the confidential Operations Manual for the initial Franchisee training session and if Franchisee satisfactorily completes training, for the term of this Agreement. If the copy of the Operations Manual loaned to Franchisee is lost, stolen or destroyed before Franchisee returns it to Franchisor, Franchisee must replace such Manual at its own expense.

Franchisee shall at all times treat the Operations Manual and any of our written directives, any business plans and specifications, and any other manuals created for or approved for use in the operation of QC Kinetix® Franchised Business, and any supplements thereto, and the information contained therein, in trust and as Confidential Information, as well as the trade secrets of the Franchisor, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

The Operations Manual, written directives, other manuals and materials, and any other confidential communications provided or approved by us, shall at all times remain the sole property of Franchisor and shall at all times be kept and maintained in a secure place at the Franchised Business premises.

Franchisor may, from time to time, revise the contents of the Operations Manual and the contents of any other manuals and materials created or approved for use in the operation of the Franchised Business, and Franchisee expressly agrees that each new or changed standard shall be deemed effective upon receipt by Franchisee or as specified in such standard.

Any suggestions the Franchisee may have concerning the improvement of our national and/or of Franchisee website, facilities, Services, programs, service format, advertising, promotional and marketing material are encouraged and shall be considered by us when adopting or modifying the standards, specifications and procedures for the System.

16.8 Selecting Vendors.

Franchisor shall provide Franchisee with a list of approved vendors that may include or be limited to us or our affiliates for equipment, supplies, computers software, sound systems, security system, furnishings, fixtures, signage, membership billing services, merchant services, advertising, promotional and marketing materials and any other related equipment, product, supply or service necessary for the operation of the Franchised Business. Franchisee may submit in writing alternate vendors or suppliers to Franchisor for approval.

16.9 Availability of Equipment, Products and Supplies.

We will use commercially reasonable efforts to ensure that authorized vendors and suppliers, which may include or be limited to us and our affiliates, maintain a reasonable supply of equipment, supplies, computers, software, security system, furniture, fixtures, advertising, promotional and marketing materials for purchase by Franchisee. We require that the Franchisee purchase such items from us, our affiliates or approved vendors and/or suppliers. We will provide Franchisee with a list of written specifications for such items along with a list of our approved vendors and Franchisee is responsible for acquiring all such items as they are necessary for the operation of the Franchised Business. All items that are provided by us will be competitively priced, taking into account equivalent quality and other reasonable considerations.

Franchisor reserves the right to establish lower suggested retail prices on certain Services from time to time based on competition prevalent within the cell regeneration industry. Franchisor shall publish such requirements in the Operations Manual and such requirements may be amended from time to time by the Franchisor in the Franchisor's sole discretion.

Franchisor reserves the right to implement a centralized purchasing system for Franchisees and to negotiate prices and terms with vendors and suppliers and to receive rebates or other financial incentives from such purchases by Franchisees. Franchisor may utilize such rebated funds in any manner it chooses in Franchisor's sole discretion.

16.10 Advertising and Promotion. The Franchisor shall develop and provide creative materials that could be used for local and regional advertising and make such advertising and promotional materials available to its Franchisees for publication or distribution in the Franchisee's market area at Franchisee's own expense. The Franchisor will provide specific guidelines for advertising, marketing and promotions initiated by individual Franchisees and shall reserve the right to disapprove any advertising, marketing and promotions, which, in the Franchisor's opinion, is not in accordance with these guidelines. However, no such approval shall be unreasonably withheld or denied. Immediately upon notification to do so, Franchisee shall discontinue any advertising that would, in the Franchisor's opinion, be detrimental to any franchisee or any part of the System or the Franchise.

16.11 Suggested Pricing for Services. Franchisor will provide Franchisee with guidance and suggested pricing for Services offered by its Franchisees. Franchisee shall have the right to offer Services at any price Franchisee may determine, except that we reserve the right, to establish minimum and maximum pricing for any given Service nationwide to the extent allowed by federal and state laws. Suggested pricing for Services may vary from region to region to the extent necessary in order to reflect differences in costs and other factors applicable to such regions. If Franchisee elects to offer any Service at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such Services at the recommended prices will enhance Franchisee's sales or profits.

Franchisor will provide to Franchisee a sample set of forms including policies, waivers, customer agreements, standard brochures, promotional and marketing materials in addition to various operational forms

for use in the Franchised Business. Franchisor does not warrant the completeness, legality or enforceability of any agreements or forms. Franchisee must retain its own counsel to review and revise such agreements and forms to comply with applicable federal and state laws and regulations. At Franchisor's discretion, any and all forms used by Franchisee shall be subject to Franchisor's review and approval and Franchisor's decision of such approval will be provided within thirty (30) days after such forms are received by Franchisor.

Franchisor will continue to research and develop new Services, programs and software as Franchisor deems appropriate in its sole discretion. Franchisor may conduct market research and testing to determine consumer trends and salability of new Services and programs. If Franchisor chooses Franchisee, Franchisee will participate in a market research program to test marketing new Services and programs in the Franchised Business and provide us with timely reports and other relevant information regarding that market research. If Franchisee participates in any test marketing, Franchisee agrees to purchase, at Franchisee's expense, a reasonable quantity of Services being tested and to effectively promote and make a good faith effort to use and/or sell them.

Franchisee shall participate in and comply with all sales and promotional programs and/or product promotions disseminated by us periodically.

16.12 Business Planning Assistance. After Franchisee signs this Agreement, Franchisor may review and comment on any business plan and pro forma financial projections Franchisee prepares. Franchisor does not represent that Franchisor has any special expertise in reviewing or developing business plans. Franchisor's review and commentary of a business plan or financial pro forma is not a representation or warranty that the Franchisee's business will be profitable or that Franchisee's sales, volume, or revenues will attain any pre-determined levels. Franchisee acknowledges that it is solely responsible for preparing the entire business plan and its contents, and therefore no such business plan is an earnings claim or financial performance representation on the Franchisor's part. Franchisor's review and commentary is intended only to provide information sharing to Franchisee and Franchisee agrees that such review and commentary does not impose any liability on Franchisor.

17. VARYING STANDARDS

Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any Franchisee based upon the peculiarities of a particular Franchised Business or circumstance, physical characteristics, freeway access, business potential, density of population or trade area, existing business practices, or any other condition which Franchisor deems to be of importance to the successful operation of such Franchisee's business. Franchisee shall not have any right to object to a variation from standard specifications and practices granted to any other Franchisee and shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation, unless the laws of the Franchisee's state expressly require the Franchisor to grant such a similar variation.

Franchisee acknowledges that when we use the phrases "**sole and absolute discretion**," "**sole discretion**" and/or "**Business Judgment**," whether in this Agreement or another context, Franchisee and we agree that we have the wholly unrestricted right to make decisions and/or take (or refrain from taking) actions, except that we will not do so arbitrarily. We shall use our judgment in exercising such discretion based on our assessment of the interests we consider appropriate and will not be required to consider Franchisee's individual interests or the interests of any other franchisee(s). Franchisee, we and all other franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments and emerging business opportunities. Therefore, Franchisee and Franchisor agree that the ultimate decision-making

responsibility for the System must be vested in us. So long as we act in material compliance with the requirements of this Agreement, we will have no liability for the exercise of our discretion in accordance with the provisions of this Agreement.

18. **RELOCATION, ASSIGNMENT, TRANSFER, SALE OR REPURCHASE OF FRANCHISED BUSINESS**

18.1 Relocation. Any relocation of the Franchised Business: (a) shall be to a location within the Territory (unless waived by us), (b) requires our prior written consent, which we may grant, condition or withhold in our Business Judgment (and may be withheld, in any case, if you are not in good standing), (c) will be at your sole expense, (d) requires payment of the relocation fee, and (e) will require that you (and each Owner if an Entity) sign a general release.

18.2 Requirements for Transfer by Franchisee. Franchisee will not voluntarily or involuntarily transfer or encumber any interest in or ownership or control of Franchisee, the Franchised Business, its assets or this Agreement (however Franchisee is allowed to transfer up to twenty percent (20%) interest or ownership to a wholly owned entity as described below), except in the ordinary course, of the Franchised Business, or make any lease or sublease of any property Franchisee is leasing or subleasing in connection with the Franchised Business, without Franchisor's prior written consent. Any such attempted transfer of any interest without Franchisor's prior written consent will be a default under the terms of this Agreement and will be voidable by Franchisor. In granting any such consent, the Franchisor may impose reasonable conditions, including, without limitation, the following:

(a) Franchisee must be in full compliance with the terms of this Franchise Agreement, including being paid in full on all fees due and having settled all outstanding accounts with Franchisor, Franchisor's affiliates and all suppliers;

(b) The proposed transferee (and its Owners, managers, directors, and officers, if an Entity) must meet the then-applicable standards of Franchisor;

(c) The proposed transferee (and its Owners if an Entity, managers, directors, and officers, if an Entity) must not operate a franchise, license another or operate businesses offering products and services similar to those offered by QC Kinetix® Franchised Business without Franchisor's permission;

(d) Franchisor shall charge the following transfer fee: fifteen thousand (\$15,000) if transferred to an individual or entity that is new to the QC Kinetix® System, or seven thousand five hundred (\$7,500) if transferred to a current QC Kinetix® Franchisee approved by us;

(e) If the Franchisee is transferring ownership interests between existing Owners that have already been approved by us, or if Franchisee is adding a new Owner that does not change the majority ownership of the Franchisee if Franchisee is an Entity, Franchisor shall charge a transfer fee of \$1,500 for this transaction;

(f) Transferee must pay for and successfully complete the training programs then required of new Franchisees at a cost, which is currently \$500 per person per day and our expenses. The training cost may be increased in accordance with the Manual as it is updated from time-to-time;

(g) Franchisee shall have substantially complied with all of the terms and provisions of this Agreement, any amendment hereof or successor hereto, or any other agreements between the Franchisee and our subsidiaries or affiliates and, at the time of transfer, shall not be in default;

(h) Franchisee shall have executed a general release under seal, in a form satisfactory to us, of any and all claims against us and our officers, managers, members, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;

(i) The transferee (and, if the transferee is other than an individual, such principals and/or owners of a beneficial interest in the transferee as we may request) shall enter into a written assumption agreement, in a form satisfactory to us, assuming and agreeing to discharge all of Franchisee's obligations, known by transferee after reasonable inquiry, under this Agreement and/or any new franchise agreement, hereinafter provided;

(j) The transferee must meet Franchisor's subjective and objective standards, including all quality standards, experience, talent, skills, educational, managerial, business and financial capacity; has the aptitude and ability to operate QC Kinetix® Franchised Business; and has adequate financial resources and capital to operate the Franchised Business;

(k) The transferee (and, if the transferee is other than an individual, such principals and/or owners of a beneficial interest in the transferee as we may request) shall execute and agree to be bound by the then-current form of this Agreement, which form may contain provisions that materially alter the rights or obligations under this Agreement. Alternatively, we may in our sole discretion require the transferee to sign a standard form franchise agreement then being used by us, but for a term ending on the expiration date of this Agreement and with such renewal term, if any, as may be provided by this Agreement. In addition to the then-current franchise agreement being used by us, the transferee shall sign all other ancillary agreements as we may require for the Franchised Business, which agreements shall supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a higher Initial Franchise Fee, Royalty Fee, renewal rights and advertising contribution;

(l) The transferee, at its expense, shall upgrade the Franchised Business to conform to the then-current standards and specifications of the System and shall complete the upgrading and other requirements within the time specified by us;

(m) Franchisee shall remain liable for all of the obligations to us in connection with the Business incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;

(n) Franchisee must obtain and submit satisfactory evidence of transfer or consent of lenders, lessors and governmental authorities for all material permits, approvals and licenses;

(o) Franchisee may transfer up to twenty percent (20%) of its shares or other ownership interests (in a single transaction or a series of related or unrelated transactions, but in any event, Franchisee must at all times retain at least an eighty percent (80%) equity interest in its Entity) to any person or entity without violating this provision, provided that in connection with any such transfer the transferee executes the same Guarantee and other agreements which would be required upon execution of this Agreement by Franchisee, if such transferee has then been the owner of such percentage of Franchisee's shares or other ownership interests. Franchisee's transfer of an ownership interest without complying with the foregoing, or transfers of more than twenty percent (20%) ownership in the Franchisee's entity, in one or more transfers, without our prior written approval is a material breach of this Agreement;

(p) The transferee shall agree to a sublease or to a transfer and assignment, and assumption of the lease of the Franchised Business from the original Franchisee and shall obtain the landlord's approval if required prior to any transfer or sublease, if applicable;

(q) The transfer must be completed in compliance with the terms of any applicable leases and other agreements and with all applicable laws, including but not limited to licensing and operations-related laws and/or laws governing franchise sales;

(r) Franchisee agrees that we may (but are not required to) discuss with you and/or the proposed transferee any matters related to any transfer at any time which we consider to be appropriate in our Business Judgment without liability (including our opinion of the terms of sale, performance of the Franchise, etc.). Franchisee expressly consents to any such discussions by us and we may contact any proposed transferee directly regarding such matters or otherwise;

(s) Neither Franchisee nor any transferee shall rely on us to assist in the evaluation of the terms of any proposed transfer. Franchisee acknowledges and agrees that an approval of a proposed transfer shall not be deemed to an approval of the terms, nor any indication as to any likelihood of success or economic viability;

(t) Franchisee and its Owners and/or Principals will agree not to compete after the transfer in accordance with restrictions acceptable to us and substantially similar to those described in this Agreement; and

(u) Franchisee and its Owners and/or Principals will not directly or indirectly at any time or in any manner (except with respect to other QC Kinetix® Franchised Businesses that Franchisee or its Principals own and operate) identify itself or any business as a current or former QC Kinetix® Franchised Business or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of QC Kinetix® Franchised Business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggest or indicates a connection or association with us.

In addition, the Franchisee must submit copies of the draft Asset Purchase Agreement or Stock (Membership Unit) (Partnership Unit) Purchase Agreement, all draft promissory notes, and security agreements, with the transferee, regardless of whether they are Franchisee financed or lender financed. In addition to all other grounds for rejection, the Franchisor has the right to reject any proposed purchase of the assets of the Franchised Business or the stock, membership units, or partnership units of the Franchised Business on the grounds that the proposed Franchisee has in the sole opinion of the Franchisor taken on too much debt.

18.3 Transfer by Franchisor. Franchisor has an unrestricted right to transfer or assign its rights or obligations under this Agreement to any transferee or legal successor of Franchisor and will give Franchisee thirty (30) days' written notice of Franchisor's decision to exercise Franchisor's right.

18.4 Transfer Upon Death or Mental Incapacity. Upon the death or mental incapacity of any person with an interest in QC Kinetix® Franchised Business, the executor, administrator, or personal representative of that person must transfer such interest to a third party approved by Franchisor within six (6) months after death or mental incapacity. These transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos transfer. However, in the case of a transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions of this Agreement, the personal representative of the deceased Franchisee shall have a reasonable time to dispose of the deceased's interest in the Franchised Business, which disposition will be

subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement.

Upon the death of the Principal, or in the event of any temporary or permanent mental or physical disability of the Principal or an Owner, a manager shall be employed for the operation of the Franchised Business who has successfully completed Franchisor's training courses to operate the Franchised Business on behalf of the Franchisee. If after the death or disability of the Principal, the Franchised Business is not being managed by such trained manager, Franchisor is authorized to appoint a manager to maintain the operation of the Franchised Business until an approved transferee or manager will be able to assume the management and operation of the Franchised Business, but no such operation and management of the Franchised Business will continue for more than ninety (90) days without the approval of the personal representative of the Principal (renewable as necessary for up to one (1) year) and Franchisor will periodically discuss the status of the Business with the personal representative of the Principal; such manager shall be deemed an employee of the Franchisee. All funds from the operation of the Franchised Business during the period of management by such appointed or approved manager shall be kept in a separate fund and all expenses of the Franchised Business, including compensation of such manager, other costs and travel and living expenses of such appointed or approved manager (the "**Management Expenses**"), shall be charged to such fund. As compensation for the management services provided, in addition to any other fees due, Franchisor shall charge such fund the full amount of the direct expenses incurred by Franchisor during such period of management for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee, the Principal or personal representative of the Principal, the Entity or any person or entity having an interest therein for any debts, losses or obligations incurred by the Franchised Business, or to any creditor of Franchisee or the Principal during any period in which it is managed by a Franchisor-appointed or approved manager.

Within thirty (30) days after any transfer to Franchisee's heirs or successors or the heirs or successors of Franchisee's Owners, the heirs or successors must notify Franchisor in writing and make application for approval of such transfer. The application for such transfer is subject to the same conditions, procedures and costs as any other transfer, except that there will be no transfer fee.

18.5 Sale of Franchised Business / Franchisor's Right of First Refusal. If Franchisee (or its Owners) desire to sell QC Kinetix® Franchised Business, then within ten (10) days after receipt by Franchisee (or its heirs, estate, guardian, trustee or assigns) of a bona fide offer acceptable to Franchisee to buy the Franchised Business, Franchisee will notify Franchisor of the offer in writing, enclosing a signed copy of the offer. Franchisor or its assignee may then purchase (exercise its right of first refusal as described herein) and acquire the Franchised Business and Franchisee's rights under this Agreement at the price and on the same terms and conditions as offered to Franchisee. Franchisor may substitute cash for any other form of consideration contained in the offer and, at Franchisor's option, may pay the entire purchase price at closing. Franchisor may exercise this right to purchase in writing within thirty (30) days after receiving Franchisee's notice.

If Franchisor does not exercise its right to purchase within thirty (30) days, Franchisee may thereafter sell the Franchised Business to a third party, but not at a lower price or on more favorable terms than disclosed to Franchisor in writing. The sale is subject to Franchisor's prior written approval as specified in this Agreement. If Franchisee does not sell the Franchised Business to the proposed purchaser within ninety (90) days from the date it is offered to Franchisor, then Franchisee must again extend the first right of refusal to Franchisor before transfer to a third party.

To enable Franchisor to determine whether it will exercise its option, Franchisee or its Owners, shall provide such information and documentation, including financial statements, as Franchisor may require (as noted below). If Franchisor elects to purchase said interest, closing on such purchase must occur within ninety

(90) days from the date of notice to the seller of the election to purchase said interest by Franchisor. Failure of Franchisor to exercise the option afforded by this Section 18.5 shall not constitute a waiver of any other provision of this Agreement. Any later change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer.

We may, by delivering written notice to Franchisee or its Owners within thirty (30) days after we receive both an exact copy of the offer and the Preliminary Due Diligence Package (the date on which we have received the exact copy of the offer and the Preliminary Due Diligence Package is called the “**Trigger Date**”), notify Franchisee of our non-binding preliminary intent to purchase or not to purchase the interest proposed to be sold. The “**Preliminary Due Diligence Package**” is information and copies of documents (where applicable) that Franchisee supplies to Franchisor which consists of Franchisee’s QC Kinetix® financial statements (including monthly revenue information) for the preceding three (3) years, a copy of QC Kinetix® current lease or sublease, information about the number and compensation of employees working at QC Kinetix® Business, customer records and the Franchisee’s merchant account printouts for the past three (3) years, the Franchisee’s bank deposits for the past three (3) years, and a description of competing businesses offering similar Services operating within the Territory. If we notify Franchisee within thirty (30) days after the Trigger Date (the “**First Notice Deadline**”) that we are preliminarily interested in exercising our right of first refusal, we will have an additional thirty (30) days after the First Notice Deadline both to conduct our due diligence and then to notify you of either our binding intent to exercise our right of first refusal or our decision not to exercise this right. This additional period is called the “**Due Diligence Deadline**.” If we elect to purchase the interest proposed to be sold for the price and on the terms and conditions contained in the offer:

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

(b) Our credit will be deemed equal to the credit of any proposed buyer, meaning that, if the proposed consideration includes promissory notes, we may provide promissory notes with the same terms as those offered by the proposed buyer, except as to subordination. Regarding subordination, you acknowledge and agree that our obligations under the promissory notes then outstanding to any and all lenders, although senior to the equity rights of our owners will also be senior to the promissory notes given to you;

(c) We will have an additional thirty (30) days after the Due Diligence Deadline to close; and

(d) Franchisor must receive, and Franchisee agrees to provide, all customary representations and warranties given a seller of assets of a similar business or the ownership interests in a similar legal entity, as applicable, including, without limitation, representations and warranties regarding:

- (1) Ownership and condition of and title to ownership interests;
- (2) Liens and encumbrances relating to ownership interests and/or assets;
- (3) Validity of contracts and the liabilities, contingent or otherwise, of the entity whose ownership interests are being purchased;
- (4) All products, supplies, computers, software and vehicles (if applicable) are in good working condition and suitable for use;

(5) No litigation or administrative proceedings pending against the Franchisee, or any of its officers, directors, or Owners arising out of the Franchisee's business;

(6) There are no notices from any federal, state, or local governmental authority to make any changes to the Franchised Business or that negatively affect it;

(7) The Franchisee has the authority to sell the assets of its business, including a copy of all director and/or Owner resolutions;

(8) The Franchisee will comply with the Bulk Sales Act, if it is required under the laws of the Franchisee's state;

(9) There will be no material adverse change in the operation of the Franchisee's business between the date of signature of any purchase agreement, and the date of settlement;

(10) There are no tax or employee claims or issues; and

(11) The Franchisee will not enter into any transaction between the date of signature and the date of settlement other than in the ordinary course of business.

If Franchisee does not complete the sale to the proposed buyer within ninety (90) days after Franchisor notifies Franchisee that Franchisor does not intend to exercise its right of first refusal (whether or not the First Notice Deadline or the Due Diligence Deadline has expired), or if there is a material change in the terms of the sale (which Franchisee must communicate promptly to Franchisor), Franchisor will have an additional right to accept the sale during the thirty (30) day period following either the expiration of that ninety (90) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at Franchisor's option. If Franchisee does not complete the sale to the proposed buyer within an additional ninety (90) days, then any proposed sale or transfer thereafter once again must comply with all of the provisions of this Agreement as though there had not previously been a proposed sale or transfer.

In addition to its other obligations, such as obtaining the prior written approval of Franchisor, if Franchisee sells or offers to sell ownership interests, the sale of which is regulated by any applicable law, Franchisee must: (i) fully comply with all applicable laws, (ii) disclose to offerees and purchasers that neither Franchisor nor its employees, affiliates or agents are an issuer or underwriter, or are in any way liable or responsible for the offering, (iii) ensure that Franchisor has a reasonable time to review any reference to Franchisor or its franchisees in any prospectus or offering documents before their distribution or use, (iv) pay Franchisor actual legal costs incurred for its review, (v) indemnify Franchisor, its officers, owners, directors, employees, affiliates, and agents from any liability, cost, damage, claim, and expense and from any and all obligations to any person, entity or governmental agencies arising out of or relating to the offer, sale or continuing investment, (vi) sign such further indemnities and provide such further assurances as Franchisor may reasonably require and (vii) disclose the Franchisor's ownership rights to all trademarks, service marks, trade names, logos, trade secrets, copyrights, and patents.

If any provision of this Agreement is inconsistent with a valid applicable law, the provision will be deemed amended to conform to the minimum standards required. Franchisor and Franchisee may execute an addendum setting forth certain of these amendments applicable in certain jurisdictions, so long as and to the extent that, then applicable laws referred to in the addenda remain in effect.

18.6 Resale Assistance of Franchised Business. Franchisee may, at any time, request Franchisor's assistance in locating a buyer for the Franchised Business. Franchisor may, at Franchisor's

option, provide such assistance in accordance with the policies and procedures as set forth in the Operations Manual. Franchisor reserves the right to charge Franchisee a fee (“**Resale Fee**”) to cover Franchisor’s reasonable costs and expenses (including the time committed by Franchisor’s employees) incurred in providing such assistance. If Franchisor elects to assist Franchisee in finding a buyer for the Franchised Business in any way, Franchisor makes no promises or commitments to Franchisee that a buyer will be located or that anyone will be willing to purchase the Franchised Business at a price acceptable to Franchisee. Franchisor reserves the right to reject any proposed sale based on Franchisor’s determination, in Franchisor’s sole discretion, that the purchase price or purchase terms agreed to between Franchisee and any prospective buyer is excessive or will not enable the buyer to succeed as a franchisee in the System, and by requesting Franchisor’s assistance Franchisee waives any liability claims it may have against Franchisor for such rejection.

19. **TERMINATION OF FRANCHISE**

19.1 **Impact of Statutes Upon Franchise Agreement.** Some state laws provide certain rights to franchisees located in a particular state, including: (1) limitations on Franchisor’s ability to terminate a franchise except for good cause; (2) restrictions on Franchisor’s ability to deny renewal of a franchise; (3) circumstances under which Franchisor may be required to purchase certain inventory of franchisees when a franchise is terminated or not renewed in violation of the statute; and (4) provisions relating to arbitration. To the extent that the provisions of this Franchise Agreement are inconsistent with the terms of such state laws, the terms of the applicable state laws may control in those states.

Termination or modification of a lease or contract upon the bankruptcy of one of the parties may be unenforceable under the Bankruptcy Act of 1978, Title II, U.S. Code, as amended.

19.2 **Termination by Franchisor.** Franchisor may terminate the franchise prior to expiration of its Term or extended term as follows, and any such premature termination shall be deemed "With Cause":

a. **Without Right to Cure:** Franchisor may terminate the franchise and all rights granted to Franchisee thereunder without affording Franchisee any opportunity to cure the breach/default and effective immediately upon Franchisor notifying Franchisee in writing thereof, if Franchisee or any of its Owners does any of the following:

(1) Fails to pay any required sums contemplated by this Agreement or any other agreement between Franchisee and Franchisor and/or their respective affiliates.

(2) Fails to pay a designated/approved vendor, who provides products or services to the Franchise System, and/or their respective affiliates. Franchisor is entitled to direct an unpaid designated/approved vendor to cease providing products and services to Franchisee, to protect the System.

(3) Fails to continuously employ a fully trained employee Manager (as defined in Section 1.6 of this Agreement) who has successfully passed initial, and all ongoing training offered by Franchisor and who is present during operational hours, at least 50% of the time.

(4) Fails to comply with and/or breaches this Agreement three (3) or more times within any period of twelve (12) consecutive months;

(5) Fails to agree on a Territory (if a Territory was not agreed upon before signing this Agreement), fails to secure a lease and/or fails to open QC Kinetix® Franchised Business within the time limits as provided in this Agreement above;

(6) Fails to attend and satisfactorily complete the Initial Training Program within fifteen (15) days prior to the date Franchisee anticipates opening the Business;

(7) Fails to use medical providers who have not first completed Provider Training.

(8) Attends the Initial Training Program and Franchisor determines, in its sole discretion, that the Franchisee, or its Manager, has failed the Initial Training Program and is deemed not qualified to manage QC Kinetix® Franchised Business;

(9) Abandons, surrenders, or transfers control of the operation of the Franchised Business to a third party without our permission or fails to continuously and actively operate the Franchised Business for three (3) consecutive, regularly conducted clinic days unless precluded from doing so by damage to the premises of the Franchised Business or other Force Majeure, as defined in this Agreement, or, Franchisor's written permission, or other events beyond Franchisee's reasonable control;

(10) Fails or refuses, on more than three (3) occasions during the Term of this Agreement, to submit when due any financial statement, tax return or schedule or to pay when due Royalty Fees, or any other payments due Franchisor or its affiliate;

(11) Operates the Franchised Business in a manner that presents a safety, health or environmental hazard to customers, violates any federal, state, or local law, rule, regulation or ordinance (which includes failure to hire, qualify and train employees as per our guidelines and standards as specified in the Operations Manual);

(12) Is unable to provide Services associated with the System, or if any business or professional license required by law is suspended or revoked, or otherwise not maintained continuously and actively in full force and effect, and in good standing;

(13) Fails, for a period of fifteen (15) days (or such lesser period as required by applicable law) after notification of violation or non-compliance by us or any appropriate authority, to comply with any federal, state or local law, ordinance or regulation applicable to the operation of QC Kinetix® Franchised Business;

(14) Violates any environmental, health, safety or sanitation law, ordinance or regulation, or operates the Franchised Business (including operating any vehicles) in an unsafe manner; and does not begin to cure the violation immediately and to correct the violation within seventy-two (72) hours after Franchisee receives notice from us or another party unless shorter period for cure provided in this Agreement;

(15) Makes a material misrepresentation or omission on the application for the franchise;

(16) Transfers, assigns or sub-franchises this Agreement without having the prior written consent of Franchisor, as set forth herein;

(17) Discloses or divulges, to any unauthorized person, the contents of the Operations Manual, training materials or any other Confidential Information provided to Franchisee by Franchisor;

(18) Fails to: adhere to Franchisor's approved designers and types of Services that Franchisee is authorized to sell; merchandise all Services according to Franchisor's standards and specifications or adhere to any additions, modifications or changes to such standards and specifications;

(19) Fails to comply with modifications to System standards as required by us within a 120-day period from the time of written notice of such modification by Franchisor;

(20) Fails to purchase, maintain, service, repair and comply with any changes to Franchisor's computer, and software requirements as described in this Agreement;

(21) Engages in any other activity, which has a material adverse effect on Franchisor or the Marks;

(22) Makes or allows any unauthorized use or copy of our Confidential Information, and/or Software (if developed) or seeks to challenge our ownership rights in the System, including our Confidential Information, and/or Software;

(23) Engages in any activity to translate, reverse engineer, reverse compile, disassemble or create derivative works based on our Confidential Information, and/or Software (if developed);

(24) Manufactures or produces any product that is similar to, or competes with any of our Services, or third-party products offered or used in the Franchised Business without the advanced written consent of the Franchisor;

(25) Engages in activity to provide, act as an exclusive provider of or secure exclusive rights to provide any Services without our written consent;

(26) Engages in activity to sublicense, rent, lease, sell, distribute or otherwise transfer our Confidential Information and/or Software or any portion thereof, or any rights therein, to any person or entity;

(27) Exhibits a reckless disregard for the physical or mental well-being of employees, customers, Franchisor or its representatives, or the public at large, including battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse or other forms of threatening or unacceptable behavior as determined in our sole and absolute discretion;

(28) Fails to procure and maintain all required insurance coverage (including any lapses, alterations, or cancellations to the insurance policies) as required in this Agreement;

(29) Fails or refuses to: (i) cease using and/or remove any items from the Franchised Business deemed to constitute a violation of this Agreement by Franchisor; (ii) sell or offer Services according to Franchisor's standards and specifications; and/or (iii) purchase supplies, software, advertising and marketing materials from Franchisor, its affiliates or approved vendors and suppliers;

(30) Engages in Target Marketing to solicit and obtain customers by any type of advertising or marketing outside Franchisee's assigned Territory; or following Franchisee's receipt of written notice from Franchisor, Franchisee fails to cease soliciting to customers located outside Franchisee's Territory;

(31) Uses the Marks or any part thereof in any form on the Internet, including but not limited to, addresses, domain names, URLs, websites, links, metatags, locators, search techniques and co-branding arrangements without Franchisor's prior written consent;

(32) Is convicted of a felony or has pleaded nolo contendere to a felony, is arrested or convicted on charges relating in any way to the possession or use of illegal drugs, controlled substances or steroids or is charged and convicted of a crime of moral turpitude;

(33) Engages in unfair business practices or unethical conduct;

(34) Fails to discharge within a reasonable time, any valid lien placed against the property of the Franchised Business;

(35) Makes an assignment for the benefit of creditors or an admission of the Franchisee's inability to pay its obligations as they become due;

(36) Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, disposition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against Franchisee, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Franchisee or the Franchised Business, or the claims of creditors of Franchisee or the Franchised Business are abated or subject to a moratorium under any laws;

(37) If 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;

(38) If a receiver or other custodian (permanent or temporary) of the Franchised Business, Franchisee, or Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction or by private instrument or otherwise;

(39) If proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee;

(40) If a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedes bond is filed); or if Franchisee is dissolved or extinguished;

(41) If execution is levied against Franchisee's Franchised Business or property or against any ownership interest in Franchisee;

(42) If any real or personal property of Franchisee's Franchised Business shall be sold after levy by any sheriff, marshal, or constable;

(43) If Franchisee maintains false books or records, or submits any false reports to Franchisor;

(44) If any inspection of Franchisee's records discloses an under-statement of payments due to Franchisor of two percent (2%) or more, two (2) or more times in any two (2) year period;

(45) If Franchisee is charged an insufficient funds fee on three (3) or more occasions within any twelve (12) month period;

(46) If Franchisee's business has six (6) or more material customer complaints reported to a governmental entity or other public forum (material complaints are determined in Franchisor's sole and absolute discretion) with respect to the Business in any twelve (12) month period;

(47) Franchisee's failure to pay the unattendance fee for missing a national convention/conference or missing two consecutive annual conference/convention;

(48) Franchisee grants a pledge or security interest in the Franchise Agreement;

(49) Franchisee does not spend the minimum required amount for Local Advertising, for any monthly period;

(50) Franchisee fails to retain a doctor to supervise the medical providers; or,

(51) Franchisee uses any type of call center or scheduling methodology other than that provided through the Franchisor.

b. With Right to Cure: Other than for a material breach/default set forth above in section 19.2.a, Franchisor may immediately terminate the franchise if, after giving Franchisee written notice of any other material breach/default, Franchisee fails within thirty (30) days, or such longer period as applicable law may require, to cure the breach/default to Franchisor's satisfaction as evidenced by Franchisor's written notice of satisfactory cure. *Provided, however*, that (i) Franchisor may require that any breach/default relating to any violation of health or safety laws must be cured within seventy-two (72) hours of notice or such shorter period prescribed by law, (ii) any breach/default for failure to pay any monetary amount must be cured within five (5) days of written notice, and (iii) no opportunity to cure need be given to Franchisee if Franchisor, in its sole discretion, determines that the breach/default cannot be cured or that Franchisee likely will not cure the breach/default within the thirty-day period.

19.3 Termination by Franchisee. Franchisee may not terminate the franchise prior to expiration of its Term or extended term unless permitted under applicable law, and any such premature termination shall be deemed "Without Cause".

20. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

20.1 Franchisee Shall Cease Using Marks. Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any Confidential Information, methods, trade secrets, procedures, descriptions of Services associated with Franchisor and the Marks and any proprietary marks and distinctive forms, slogans, symbols, signs, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signage (including on vehicles if applicable), advertising materials, stationery, forms and any other articles, which display the Marks. Franchisee shall make or cause to be made, at its expense, changes directed by us in signage, building and structures so as to effectively distinguish the surviving business entity, if any, from its former appearance as QC Kinetix® Franchised Business, and from other existing QC Kinetix® stores. Franchisee shall comply with the covenant not to compete and the agreement to maintain the confidentiality of proprietary information, as well as return all information that is considered to be Confidential Information under the terms and conditions of this Agreement back to the Franchisor.

20.2 Franchisee Shall Cease Operating Business. Franchisee shall immediately cease to operate QC Kinetix® Franchised Business under this Agreement after all previously scheduled care, which has been paid for in advance, has been delivered to clients. Thereafter, Franchisee shall not directly or indirectly, represent itself to the public or hold itself out as a present or former Franchisee of Franchisor.

20.3 Franchisee May Not Adopt Confusingly Similar Marks. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor or a former association or connection with Franchisor.

20.4 Franchisee Shall Cancel Assumed Names and Transfer Phone Numbers. Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee shall take all action necessary to cancel all assumed names or equivalent registrations relating to its use of any or all of the Marks. Franchisee shall take all actions necessary to transfer all phone numbers, addresses, domain names, listings and location contacts for the Franchised Business to Franchisor or its designee, including but not limited to authorizing all telephone, Internet, email, electronic network, directory and listing entities to effectuate the same.

20.5 Franchisee Shall Transfer or Terminate Domain Name and Websites. Upon termination or expiration of this Agreement, Franchisee agrees that Franchisor will have the absolute right to notify InterNIC, ICANN and all other Internet authorities of the termination or expiration of Franchisee's right to use all domain names, websites and other search engines for the Franchised Business and to authorize the above and other search engines to transfer to us or our designee all domain names, websites and search engines associated with the Franchised Business. Franchisee acknowledges and agrees that we have the absolute right to, and interest in, all domain names, websites and search engines related to the Franchised Business and that we have the full right and authority to direct the above Internet authorities and all search engines to transfer Franchisee's domain names, websites and search engines to us or our designee if this Agreement expires or is terminated for any reason. Franchisee further acknowledges that this Agreement will constitute a release by Franchisee of the above Internet authorities from any and all claims, liabilities, actions and damages that you may, at any time, have the right to allege against them in connection with this provision.

20.6 Franchisee Must Return Operations Manual and Other Materials. Franchisee further agrees that upon termination or expiration of this Agreement, it will immediately return to Franchisor all copies of the Operations Manual, training materials and any other materials, which have been loaned to Franchisee by Franchisor. Franchisee further agrees to turn over to Franchisor all items containing any of the Marks, and all customer lists and contracts for the Franchised Business.

20.7 Franchisor May Purchase Assets. Franchisor shall have the right of first refusal to purchase or assume Franchisee's interest in the Franchised Business or in its assets on the same terms as those contained in a bona fide offer from a third party. "Assets" means leasehold improvements, computers, furnishings, fixtures, equipment, signage, products, inventory (such as non-perishable products, materials, and supplies in addition to all advertising and marketing materials), vehicles (if applicable) and the lease or sublease for the Franchised Business. This right is governed by time limits and procedures described in this Agreement with respect to Franchisor's right of refusal in the event of an assignment. If Franchisor exercises its right of first refusal, Franchisee must transfer Franchisee's interest in the Franchised Business and in the Assets.

If Franchisee is selling its Assets, Franchisor shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase any or all Assets and items bearing Franchisor's Marks, at fair market value (less the amount of any outstanding liens or encumbrances). The cost shall be determined based upon a five (5) year straight-line- depreciation of Franchisee's original costs. For any Asset that is five (5) or more years old, the parties agree that fair market

value shall be deemed to be ten percent (10%) of the Asset's original cost; and for any items that display the Marks, the fair market value is agreed to be zero. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

20.8. Franchisee Must Pay Monies Owed to Franchisor. Franchisee shall pay to Franchisor or its affiliates, within fifteen (15) days after the effective date of termination or expiration of this Agreement, such Royalty Fees, Brand Development Fund contributions, Call Center Fees, other advertising fees, payments or any other sums owed to Franchisor or its affiliates by Franchisee, which are then unpaid. In addition, the Franchisee must pay Franchisor the minimum royalty, Call Center Fees and the Fees for technology related goods and services, through the contractual expiration date of the Franchise Agreement, notwithstanding the earlier termination of this Agreement. This payment compensates Franchisor for the minimum expectation of its bargain and the opportunity cost of eliminating all other potential franchisees from operating in the Territory. This amount shall be paid in a lump sum to Franchisor on the termination date. Any unpaid amounts shall bear interest at the highest rate permitted by law, in the state in which the Franchised Business is located. Franchisee agrees that such payment is not a penalty but rather liquidated damages due to the impossibility of determining actual damages, and that liquidated damages represent a fair, reasonable and appropriate estimate thereof. Franchisee shall pay to Franchisor or its affiliates all damages, costs, and expenses, including reasonable attorney's fees, incurred by Franchisor in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

Except as otherwise provided in this Agreement, Franchisee shall retain whatever interest it may have in the Assets of the Franchised Business.

21. ENFORCEMENT

21.1 Franchisee May Not Withhold Payments Due Franchisor. Franchisee agrees that Franchisee will not withhold payments of any Royalty Fees, Brand Development Fees or any other amounts of money owed to Franchisor for any reason, on grounds of alleged nonperformance by Franchisor of any obligation. All such claims by Franchisee shall, if not otherwise resolved by Franchisor and Franchisee, be submitted to mediation and/or arbitration as provided in this Agreement. The Franchisee has no right of offset, or set off to any amounts due and owing to the Franchisor.

21.2 Severability and Substitution of Valid Provisions. All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder, or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements.

21.3 Mediation. Before either party may initiate any action regarding any dispute, claim or controversy arising out of or relating to this Agreement, or the breach, termination, enforcement, interpretation or validity thereof, or any dispute, claim or controversy arising out of or relating to any non-exclusive right or remedy a party believes it has, the parties must first attempt to resolve the dispute through mediation conducted in accordance with the Commercial Mediation Procedures of the American Arbitration Association, or such other rules as the parties may mutually agree. Mediation shall be conducted in the state and county in where QC Kinetix has its headquarters at the time of the mediation (currently, Mecklenburg, North Carolina), and shall be conducted and completed within ninety (90) days following the date either party first gives notice of mediation unless otherwise agreed in writing by the parties. The parties will share equally the fees and costs of the mediator. The mediator shall be disqualified as a witness, expert or counsel for either party with respect to the dispute and any related matter. Mediation is a compromise negotiation and shall

constitute privileged communications under North Carolina and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. If a party fails to reasonably cooperate in scheduling and completing a mediation within ninety (90) days after giving or receiving notice thereof, such party shall be precluded from and not entitled to recover costs, expenses, and/or prevailing attorneys' fees in any subsequent legal proceeding. Despite the parties' agreement to mediate, the parties each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that the parties must contemporaneously submit the dispute, controversy or claim for mediation as provided in this Section. Mediation shall be held at the same venue as for arbitration as described in Section 21.4.

21.4 Arbitration. Except as Franchisor elects to enforce this Agreement by judicial process, injunction, or specific performance (as provided below), all disputes and claims relating to any provision hereof, any specification, standard or operating procedure, or any other obligation of Franchisee prescribed by Franchisor, or any obligation of Franchisor, or the breach thereof (including, without limitation, any specification, standard or operating procedure or any other obligation of Franchisee or Franchisor, which is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by mandatory binding arbitration which shall be held in the County where the Franchisor headquarters are then located, which is currently Mecklenburg County, North Carolina. Arbitration must be in accordance with the then current Commercial Rules of the American Arbitration Association ("AAA") and, where applicable, the provision of the Federal Arbitration Act, i.e. 9 USC §1, et al; and provided that at the option of the Franchisor or the Franchisee that the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association which could include an attorney with twenty (20) years or more franchise experience. The actual selection of the arbitrator from the list will be in accordance with the procedures for selecting an arbitrator under the Commercial Rules of the AAA. The parties agree that, in connection with any such arbitration proceeding, each 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. The parties further agree that arbitration will be conducted on an individual and not a class-wide or multiple plaintiff basis.

The party discovering an arbitrable claim will have one (1) year from the date of discovery but not to exceed two (2) years from the date the claim occurred, in which to settle the claim or to commence arbitration on it. Otherwise, the claim or demand will be deemed abandoned and shall be barred. The arbitrator shall allow discovery in accordance with the North Carolina Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Unless specifically provided for by applicable statute, no punitive or exemplary damages shall be awarded against the Franchisor, or entities related to it, in an arbitration proceeding or otherwise, and are hereby waived. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of the Franchisor or Franchisee. During the pendency of any arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement. Arbitration fees shall be shared equally, and the prevailing party shall be entitled to their attorney fees, provided should there be no prevailing party each party shall pay their own attorney fees.

This arbitration provision shall not apply to any of the following disputes or controversies: any action for injunctive or other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Franchisor and/or to protect the Marks or any claim or dispute involving or

contesting the validity of any of the Marks, or any claim or dispute involving any of the Confidential Information, trade secrets, or copyrights provided by the Franchisor to the Franchisee under this Agreement.

21.5 Rights of Parties are Cumulative. The rights of Franchisor and Franchisee are cumulative, and the exercise or enforcement by Franchisor or Franchisee of any right or remedy shall not preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled by law to enforce by the provisions of this Agreement or of the Operations Manual.

21.6 Judicial Enforcement, Injunction and Specific Performance. Franchisor shall have the right to enforce by judicial process its right to terminate this Agreement for the causes enumerated in of this Agreement, to collect any amounts owed to Franchisor for any unpaid Royalty Fees, Brand Development Fees, or other unpaid fees or charges due hereunder, arising out of the business conducted by Franchisee pursuant hereto, and to pursue any rights it may have under any leases, subleases, sales, purchases, or security agreements or other agreements with Franchisee. Franchisor shall be entitled, without bond, to the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement. If Franchisor secures any such injunction or orders of specific performance, Franchisee agrees to pay to Franchisor an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation, court costs, and other litigation expenses, travel and living expenses, and any damages incurred by Franchisor as a result of the breach of any provision of this Agreement.

21.7 North Carolina Law Applies. Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 *et seq.*) or the U.S. Arbitration Act, this Agreement shall be governed by the laws of the State of North Carolina, and venue for arbitration or litigation shall lie in the County where the Franchisor's headquarters are then located, which is presently Mecklenburg County, North Carolina, or in the applicable United States District Court which has jurisdiction for the then existing location of the Franchisor's headquarters.

21.8 Attorney Fees. In the event that either party incurs any expenses (including but not limited to reasonable attorneys' fees and reasonable expert witness fees) in enforcing the provisions of this Agreement by arbitration or legal action, the prevailing party shall be entitled to recover such expenses directly from the other.

21.9 Binding Effect. This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

21.10 There are no Unwritten Agreements; Operations Manual(s) are Subject to Change. This instrument contains the entire Agreement between the parties relating to the rights herein granted and the obligations herein assumed. However, the Franchisee does not waive reliance upon any warranties or representations made to it by the Franchisor in the Franchise Disclosure Document or the Franchise Agreement. Any oral representations or modifications concerning this Agreement shall be of no force or effect unless a subsequent modification in writing is signed by the parties hereto. The Operations Manual may be amended at any time by Franchisor, and Franchisee shall adapt its methods or procedures to comply with the requirements thereof.

21.11 Entire Agreement/Integration. This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. Except for those acts permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and

executed by their authorized officers or agents in writing. The Operations Manual may be amended at any time by Franchisor, and Franchisee shall adapt its methods or procedures to comply with the requirements thereof.

21.12 Force Majeure. If Franchisor shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, pandemics, or other causes beyond our reasonable control through no fault of our own, then performance of such act shall be excused for the period of the delay.

22. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

23. FURTHER REPRESENTATIONS AND WARRANTIES BY THE FRANCHISEE

Franchisee acknowledges and warrants that it has received a complete and final copy of this Agreement, Franchise Disclosure Document and applicable exhibits, in a timely fashion as required; and that before signing this Agreement, Franchisee was given ample opportunity to review and examine Franchisor's Disclosure Document and was furnished with copies of the documents. **NO ORAL, WRITTEN OR VISUAL CLAIM OR STATEMENT THAT CONTRADICTS THE FRANCHISE DISCLOSURE DOCUMENT WAS MADE.**

FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE AND ALL OF ITS OWNERS, HAVE BEEN ADVISED TO HAVE THIS AGREEMENT AND ALL OTHER DOCUMENTS REVIEWED BY AN ATTORNEY AND THAT FRANCHISEE AND ITS OWNERS HAVE READ, UNDERSTOOD, HAD AN OPPORTUNITY TO DISCUSS AND AGREED TO EACH PROVISION OF THIS AGREEMENT. THE FRANCHISEE AND ITS OWNERS AGREE THAT THERE HAS BEEN NO PRESSURE OR COMPULSION BY FRANCHISOR OR ITS AGENTS TO SIGN THIS AGREEMENT.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE AND ITS OWNERS IS SPECULATIVE AND WILL BE DEPENDENT ON PERSONAL EFFORTS AND SUCCESS IS NOT GUARANTEED. FRANCHISEE AND ITS OWNERS ACKNOWLEDGE AND REPRESENT THAT IT HAS ENTERED INTO THIS AGREEMENT AND MADE AN INVESTMENT ONLY AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE OPPORTUNITY, INCLUDING HAVING RECEIVED A LIST WITH THE FRANCHISE DISCLOSURE DOCUMENT OF OTHER CURRENTLY AND PREVIOUSLY OPERATED QC KINETIX® FRANCHISES.

24. **COUNTERPARTS**

This Agreement and any amendments or supplements hereto may be executed in two or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument. Electronic forms of execution are approved. This Agreement shall become effective upon the execution of a counterpart hereof by both of the parties hereto.

25. **TIME IS OF THE ESSENCE**

Time is of the essence. The parties to this Agreement hereby agree that time is of the essence with respect to each of their respective duties and obligations under this Agreement.

26. **APPROVALS AND WAIVERS**

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefore, and such approval or consent shall be obtained in writing.

Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request thereof.

No failure of Franchisor to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. Waiver by Franchisor of any particular default or breach by Franchisee shall not affect or impair Franchisor's rights with respect to any later default or breach of the same, similar or different nature, nor shall any delay, forbearance, or omission, breach or default by Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

27. **AUTHORITY**

Franchisee or, if Franchisee is a corporation, limited liability company or partnership, the individuals executing this Agreement on behalf of such corporation, limited liability company or partnership, warrant to Franchisor, both individually and in their capacities as Owners, partners, members, shareholders, directors and officers, that all of them as the case may be, have read and approved this Agreement, including the restrictions which this Agreement places upon their right to transfer their respective interests in such entity as set forth in Section 18 of this Agreement.

{The signatures appear on the following page}

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Franchise Agreement in duplicate on this date_____.

FRANCHISOR:

QC Franchise Group LLC

Address for Notices:

Signed: _____

QC Franchise Group LLC,
227 W. Trade Street
Suite 2160
Charlotte, NC 28202
Phone: 800-269-1421
Attn: Mark Montini

Name: _____

Title: _____

Dated: _____

FRANCHISEE:

Address for Notices:

Signed: _____

Name: _____

Date: _____

Telephone:

Signed: _____

Fax:

Name: _____

Attn:

Date: _____

Signed: _____

Name: _____

Dated: _____



SCHEDULE 1
QC FRANCHISE GROUP LLC
FRANCHISE AGREEMENT: INDIVIDUAL GUARANTY

This Guaranty is a Schedule to the Franchise Agreement between QC Franchise Group LLC (“**Franchisor**”) and _____ (“**Franchisee**”) dated _____.

1. The undersigned agree, individually and on behalf of his or her marital community, to personally and unconditionally guarantee the performance of Franchisee under the Franchise Agreement entered into between the Franchisor and Franchisee (the “**Agreement**”) and to perform all obligations under this Agreement on default by Franchisee. The undersigned further agree to pay any judgment or award against Franchisee obtained by Franchisor. Guarantors are also bound by covenants of the Agreement that by their nature or terms survive the expiration or termination of the Agreement, including but not limited to non-competition, indemnity and non-disclosure provisions.
2. Guarantors have consulted legal counsel of their own choosing as to their responsibilities and liabilities under this Guaranty.
3. Each Guarantor waives:
 - (a) Acceptance by Franchisor;
 - (b) Notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed;
 - (c) Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed, except as may be required by the Agreement; and
 - (d) Any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability.
4. Guarantors further hereby consent and agree that:
 - (a) Each will individually comply with the provisions and all subsections of the Agreements and associated documents;
 - (b) Each will render any payment or performance required under this Guaranty on demand, if Franchisee fails or refuses punctually to do so;

- (c) Each Guarantor's liability under this undertaking shall be direct, immediate, joint and several with each other Guarantor, and independent of the liability of Franchisee, other guarantors, and the other owners of the Franchisee, and such liability is not affected by any extension of time, acceptance or part performance, release of claims, or other compromise that Franchisor may grant;
 - (d) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by an abandonment of the 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 shall be impaired, modified, changed, released or limited in any manner whatsoever by impairment, modification, change, release or limitation of the liability of the Franchisee or its estate in bankruptcy or 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;
 - (e) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee or any other persons. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and
 - (f) Guarantor agrees to pay all reasonable attorneys' fees and costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in the enforcing this undertaking against Guarantor.
5. Guarantor agrees to be personally bound by the arbitration obligations under Section 21.4 of the Agreement, including without limitation, the obligation to submit to binding arbitration the claims described in Section 21.4 of the Agreement in accordance with its terms.

{Signature appears on following page}

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

Dated on _____.

(Set forth the name, address and percentage ownership of each owner of Franchisee, their spouse and their percentage ownership, if applicable):

NAME	ADDRESS	PERCENTAGE
_____ Signed	_____ _____ _____	_____
_____ Printed		
_____ Signed	_____ _____ _____	_____
_____ Printed		
_____ Signed	_____ _____ _____	_____
_____ Printed		
_____ Signed	_____ _____ _____	_____
_____ Printed		



SCHEDULE 2
QC FRANCHISE GROUP LLC
DECLARATION OF OWNERSHIP

- A. The following is a list of all managing partners, partners, members, managers, shareholders or other Owners or investors in Franchisee, including all investors who own or hold direct or indirect interest in Franchisee and a description of the nature of their interest.

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>

- B. In addition to the persons listed in paragraph A., the following is a list of all Franchisee's Principals described in and designated pursuant to the Franchise Agreement. Unless designated as a controlling Principal, each of Franchisee's Principals shall execute the Confidentiality Agreement in the form set forth in Schedule 4 to the Franchise Agreement.



SCHEDULE 3
QC FRANCHISE GROUP LLC
PROTECTED TERRITORY

The scope of the Territory is set forth below in a table and on the next page in the form of a shaded map.



SCHEDULE 4
QC FRANCHISE GROUP LLC
CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Agreement is made and entered into _____, between QC Franchise Group LLC, a South Carolina limited liability company (hereinafter referred to as “**Franchisor**”), _____ (hereinafter referred to as “**You**”).

RECITALS:

WHEREAS, Franchisor has acquired the right to develop a unique system (the “**System**”) for the development and operation of businesses under the name and mark “**QC Kinetix**®” (“**Business**”); and

WHEREAS, the System includes but is not limited to certain trade names, service marks, trademarks, symbols, logos, emblems, and indicia of origin, including, but not limited to the mark QC Kinetix® and such other trade names, service marks, and trademarks as Franchisor may develop in the future to identify for the public the source of services and products marketed under such marks and under the System and representing the System’s high standards of quality, appearance and service standards; specifications for Services (as defined in the Franchise Agreement) including lists of approved service providers, purchasing strategies, merchandising methods and techniques, inventory management systems, manufacturer, vendor and supplier relationships; cost and pricing strategies, promotional programs, procedures for safety and quality control, build-out specifications, décor and signage, exterior and interior design, décor and color scheme; operational procedures, customer service standards, employee hiring and retention programs, advertising and marketing materials, bookkeeping, financing and accounting methods all of which may be changed, improved and further developed by Franchisor from time to time and are used by Franchisor in the operation of the System (“**Trade Secrets** ”); and

WHEREAS, the Trade Secrets provide economic advantages to Franchisor and are not generally known to and are not readily ascertainable by proper means by Franchisor competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, Franchisor has granted You a limited right to manage and participate in the operation of a Business using the System and the Trade Secrets for the period defined in the Franchise Agreement made and entered into _____ (“**Franchise Agreement**”) between You and Franchisor; and

WHEREAS, You and Franchisor have agreed in the Franchise Agreement on the importance to Franchisor and to You and other licensed users of the System of restricting use, access and dissemination of the Trade Secrets; and

WHEREAS, it will be necessary for certain of You to have access to and to use some or all of the Trade Secrets in the management and operation of your Business using the System; and

WHEREAS, You have agreed to obtain from your staff written agreements protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, each member of your staff wishes to remain, or wishes to become a staff member; and

WHEREAS, You will receive and use the Trade Secrets in the course of operating your Business;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Franchisor shall disclose to You some or all of the Trade Secrets relating to the System.
2. You shall receive the Trade Secrets in confidence, maintain them in confidence and use them only in connection with the management and/or operation of your of Business using the System for so long as You are licensed by Franchisor to use the System.
3. You shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without Franchisor's express written permission.
4. You shall not at any time disclose or permit the disclosure of the Trade Secrets except to your staff members and then only to the limited extent necessary to train or assist your staff members in the management or operation of your Business using the System.
5. That all information and materials, including without limitation, build out drawings, specifications, techniques and compilations of data which Franchisor shall designate as confidential shall be deemed the Trade Secrets for the purposes of this Agreement.
6. You shall surrender the confidential Franchise Operations and Procedures Manual and such other manuals and written materials as Franchisor shall have developed ("**Manual**") described in the Franchise Agreement and any other material containing some or all of the Trade Secrets to You or Franchisor, upon request, or upon termination of employment by You, or upon conclusion of the use for which the Manual or other information or material may have been furnished to your staff.
7. You shall not, directly or indirectly, commit any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System, or the Marks.
8. The Manual is loaned by Franchisor to You for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor written consent.
9. In further consideration for the disclosure to You of the Trade Secrets and to protect the uniqueness of the System, You agree that for three (3) years following the earlier of the expiration, termination or transfer of all of your interest in the Franchise Agreement You will not, without the prior written consent of Franchisor:
 - a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Business to any competitor.
 - b. Employ or seek to employ any person who is at the time employed by Franchisor or any franchisee or developer of Franchisor's, or otherwise directly or indirectly induce such persons to leave that person's employment.

- c. Directly or indirectly, for yourself or through, on behalf of or in conjunction with any person, partnership or corporation, own, maintain, operate, engage in or have any financial or beneficial interest in (including interest in corporations, limited liability companies, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business which is the same as or similar to the Business including, but not limited to, any other business offering products and services that are similar to the Services (as defined in the Franchise Agreement) to QC Kinetix® franchised or company-owned store which business is, or is intended to be, located within a 25-mile radius of the location approved in the Franchise Agreement or of any Business in existence or under construction as of the earlier of: (i) the expiration or termination of, or the transfer of all or your interest in, the Franchise Agreement; or (ii) the time Employee ceases to be employed by You, as applicable.

10. You undertake to use your best efforts to ensure that your staff acts as required by this Agreement.

11. You agree that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce this Agreement and shall be entitled, in addition to any other remedies which are available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

12. You agree to pay all expenses (including court costs and reasonable legal fees) incurred by Franchisor and You in enforcing this Agreement.

13. Any failure by Franchisor or You to object or to take action with respect to any breach of this Agreement by You shall not operate or be construed as a waiver of or consent to that breach or any later breach by You.

14. Notwithstanding the foregoing, Franchisee shall be immediately released from the provisions of this Agreement and may own an interest in, manage, operate or provide services to any competitive business in the noted areas after the expiration or termination of this Agreement by purchasing the Non-Compete Buy-Out. Franchisor and Franchisee expressly acknowledge and agree that the Buy-Out is fifty percent (50%) of the Gross Revenues generated from the Business within the twelve (12) months immediately preceding the effective date of the expiration or termination of this Agreement. Franchisee shall pay, and Franchisor shall accept, the Buy-Out as adequate consideration if Franchisee should desire to be released from the Non-Compete.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF NORTH CAROLINA. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT IN NORTH CAROLINA IN THE JUDICIAL DISTRICT IN WHICH FRANCHISOR THEN HAS ITS PRINCIPAL PLACE OF BUSINESS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF, YOU OR FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN THE STATE WHICH HAS JURISDICTION. THE PARTIES HEREBY WAIVE ALL DEFENSES OF LACK OF PERSONAL JURISDICTION OR IMPROPER VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

16. The parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having a valid jurisdiction in an unappealed final decision to which Franchisor is a party, You expressly agree to be bound by any lesser covenant subsumed within the terms of

such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

17. This Agreement contains the entire agreement of the parties regarding the subject matter herein. This Agreement may be modified only by a duly authorized amendment executed by all parties.

18. All notices and demands required to be given herein shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid or facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties.

If directed to Franchisor, the notice shall be addressed to:

QC Franchise Group LLC,
Attn: Mark Montini
Phone: 800-269-1421
227 W. Trade Street
Suite 2160
Charlotte, NC 28202

If directed to You, the notice shall be addressed to:

Attention: _____
Facsimile: _____
Telephone: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile, telegram or telex shall be deemed given upon transmission, provided confirmation is made as provided above.

Any notices sent by expedited delivery service or certified or registered mail shall be deemed given three (3) business days after the time of mailing. Any change in the above addresses shall effected by giving fifteen (15) days written notice of such change to the other party.

19. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable by Franchisor and shall inure to the benefit of its successors, assignees and transferees. The respective obligations of You and your staff herein are personal in nature and may not be transferred or assigned by You or your staff, as applicable.

{The signatures appear on the next page}

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

QC Franchise Group LLC
a South Carolina limited liability company:

Printed Name: _____

Signature: _____

Title: _____

You:

Printed Name: _____

Signature: _____

Title: _____



SCHEDULE 5
QC FRANCHISE GROUP LLC
FRANCHISOR ADDENDUM AND COLLATERAL ASSIGNMENT OF LEASE

Franchisee: _____

Franchisor: QC Franchise Group LLC

Date of this Franchisor Addendum and Collateral Assignment of Lease (the “Assignment”): _____

The Franchisee, to effect various provisions of that certain Franchise Agreement dated _____, 20 __, by and between Franchisee and Franchisor (the “**Franchise Agreement**”), hereby collaterally assigns to Franchisor (subject to the terms and conditions below) all of Franchisee’s right, title and interest in, to and under that certain lease (the “**Lease**”) dated _____ 20 __, between Franchisee and _____, (“**Landlord**”), for that property commonly known as: _____ (the “**Premises**”), a copy of which Lease is attached to this Assignment.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the sum of Ten Dollars (\$10.00) and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and notwithstanding anything in the Lease to the contrary, it is hereby agreed as follows:

No material modification or amendment of the Lease shall occur or be effective without the prior written consent of Franchisor.

Landlord consents and agrees that Tenant is permitted to operate the Franchised Business in accordance with the Franchise Agreement and the Manuals (as defined in the Franchise Agreement), subject to applicable laws and regulations. Landlord consents to the use of the Marks (as defined in the Franchise Agreement), trade dress and other aspects of the System, as modified from time-to-time, subject to the terms of the Lease and all applicable laws and regulations. Landlord grants Franchisor the right to enter the Premises during normal business hours for purposes of inspection, to take steps to protect the Marks and trade dress, and to prevent or cure any default.

Except as provided in the Franchise Agreement, the Franchisor will not take possession of the Premises under this Assignment until and unless there is a default by Franchisee under the Lease or a termination, cancellation, rescission or expiration of the Franchisee’s rights, or a default by Franchisee, under the Franchise Agreement. In such event(s), the Franchisor (or its designee) may (but has no obligation to) take possession of the Premises and assume the Franchisee’s rights under the Lease, and, in such event, Franchisee will have no further right, title or interest in or under the Lease or to the Premises, all such rights thereby passing to the Franchisor or its designee, without the Landlord’s further consent. The Franchisee will fully cooperate therewith, and do all acts necessary or appropriate thereto. The Franchisor will have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, the Premises or otherwise until and unless the Franchisor takes possession of the Premises pursuant to this Assignment and,

in any event, the Franchisor will only be responsible for those obligations accruing with respect to the Lease after the date of such express assumption. Upon taking possession of the Premises, Franchisor shall be obligated from that date forward to perform all of the duties and obligations of Franchisee under the Lease. Franchisor shall notify Landlord, in writing, within five (5) days of taking possession of the Premises that it has taken such possession.

The Franchisee will not permit any surrender, termination, amendment or modification of the Lease and will elect and exercise all options to extend the term of or renew, or assume in bankruptcy, the Lease not less than thirty (30) days prior to the last day that said rights must be exercised. If the Franchisee does not do so, Franchisor may to the extent consistent with the United States Bankruptcy Code (but has no obligation to) do such acts for the account of Franchisee and without any liability or obligation of the Franchisor. Failure of the Franchisor to exercise any remedy hereunder shall not be a waiver of any of its rights. The rights and remedies of the Franchisor under this Assignment are in addition to those which the Franchisor has under the Franchise Agreement or otherwise. This Assignment shall bind, and benefit, Franchisor and Franchisee, and their respective successors and assigns. With respect to Franchisor and Franchisee the dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the Franchise Agreement shall apply to this Assignment, and/or any matter related in any way to it, but the Franchisor may, in any event and at its option, proceed with any action in court for possession of the Premises and any related remedies. If there is more than one Franchisee, their obligations are joint and several. As between Landlord and Franchisor and/or Franchisee, the dispute resolution provisions of the Lease shall apply.

In the event Franchisee shall fail to perform or observe any of the terms, conditions or agreements in the Lease, Landlord shall give written notice thereof to Franchisor and Franchisor shall have the right (but not the obligation) to cure such default. Landlord shall not take any action with respect to such default under the Lease, including without limitation any action in order to terminate, rescind or avoid the Lease, for a period of fifteen (15) days following expiration of any cure period Franchisee may have under the Lease with respect to such default; provided, however, that in the case of any default which cannot with diligence be cured within said additional fifteen (15) day period, if Franchisor shall proceed promptly to cure such default and thereafter prosecute the curing of such default with diligence and continuity, the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of such default with diligence and continuity.

Landlord will recognize and accept the performance by Franchisor of any act or thing required to be done by Franchisee under the terms of the Lease and will accept such performance as if it were performed by Franchisee.

Landlord agrees that in any case commenced by or against Franchisee under the United States Bankruptcy Code, the Franchisor shall have standing to appear and act as a party to the Lease for purposes of the Bankruptcy Code, (but shall not have any obligations under the Lease unless Franchisor expressly assumes the Lease). Landlord shall, during Franchisee's bankruptcy case, serve on the Franchisor a copy of all notices, pleadings or documents which are given to Franchisee, and service shall be in the same manner as given to Franchisee. If the Lease or Franchisee's rights under the Lease are terminated, whether by reason of default of Franchisee or Landlord, rejection of the Lease in any bankruptcy case, voluntary surrender and acceptance, or otherwise, then Landlord shall give written notice of such termination to Franchisor. Franchisor or its nominee shall have the option, exercisable by written notice to Landlord delivered not later than the 30th day after written notice that the termination has occurred, to receive from Landlord a new lease of the Premises on the same terms and conditions as the Lease, for the remaining term of the Lease (that is, the portion of the term that would remain absent the termination and the conditions or events causing the same), and such same terms and conditions shall include any extension rights provided for in the Lease.

Any notice or other communication required or permitted to be given under this Assignment shall be in writing and addressed to the respective party as set forth below. Notices shall be effective (i) on the next business day if sent by a nationally recognized overnight courier service, (ii) on the date of delivery by personal delivery and (iii) on the date of transmission if sent by facsimile during business hours on a business day (otherwise on the next business day) (with receipt of confirmation). Any party may change the address at which it is to receive notices to another address in the United States at which business is conducted (and not a post-office box or other similar receptacle), by giving notice of such change of address in accordance with this provision.

Notices to Franchisor, Franchisee or Landlord shall be addressed as follows:

Landlord: _____

Franchisor QC Franchise Group LLC,
 Attn: Mark Montini
 Phone: 800-269-1421
 227 W. Trade Street
 Suite 2160
 Charlotte, NC 28202

This Assignment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

If any portion or portions of this Assignment shall be held invalid or inoperative, then all of the remaining portions shall remain in full force and effect, and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion or portions held to be invalid or inoperative.

This Agreement shall be governed by and construed in accordance with the laws of the State of _____.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment under as of the date first above written.

FRANCHISEE:

Signature

Printed Name

LANDLORD

by _____

its _____

Signature

Printed Name

FRANCHISOR:

QC Franchise Group LLC

by _____

its _____



SCHEDULE 6
QC FRANCHISE GROUP LLC
SUPPLEMENT DISTRIBUTOR AGREEMENT

Distributor Agreement

QC Kinetix Branded Supplements

Date: _____
Distributor's name: _____ (**"Distributor"**)
Distributor's address: _____

Distributor's phone: _____
Distributor's e-mail: _____

This is an agreement between the Distributor, named above, QC Health Group LLC, a North Carolina limited liability company. (**"QCHG"**) and QC Franchise Group LLC, a South Carolina limited liability company (**"Franchisor"**)

WHEREAS, Distributor is a franchisee of QC Franchise Group LLC, (**"Franchisor"**) by virtue of that certain franchise agreement dated _____, 202__ (**"Franchise Agreement"**) and is operating a QC Kinetix franchise at Unit# _____, (**"Franchised Business"**);

WHEREAS, QCHG has developed a line of health supplements to be used in conjunction with the regenerative medicine protocols employed at the Franchised Business, as well as for general health (collectively, **"Products"**);

WHEREAS, Distributor desires to elect to either distribute the Products from the Franchised Business, provide patient email addresses to Franchisor (**"Data"**), use the Services, (defined below) and participate in a revenue sharing program set forth in this Agreement; or elect not to distribute from the Franchised Business, provide the Data and participate in a revenue sharing program;

WHEREAS, Franchisor has determined that Distributor currently qualifies to be a distributor for QCHG and desires to permit Distributor to offer the Products, as set forth below; and,

NOW THEREFORE, In consideration of permitting Distributor to distribute the products supplied by QCHG, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. PURPOSE

The QCH distributorship program is intended to establish a distribution network with QC Kinetix franchise operators for the sale of QC Kinetix branded, health supplements, and other products subsequently developed by QCHG, and associated marketing programs (“**Services**”).

2. PROGRAM ELECTION

Initial the proper selection (**One Selection**):

_____ Distributor elects to provide its Data to Franchisor for the purpose of providing the Services in conjunction with the sale of the Products through electronic promotion to its patients, with a revenue share, as well as sell products from the Franchised Business location.

_____ Distributor does not wish to sell the Products from the Franchised Business location but desires to participate in the revenue sharing process, by providing Data to the Franchisor.

_____ Distributor does not wish to share Data with QCHG and declines participation in any revenue sharing. However, Distributor desires to sell or utilize the Products from the Franchised Business

3. TERRITORY

Distributor does not receive a protected territory. Distributor may only sell the Products from its Franchised Business and may not make Internet offerings or sell from any other location. QCHG, on its own accord, and its assigns, may sell, and may authorize other distributors to sell, anywhere.

4. REVENUE AND DATA SHARING

Distributor agrees to share its Data with Franchisor so that Franchisor may publish advertisements regarding the Products, via email announcements to patients of Distributor, unless and until those patients opt out of receiving further emails. The emails will appear to be generated by Distributor, but Franchisor shall manage the process and the release of the announcements.

When QCHG sells a Product through its Internet shopping site and the delivery address is within the Territory described in the applicable, fully executed franchise agreement Distributor, if not then in default of this Agreement or any other agreement with Franchisor or QCHG, shall receive a share of the gross revenue (exclusive of any sales tax, or shipping charges) for the sale (“**Net Sales**”). The percentage of the share shall be ten (10) percent of the Net Sales. In the event that the monthly average sales of Products through the Internet meet or exceed 75 active customer, ongoing subscriptions, in Distributor’s designated market area, as calculated on calendar quarterly basis, (the “**Benchmark**”) the Distributor shall receive a revenue share of twenty (20) percent of the Net Sales, for that quarters’ internet sales in its market and for each succeeding calendar quarter in which the monthly average sales meets or exceeds 75 active customers, so long as the Benchmark continues to be met, unless QCHG discontinues the Benchmark program, after notice to Distributor. In either case, the sums will be paid quarterly by QCHG and will be considered part of Gross Revenues, as defined in the applicable franchise agreement.

5. QCHG 'S COMMITMENTS

- a. QCHG will use its best efforts to supply Products on a reasonably timely basis to fill orders.
- b. QCHG will make available sales and service training to Distributor, as determined by QCHG.
- c. QCHG will conduct local and national advertising for Products, as it deems appropriate.

6. DISTRIBUTOR'S COMMITMENTS

- a. Distributor will use its reasonable best efforts to stock adequate inventory and actively promote QCHG Products.
- b. Distributor will remain in good standing as a franchisee of QC Franchise Group LLC, in order to remain a Distributor.
- c. Distributor will pay for Products and Services promptly. Time is of the essence.
- d. Distributor will not warrant or make any representation with respect to the Products, other than as specifically authorized in writing by QCHG.
- e. Distributor will use QCHG trademarks only as specifically authorized by QCHG. Distributor will acquire no rights in such trademarks by virtue of its use and will not infringe any QCHG patents.
- f. Distributor will be an independent contractor and not an agent, employee, or legal representative of QCHG. None of Distributor's employees or agents will be considered an employee or agent of QCHG. Distributor will not obligate QCHG in any way.
- g. Distributor is solely responsible for collecting and reporting all sales tax associated with the retail sale of the Products, except when QCFG makes a sale from its web store.
- h. Some states require that products containing CBD be registered with the state prior to being offered for sale. Distributor is solely responsible with complying with applicable laws, and QCHG does not express an opinion or other warranty that the sale of, "Soreness Cream", is legal in your state. Furthermore, QCHG is aware that there exist state and local laws regarding licensing to sell nutritional supplements (FL, for example). Distributor shall obtain the advice of legal counsel before engaging in any sales from the Franchised Business.
- i. Distributor shall acquire, and update, the Data for each of its patients and provide the updated Data to Franchisor, as requested, in order to facilitate Franchisor providing the Services in order to notify patients of the Products that are potentially beneficial to their plan of care.

7. ORDERING AND CONDITIONS OF SALE

During the term of this Agreement, QCHG shall provide log-in credentials to Distributor to purchase the products, online at <https://qcwholesale.com> ("website"). The minimum order quantity and Shipping Policy, Refund policy, shipping charges, terms of sale, and Terms of Service, which are set forth on the website, are incorporated into this Agreement by this reference. All prices, fees, and terms and conditions of sale will be subject to change by QCHG without notice. QCHG shall not be liable to the Distributor in any event of temporary unavailability or delay in shipment or receipt of merchandise due to temporary product shortages, order backlogs, production difficulties, delays in transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of QCHG.

8. MINIMUM ADVERTISED PRICE POINT

The minimum price that Distributor may advertise for the price of the Products shall be in accordance with our Minimum Advertised Price Policy ("MAPP") as set forth in **Exhibit "A"**, which prices may be adjusted from time-to-time through written notice provided to Distributor, by QCHG.

9. TERM

QCHG may terminate this agreement for any reason or no reason, without payment or penalty, effective after 30 days written notice, or immediately if Distributor becomes insolvent, the franchise agreement between Distributor, as franchisee and Franchisor, is terminated or expires or Distributor fails to provide Data to Franchisor, or make payments for the Products, when due.

10. EFFECT OF TERMINATION

Effective immediately upon termination Distributor shall cease any conduct that would tend to indicate that the Distributor is, or was, an authorized Distributor, is in any way associated with the Products, and will destroy any remaining inventory. The revenue sharing will terminate. Pending orders with QCHG will be canceled, with no refunds for any prepayments and Internet credentials will be invalidated. All sums owed by Distributor to QCHG shall become due and payable upon termination.

11. ADVERTISING

The Distributor agrees not to use, display, publish, broadcast, or in any manner disseminate any advertising or promotional material unless Franchisor has first approved the material in writing. Distributor agrees to use point of purchase materials supplied by Franchisor or QCHG, and only those materials that may be supplied, or purchased from QCHG, or its approved suppliers.

12. ASSIGNMENT

Distributor may not assign this Agreement nor any interest therein without the prior written consent of QCHG, and any attempt to do so shall be void and of no effect whatsoever. The transfer of a controlling interest in Distributor will be deemed an assignment for purposes of this paragraph.

13. DISCLAIMER OF WARRANTIES

THE PRODUCTS ARE NOT APPROVED BY THE FDA. QCHG MAKES NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT THE USE OF THE PRODUCTS WILL NOT INFRINGE ANY REGULATION, PATENT, COPYRIGHT, TRADEMARK OR OTHER RIGHTS OR ANY OTHER EXPRESS OR IMPLIED WARRANTIES.

14. GOVERNING LAW – VENUE

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 *et seq.*) this Agreement shall be governed by the laws of the State identified in the Franchise Agreement in accordance with the provision set forth therein. Notwithstanding anything to the contrary in the Franchise Agreement, venue for litigation shall lie in the County where the Franchisor's headquarters are then located, which is presently Mecklenburg County, North Carolina, or in the applicable United States District Court which has jurisdiction for the then existing location of the Franchisor's headquarters.

15. ATTORNEYS FEES AND COSTS

In the event that either party incurs any expenses (including but not limited to reasonable attorneys' fees and reasonable expert witness fees) in enforcing the provisions of this Agreement by legal action, the prevailing party, in a non-appealable final action shall be entitled to recover such expenses directly from the other.

16. GENERAL PROVISIONS

The failure of either party to exercise any right or the waiver of a breach under this Agreement shall not be deemed to be a waiver of such right or of such breach, or of any continuing or subsequent breach. Any notice to be given shall be in writing and shall be made in accordance with the notice provisions of the Franchise Agreement. Each party shall comply with all applicable laws. QCHG may modify, the terms of sale, prices, Terms of Service (found on the website) Products or Services at any time, in its discretion. This Agreement, **Exhibit "A"**, specific sections of the Franchise Agreement referenced in this Agreement and the terms found when ordering Products, online at <https://qcwholesale.com>, or such further website subsequently used by for ordering through QCHG, constitute the entire agreement between the parties regarding the subject matter hereof and supersedes any previous agreement or understanding, either written or oral. Except for unilateral changes made by QCHG this Agreement may amended or modified only by written agreement duly executed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by a duly authorized representative as of the date first above written.

Distributor Name:

QC Health Group LLC

Authorized Signature

Justin Crowell - Manager/Member

Title

Individually

QC Franchise Group LLC

Mark Montini - CEO

**EXHIBIT “A” TO DISTRIBUTION AGREEMENT
EFFECTIVE DATE 2 15 23**

Until further notice in writing, the manufacturer’s suggested retail price (“**MSRP**”), for the Products and the minimum advertised price (“**MAP**”) is:

Promotional Package

Distributors who elected to sell from the Franchised Business may jump-start their supplement inventory by purchasing a promotional package for \$1,850, which includes the following:

1. 24 Bottles of Joint & Bone Health supplements
2. 24 Bottles of Men’s Health supplements
3. 24 Bottles of Hair Health supplements
4. 5 tubes of 1 oz. Soreness Relief Cream
5. 5 tubes of 2 oz. Soreness Relief Cream
6. 1 8x10 supplement flyer with QR code
7. Acrylic Photo stand

JOINT AND BONE HEALTH

MAP
\$19.99 for Quick Start Program, then recurring at \$59.99

MSRP
\$19.99 for Quick Start Program, then recurring at \$59.99

COST \$20.00 per bottle

HAIR HEALTH

MAP
\$24.99 for Quick Start Program, then recurring at \$59.99

MSRP
\$24.99 for Quick Start Program, then recurring at \$59.99

COST
\$25.00 per bottle if order is < 96 bottles and \$22.50 per bottle if order is >96 bottles

MENS HEALTH

MAP
\$24.99 for Quick Start Program, then recurring at \$59.99

MSRP

\$24.99 for Quick Start Program, then recurring at \$59.99

COST

\$25.00 per bottle if order is < 96 bottles and \$22.50 per bottle if order is >96 bottles

SORENESS CREAM

MAP

1 oz bottle \$49.00

2 oz bottle \$59.00

MSRP

1 oz bottle \$49.99

2 oz bottle \$59.00

COST

1 oz bottle \$29.99

2 oz bottle \$34.99

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QCHG MINIMUM ADVERTISED PRICE (“MAP”) POLICY

QC HEALTH GROUP LLC (“QCHG”) will issue lists indicating Manufacturer’s Suggested Retail Pricing (“MSRP”) which can be amended at any time by QCHG at its sole discretion. Any priced advertisement in any media such as but not limited to internet or similar electronic media, radio, television, flyers, posters, catalogs, mail order catalogs, magazines, e-mail newsletters, e-mail solicitations, coupons, mailers, inserts, newspapers, and public signage must be not less than the current MSRP as indicated. Any pricing advertised that does not match or exceed that shown on the current MSRP list will be a violation of this MAP Policy and subject to enforcement procedures as identified later in this document.

- This MAP Policy applies only to advertised prices and does not apply to the actual price that QCHG Products are sold or offered for sale to an individual consumer within Distributors Franchised Business. Distributors are free to sell QCHG Products at any price they choose under these circumstances.
- The inclusion in advertising of any free or discounted products with a product covered by this MAP Policy would be contrary to this MAP Policy if it has the effect of discounting the advertised price of the included QCHG Product below current MSRP.
- This MAP Policy does not establish maximum advertised prices. Resellers may offer QCHG Products at any price in excess of current MSRP.
- Pricing listed on an internet site is considered an “advertised price” and must adhere to this MAP Policy. Once the pricing is associated with an intent to purchase (adding to shopping cart or order), the price becomes the selling price and is not bound by this MAP Policy. Statements such as “add to basket to see price,” we will match any price,” “call for price” or similar phrases are acceptable as long as the price advertised or listed for the products is not below current MSRP. In addition, discounts applied at checkout to the customer’s entire order based on customers purchasing history with the Reseller, such as discounts for “frequent shoppers,” or “preferred members” do not violate this MAP Policy.
- QCHG reserves the right to offer promotions on certain products. In such an event, we reserve the right to modify or suspend this MAP Policy in whole or in part by notifying Distributors of the nature and duration of the change. QCHG further reserves the right to adjust the MSRP with respect to all or certain Products at its sole discretion. Such changes shall apply equally to all Distributors.

Enforcement Procedures:

First Offense:

Distributor will receive notification of the nature of the violation from QCHG, or its assigns and will be given thirty (30) calendar days to remove the offending print advertisements from publication and distribution and three (3) business days to remove any offending electronic advertisements from web pages, internet sites, or other electronic media.

Second Offense, or failure to cure First Offense:

Reseller will receive a notification and the account will be placed on a non-ship basis, indefinitely and the revenue sharing program will be suspended until a cure is in place.

The administration of this MAP Policy and any determinations made under it are solely within QCHG’s discretion and authority. All questions about this MAP Policy should be in writing and directed via U.S. Mail to the Manager of QC Health Group LLC at Justin@qckinetix.com. This policy is subject to change at QCHG’s sole discretion.

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EXHIBIT B

LIST OF STATE FRANCHISE REGULATORS

STATE ADMINSTRATORS

<u>California</u> Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th St., Suite 750 Los Angeles, CA 90013-1105 Toll Free: 1-866-275-2677	<u>Michigan</u> Consumer Protection Division Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117	<u>South Dakota</u> Dept. of Commerce & Regulation Division of Securities 118 West Capitol Pierre, SD 57501-5070
<u>Connecticut</u> Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103	<u>Minnesota</u> Minnesota Dept. of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-3165 (651) 539-1600	<u>Texas</u> Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887
<u>Florida</u> Florida Department of Agriculture and Consumer Services P.O. Box 6700 Tallahassee, FL 32399-6700	<u>New York</u> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222	<u>Utah</u> Department of Commerce 160 East 300 South SM Box 146704 Salt Lake City, UT 84114-6704
<u>Hawaii</u> Business Registration Div. Dept. of Commerce & Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	<u>Nebraska</u> Department of Banking and Finance 1230 "O" Street Suite 400 P.O. Box 95006 Lincoln, NE 68509-5009	<u>Virginia</u> State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Richmond, VA 23219 (804) 371-9051
<u>Illinois</u> Chief, Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62707 (217) 782-4465	<u>North Dakota</u> Securities Department 600 East Boulevard Avenue 5 th Floor, Dept 414 Bismarck, ND 58505-0510 (701) 328-4712	<u>Washington</u> Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98507-1200 (206) 753-6928
<u>Indiana</u> Deputy Commissioner, Franchise Division Indiana Securities Commission Secretary of State 302 W. Washington St, Room E-111 Indianapolis, IN 46204 (317) 232-6681	<u>Oregon</u> Department of Insurance & Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	<u>Wisconsin</u> Securities and Franchise Registration Wisconsin Securities Commission P.O. Box 1768 Madison, WI 53701 (608) 266-8559
<u>Maryland</u> Office of the Attorney General, Securities Division, 200 St. Paul Place, Baltimore, MD 21202-2020 (410) 576-6360	<u>Rhode Island</u> Chief Securities Examiner Department of Business Regulation Securities Division Franchise Section 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 277-3048	

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, California 90013-1105 1-866-275-2677	MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	RHODE ISLAND Director of Depart. of Business Regulation Suite 232 233 Richmond Street Providence, Rhode Island 02903-4232 (401) 277-3048
CONNECTICUT Connecticut Department of Banking, Securities and Business Investments Division 260 Constitution Plaza Hartford, CT 06103	MICHIGAN Dept. of Commerce, Corp'ns & Securities Bur. 6546 Mercantile Way P.O. Box 30222 Lansing, Michigan 48910 (517) 373-7117	SOUTH DAKOTA Director of Division of Securities 445 E. Capitol Avenue Pierre, SD 57501-2017 (605) 773-4013
HAWAII Comm'r Securities of the State of Hawaii Depart. of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MINNESOTA Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (612) 539-1600	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9733
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	NEW YORK New York Secretary of State 99 Washington Avenue Albany, New York 12231 (518) 473-2492	WASHINGTON Director of Depart. of Financial Institutions General Administration Building -Securities Division 150 Israel Road, S. W. Tumwater, Washington 98501 (360) 902-8760
INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681	NORTH DAKOTA North Dakota Securities Commissioner 600 Boulevard Avenue, State Capital Fifth Floor Bismarck, ND 58505-0510 (701)328-4712	WISCONSIN Commissioner of Securities 345 West Washington Avenue Fourth Floor Madison, Wisconsin 53703 (608) 261-9555

EXHIBIT C

BUSINESS ASSOCIATE AGREEMENT

Business Associate Agreement

This Business Associate Agreement ("**BAA**") is entered into effective this ____ day of _____ 20__ ("Effective Date") by and between QC Franchise Group LLC, ("**Business Associate 1**") and _____ a franchisee of Business Associate 1 ("**Business Associate 2**") (each a "**Party**" and collectively, the "**Parties**").

RECITALS

WHEREAS, Business Associate 1 and Business Associate 2 are each a "Business Associate " as that term is defined under the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-91), as amended, ("HIPAA"), and the regulations promulgated thereunder by the Secretary of the U.S. Department of Health and Human Services ("Secretary"), including, without limitation, the regulations codified at 45 C.F.R. Parts 160 and 164 ("HIPAA Regulations");

WHEREAS, Business Associate 1 seeks to perform Services as a franchisor for or on behalf of Business Associate 2, and in performing said Services; Business Associate 1 will, receive, maintain, or transmit Protected Health Information ("PHI") or Electronic Protected Health Information ("ePHI");

WHEREAS, the parties intend to protect the privacy and provide for the security of PHI and ePHI disclosed by Business Associate 2 to Business Associate 1, or received by Business Associate 1, when providing Services in compliance with the HIPAA Act, regulations issued thereunder, applicable guidance issued by the Secretary of the Department of Health and Human Services (HHS), the Health Information Technology for Economic and Clinical Health Act ("the HITECH Act") and other applicable state and federal laws, all as amended from time to time; and

WHEREAS, as a Business Associate, Business Associate 2 is required under HIPAA to enter into a Business Associate Agreement (BAA) with Business Associate 1 that meets certain requirements with respect to the use and disclosure of PHI.

In consideration of above the recitals and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

Article I

DEFINITIONS

The following terms shall have the meaning set forth below. Capitalized terms used in this BAA and not otherwise defined shall have the meanings ascribed to them in HIPAA, the HIPAA Regulations, or the HITECH Act, as applicable.

- 1.1.** "**Breach**" shall have the meaning given under 42 U.S.C. § 17921(1) and 45 C.F.R. § 164.402.

1.2. “**Data Aggregation**” shall have the meaning given under 45 CFR § 164.501.

1.3. “**Designated Record Set**” shall have the meaning given such term under 45 C.F.R. § 164.501.

1.4. “**Disclose**” and “**Disclosure**” mean, with respect to PHI, the release, transfer, provision of access to, or divulging in any other manner of PHI outside of Business Associate 2 or to other than members of its Workforce, as set forth in 45 C.F.R. § 160.103.

1.5. “**Electronic PHI**” or “**ePHI**” means PHI that is transmitted or maintained in electronic media, as set forth in 45 C.F.R. § 160.103.

1.6. “**Protected Health Information**” and “**PHI**” mean any information, whether oral or recorded in any form or medium, that: (a) relates to the past, present or future physical or mental health or condition of an individual; the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual; and (b) identifies the individual, or for which there is a reasonable basis for believing that the information can be used to identify the individual. “Protected Health Information” shall have the meaning given to such term under 45 C.F.R. § 160.103. Protected Health Information includes ePHI.

1.7. “**Security Incident**” shall have the meaning given to such term under 45 C.F.R. § 164.304.

1.8. “**Services**” shall mean the services for or functions on behalf of Business Associate 2 performed by Business Associate 1 pursuant to any franchise agreement(s) between Business Associate 1 and Business Associate 2 which may be in effect now or from time to time (“**Underlying Agreement**”). or, if no such agreement is in effect, the services or functions performed by Business Associate 1 that constitute a Business Associate relationship, as set forth in 45 C.F.R. § 160.103, *Definition of “Business Associate.”*

1.9. “**Subcontractor**” means a person to whom a Business Associate delegates a function, activity, or service, other than in the capacity of a member of the Workforce of such Business Associate.

1.10. “**Unsecured PHI**” shall have the meaning given to such term under 42 U.S.C. § 17932(h), 45 C.F.R. § 164.402, and Federal Register documents, including, but not limited to, Federal Register document 74; Federal Register 19006 (April 27, 2009); and 78 Federal Register 5565 (January 25, 2013).

1.11. “**Use**” or “**Uses**” mean, with respect to PHI, the sharing, employment, application, utilization, examination, or analysis of such PHI within Business Associate 2’s internal operations, as set forth in 45 C.F.R. § 160.103.

1.12. “**Workforce**” shall have the meaning given to such term under 45 C.F.R. § 160.103.

Article II

OBLIGATIONS OF BUSINESS ASSOCIATE

2.1. Permitted Uses and Disclosures of Protected Health Information: Business Associate 1 shall not use or disclose PHI other than performing the Services, as permitted or required by this BAA, or as required by law. Business Associate 1 shall not use or disclose PHI in any manner that would constitute a violation of Subpart E of 45 C.F.R. Part 164 if so used or disclosed by Business Associate 2. However, Business Associate 1 may use or disclose PHI (i) for the proper management and administration of Business Associate 1; (ii) to carry out the legal responsibilities of Business Associate 1, provided that with respect to any such disclosure either: (a) the disclosure is required by law; or (b) Business Associate 1 obtains a written agreement from the person to whom the PHI is to be disclosed that such person will hold the PHI in confidence and will not use or further disclose such PHI except as required by law and for the purpose(s) for which it was disclosed by Business Associate 2 to such person, and that such person will notify Business Associate 2 of any instances of which it is aware in which the confidentiality of the PHI has been breached; (iii) for Data Aggregation purposes for the healthcare operations of Business Associate 1. To the extent that Business Associate 1 carries out one or more of Business Associate 2's obligations under Subpart E of 45 C.F.R. Part 164, Business Associate 1 must comply with the requirements of Subpart E that apply to Business Associate 2 in the performance of such obligations.

2.2. Prohibited Marketing and Sale of PHI: Notwithstanding any other provision in this BAA, Business Associate 1 shall comply with the following requirements: (i) Business Associate 1 shall not use or disclose PHI for fundraising or marketing purposes, except to the extent expressly authorized or permitted by this BAA and consistent with the requirements of 42 U.S.C. § 17936, 45 C.F.R. §164.514(f), and 45 C.F.R. § 164.508(a)(3); and (ii) Business Associate 1 shall not directly or indirectly receive remuneration in exchange for PHI, except with the prior written consent of Business Associate 2 and as permitted by the HITECH Act, 42 U.S.C. § 17935(d)(2), and 45 C.F.R. § 164.502(a)(5)(ii).

2.3. Adequate Safeguards of PHI: Business Associate 1 shall implement and maintain appropriate safeguards to prevent use or disclosure of PHI other than as provided for by this BAA. Business Associate 1 shall reasonably and appropriately protect the confidentiality, integrity, and availability of ePHI that it creates, receives, maintains, or transmits on behalf of Business Associate 2 in compliance with Subpart C of 45 C.F.R. Part 164 to prevent use or disclosure of PHI other than as provided for by this BAA.

2.4. Mitigation: Business Associate 1 agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate 1 of a use or disclosure of PHI by Business Associate 1 in violation of the requirements of this BAA.

2.5. Reporting Non-Permitted Use or Disclosure

2.5.1. Reporting Security Incidents and Non-Permitted Use or Disclosure: Business Associate 1 shall report to Business Associate 2 in writing each security incident or use or disclosure that is made by Business Associate 1, members of its Workforce or Subcontractors that is not specifically permitted by this BAA, no later than three (3) business days after becoming aware of such security incident or non-permitted use or disclosure, in accordance with the notice provisions set forth herein. Business Associate 1 shall investigate each security incident or non-permitted use or disclosure of Business Associate 2's PHI that it discovers to determine whether such security incident or non-permitted use or disclosure constitutes a reportable breach of unsecured PHI. Business Associate 1 shall document and retain records of its investigation of any breach, including its reports to Business Associate 1 under this Section 2.5.1. Upon request of Business Associate 2, Business Associate 1 shall furnish to Business Associate 2 the documentation of its investigation and an assessment of whether such security incident or non-permitted use or disclosure constitutes a reportable breach. If such security incident or non-permitted use or disclosure constitutes a reportable breach of unsecured PHI, then Business Associate 1 shall comply with the additional requirements of Section 2.5.2 below.

2.5.2. Breach of Unsecured PHI: If Business Associate 1 determines that a reportable breach of unsecured PHI has occurred, Business Associate 1 shall provide a written report to Business Associate 2 without unreasonable delay, but no later than thirty (30) calendar days after discovery of the breach. To the extent that information is available to Business Associate 1, Business Associate 1's written report to Business Associate 2 shall be in accordance with 45 C.F.R. §164.410(c), as if "Business Associate 2" were the "Covered Entity," and as if "Business Associate 1" were "Business Associate 2," for purposes of that provision. Business Associate 2 shall cooperate with Business Associate 1 in meeting Business Associate 1's obligations under the HITECH Act with respect to such breach. Business Associate 1 shall have sole control over the timing and method of providing notification of such breach to the affected individual(s), the Secretary and, if applicable, the media, as required by HIPAA and the HITECH Act. Business Associate 1 shall reimburse Business Associate 2 for its reasonable costs and expenses in providing the notification, including, but not limited to, any administrative costs associated with providing notice, printing and mailing costs, and costs of mitigating the harm (which may include the costs of obtaining credit monitoring services and identity theft insurance) for affected individuals whose PHI has or may have been compromised as a result of the breach.

2.6. Availability of Internal Practices, Books, and Records to Government: Business Associate 1 and Business Associate 2 agree to make their internal practices, books, and records relating to the use and disclosure of PHI received from, or created, or received by them, available to the Secretary for purposes of determining their compliance with HIPAA, the HIPAA Regulations, and the HITECH Act. Except to the extent prohibited by law, Business Associate 1 and Business Associate 2 shall notify each other of all requests served upon them for information or documentation by or on behalf of the Secretary. Both Business Associate 2 and Business Associate 1 agree to provide to each other proof of their compliance with the HIPAA Security Standards.

2.7. Access to and Amendment of Protected Health Information: To the extent that Business Associate 1 maintains a Designated Record Set on behalf of Business Associate 2 and within fifteen (15) days of a request by Business Associate 2, Business Associate 1 shall (a) make the PHI it maintains (or which is maintained by its Subcontractors) in Designated Record Sets available to Business Associate 2 for inspection and copying, or to an individual to enable Business Associate 2 to fulfill its obligations under 45 C.F.R. § 164.524, or (b) amend the PHI it maintains (or which is maintained by its Subcontractors) in Designated Record Sets to enable Business Associate 2 to fulfill its obligations under 45 C.F.R. § 164.526. Business Associate 1 shall not disclose PHI to a health plan for payment or healthcare operations purposes if and to the extent that Business Associate 2 has informed Business Associate 1 that the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates, consistent with 42 U.S.C. § 17935(a) and 42 C.F.R. § 164.522(a)(1)(vi). If Business Associate 1 maintains PHI in a Designated Record Set electronically, Business Associate 1 shall provide such information in the electronic form and format requested by Business Associate 2 if it is readily reproducible in such form and format, and, if not, in such other form and format agreed to by Business Associate 2 to enable Business Associate 2 to fulfill its obligations under 42 U.S.C. § 17935(e) and 45 C.F.R. § 164.524(c)(2). Business Associate 1 shall notify Business Associate 2 within fifteen (15) days of receipt of a request for access to PHI.

2.8. Accounting: To the extent that Business Associate 1 maintains a Designated Record Set on behalf of Business Associate 2, within thirty (30) days of receipt of a request from Business Associate 2 or an individual for an accounting of disclosures of PHI, Business Associate 1 and its Subcontractors shall make available to Business Associate 2 the information required to provide an accounting of disclosures to enable Business Associate 2 to fulfill its obligations under 45 C.F.R. § 164.528 and its obligations under 42 U.S.C. § 17935(c). Business Associate 1 shall notify Business Associate 2 within fifteen (15) days of receipt of a request by an individual or other requesting party for an accounting of disclosures of PHI.

2.9. Use of Subcontractors: Business Associate 1 and Business Associate 2 shall require each of its Subcontractors that creates, maintains, receives, or transmits PHI on behalf of them, to execute a Business Associate Agreement that imposes on such Subcontractors the same restrictions, conditions, and requirements that apply to the Parties under this BAA with respect to PHI.

- 2.10. Minimum Necessary:** The Parties (and their Subcontractors) shall, to the extent practicable, limit its request, use, or disclosure of PHI to the minimum amount of PHI necessary to accomplish the purpose of the request, Use or Disclosure, in accordance with 42 U.S.C. § 17935(b) and 45 C.F.R. § 164.502(b)(1) or any other guidance issued thereunder.

Article III TERM AND TERMINATION

- 3.1. Term:** The term of this Agreement shall be effective as of the Effective Date and shall terminate as of the date that all of the PHI provided by Business Associate 2 to Business Associate 1, or created or received by Business Associate 1 on behalf of Business Associate 2, is destroyed or returned to Business Associate 2, or, if it is infeasible to return or destroy the PHI, protections are extended to such information, in accordance with Section 3.3, or on the date that Business Associate 1 or Business Associate 2 terminates for cause as authorized in Section 3.2, whichever is sooner. Further, this Agreement shall automatically terminate, without the requirement of notice, should a franchise or development agreement between the Parties expire or is otherwise terminated.

- 3.2. Termination for Cause:** Upon a Party's knowledge of a material breach or violation of this BAA by the other Party, the non-breaching Party shall either:

3.2.1. Notify the Party of the breach in writing, and provide an opportunity for Business Associate to cure the breach or end the violation within ten (10) business days of such notification; provided that if the breaching Party fails to cure the breach or end the violation within such time period to the satisfaction of the other Party, the aggrieved Party may immediately terminate this BAA upon written notice to the breaching Party; or

3.2.2 Upon written notice to the breaching Party, the aggrieved Party may immediately terminate this BAA if such breach cannot be cured.

- 3.3. Disposition of Protected Health Information Upon Termination or Expiration**

3.3.1 Upon termination or expiration of this BAA, Business Associate 1 may retain all PHI received from, or created or received by Business Associate 1 on behalf of Business Associate 2, that Business Associate 1 will continue to protect all PHI, in accordance with this Agreement until such PHI is erased from its records, in the due course of business. Business Associate 2 shall (a) retain only that PHI which is necessary for Business Associate 2 to continue its proper management and administration or to carry out its legal responsibilities; (b) continue to extend the protections of this BAA to the PHI for as long as Business Associate 2 retains the PHI; and (c) limit further Uses and Disclosures of such PHI to those purposes that make the return or destruction of the PHI infeasible and subject to

the same conditions set out in Section 2.1 and 2.2 above, which applied prior to termination.

ARTICLE IV MISCELLANEOUS

- 4.1 Amendment to Comply with Law:** This BAA shall be deemed amended to incorporate any mandatory obligations of Business Associate 1 or Business Associate 2 under the HITECH Act, the HIPAA Act, and HIPAA regulations. Additionally, the Parties agree to take such action as is necessary to amend this BAA from time to time as necessary to implement its obligations pursuant to the HIPAA Act, the HIPAA Regulations, or the HITECH Act.
- 4.2 Indemnification:** Each Part hereby agree to indemnify and hold harmless the other Party, its affiliates, and their respective officers, directors, managers, members, shareholders, employees, and agents from and against any and all fines, penalties, damage, claims, or causes of action and expenses (including, without limitation, court costs and attorney's fees) the companies/organizations incur, arising from violations of the HIPAA Act, the HIPAA Regulations, the HITECH Act, or from any negligence or wrongful acts or omissions, including, but not limited to, failure to perform its obligations that results in a violation of the HIPAA Act, the HIPAA Regulations, or the HITECH Act, by either Party or its employees, directors, officers, subcontractors, agents, or members of its workforce.
- 4.3 Notices:** Any notices required or permitted to be given hereunder by either Party to the other shall be given in writing: (1) by personal delivery; (2) by electronic mail with confirmation sent by United States first class registered or certified mail, postage prepaid, return receipt requested; (3) by bonded courier or by a nationally recognized overnight delivery service; or (4) by United States first class registered or certified mail, postage prepaid, return receipt, in each case, addressed to a Party on the signature page(s) to this Agreement or to such other addresses as the Parties may request in writing by notice given pursuant to this Section 4.3. Notices shall be deemed received on the earliest of personal delivery; upon delivery by electronic mail with confirmation from the transmitting computer that the transmission was completed; twenty-four (24) hours following deposit with a bonded courier or overnight delivery service; or seventy-two (72) hours following deposit in the U.S. mail as required herein. Notices must be sent to the following addresses:

Notice Address:

QC Franchise Group LLC
227 West Trade St.
Suite 2160
Charlotte, NC 28202
Attn: CEO
phone: (704) 270-4215
email: legal@qckinetix.com

Notice Address:

Name:
Address:
Attn:
phone:
email:

- 4.4 Relationship of Parties:** The Parties are independent contractors and not agents of each other. Business Associate 2 shall, manage, contract, direct, procure, perform or cause to be performed all Business Associate 2 obligations under this BAA.
- 4.5 Survival:** The respective rights and obligations of the Parties under Sections 3.3 and 4.2 of this BAA shall survive the termination of this BAA.
- 4.6 Applicable Law and Venue:** This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina without regards to conflict of laws principles). The Parties agree that all actions or proceedings arising in connection with this BAA shall be tried and litigated exclusively in the State or federal (if permitted by law and if a Party elects to file an action in federal court) courts located in the county of Mecklenburg, North Carolina.

(The signatures appear on the next page)

The Parties hereto have duly executed this agreement as of the Effective Date.

For Business Associate 2 Name:

For Business Associate 1 Name:

:

QC Franchise Group LLC:

By:_____

By:_____

Print Name:_____

Print Name:_____

Title:_____

Title:_____

Dated:_____

Dated:_____

EXHIBIT D

STATE ADDENDA

STATE ADDENDA TO

FRANCHISE DISCLOSURE DOCUMENT

- ☐ Exhibit D-1: California
- ☐ Exhibit D-2: Hawaii
- ☐ Exhibit D-3: Illinois
- ☐ Exhibit D-4: Maryland
- ☐ Exhibit D-5: Minnesota
- ☐ Exhibit D-6: New York
- ☐ Exhibit D-7: North Dakota
- ☐ Exhibit D-8: Washington

EXHIBIT D-1

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT: CALIFORNIA

The due diligence fee referenced to in Item 5.I of the Franchise Disclosure Document will comply with Section 31119(a) of the California Corporations Code and consequently will not be paid until after 14 calendar days from the date the prospective franchisee has received a copy of this Franchise Disclosure Document.

With respect to Item 6 of the Franchise Disclosure Document, please note that the highest interest rate allowed by law in California is 10% annually.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the offering circular.

Neither the franchisor, nor any person or franchise broker 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.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision 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.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires application of the laws of South Carolina. This provision may not be enforceable under California law.

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512

voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the contents of the website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

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.

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

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CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

THIS CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT (the "Addendum"), is made as of the ____ day of ____, 20__, between **QC FRANCHISE GROUP LLC**, a South Carolina limited liability company ("Franchisor"), and ____, a ____ ("Franchisee"), to the Franchise Agreement with Franchisee dated as of today's date (the "Agreement").

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a franchised unit at ____ (the "Franchised Business"); and **WHEREAS**, the laws of the State of California require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

Amendment. The terms of the Agreement are amended as follows:

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 or inconsistent term of any document executed in connection with the franchise.

Supplemental. This Addendum is supplemental to and part of the Agreement. All the Agreement's terms and provisions, as amended above, remain effective on and after the date of this Addendum, as they may be later amended, supplemented, or otherwise modified from time to time.

QC FRANCHISE GROUP LLC

[FRANCHISEE]

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

CALIFORNIA ADDENDUM TO DEVELOPMENT AGREEMENT

THIS CALIFORNIA ADDENDUM TO DEVELOPMENT AGREEMENT (the “Addendum”), is made as of the ____ day of _____, 20____, between **QC FRANCHISE GROUP LLC** a South Carolina limited liability company (“Franchisor”), and _____ a _____ (“Developer”), to that certain Development Agreement dated as of even date herewith (the “Development Agreement”).

WITNESSETH

WHEREAS, pursuant to the Development Agreement, Developer has obtained from Franchisor the right to operate franchised QC Kinetix units (the “Business”); and

WHEREAS, the laws of the State of California require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

Amendment. The terms of the Agreement are amended as follows:

No statement, questionnaire, or acknowledgement signed or agreed to by Developer 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 or inconsistent term of any document executed in connection with the franchise.

Supplemental. This Addendum is supplemental to and part of the Agreement. All the Agreement’s terms and provisions, as amended above, remain effective on and after the date of this Addendum, as they may be later amended, supplemented, or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

QC FRANCHISE GROUP LLC

[DEVELOPER]

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

ADMENDMENT FOR HAWAII

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "**Addendum**") is made, entered into and effective _____, by and between QC FRANCHISE GROUP LLC. ("**QCFG**") and _____ (the "**Franchisee**") to amend and revise certain provisions of the Franchise Agreement between QCFG and the FRANCHISEE, dated _____ (the "**Agreement**") as follows:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The Director of the Hawaii Department of Commerce and Consumer Affairs requires that certain provisions contained in franchise documents be amended to be consistent with Hawaii law, including the Hawaii Franchise Investment Law, Hawaii Revised States, Title 26, Chapter 482E-1 through 482E-12. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended as follows:

The Hawaii Franchise Investment Law provides rights to Franchisee concerning renewal, termination and transfer of the Agreement. If the Agreement contains a provision that is inconsistent with Hawaii law, Hawaii law will control.

If the Agreement contains a provision that requires the Franchisee to sign a general release as a condition of the sale, renewal or transfer of the franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.

If the Agreement contains a provision which terminates the Franchise Agreement upon the bankruptcy of the franchisee, such provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of Hawaii law applicable to the provisions are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Franchise Agreement or the exhibits attached thereto, the terms of this Addendum will govern. All other terms and conditions of the Franchise Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

FRANCHISEE

QC FRANCHISE GROUP LLC

By: _____

By: _____ Its: _____

Its: _____

SHAREHOLDERS/PRINCIPALS:

PERSONAL GUARANTORS:

EXHIBIT D-3

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT: ILLINOIS

In addition to the Franchise Agreement, in the form attached as Exhibit A, Illinois franchisees will sign an Illinois Addendum attached to this Exhibit D-3.

ILLINOIS PROHIBITS THE CORPORATE PRACTICE OF MEDICINE. UNLICENSED INDIVIDUALS AND ENTITIES ARE PROHIBITED FROM OWNING, OPERATING AND MAINTAINING AN ESTABLISHMENT FOR THE STUDY, DIAGNOSIS AND TREATMENT OF HUMAN AILMENTS AND INJURIES, WHETHER PHYSICAL OR MENTAL. See Medical Corporation Act. 805 ILCS 15/2/, 5 (West 2018) and Medical Practice Act of 1987. 225 ILCA 60/ (West 2018)

IF YOU ARE NOT LICENSED/CERTIFIED IN ILLINOIS TO PROVIDE SERVICES OF THE NATURE DESCRIBED IN THIS DISCLOSURE DOCUMENT, YOU MUST NEGOTIATE THE TERMS OF A MANAGEMENT AGREEMENT WITH LICENSED PROFESSIONALS WHO WILL PROVIDE THE SERVICES THAT YOUR FRANCHISED BUSINESS OFFERS, RETAIN AN EXPERIENCED ATTORNEY WHO WILL LOOK OUT FOR YOUR BEST INTERESTS IN THIS BUSINESS VENTURE.

The Franchisor has signed a significant number of Franchise Agreements in 2022 with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your own outlet.

The Franchisor has obtained a Surety Bond to assure its financial obligations to you. The financial assurance requirement was imposed by Order of the Office of the Illinois Attorney General due to Franchisor's financial condition. The Surety Bond is on file with the Office of the Illinois Attorney General.

"MULTI-TERRITORY ACCOUNTS" EXIST IN THIS FRANCHISE SYSTEM. FRANCHISOR RESERVES THE RIGHT TO ESTABLISH, IDENTIFY AND SERVICE SUCH ACCOUNTS WITHIN YOUR TERRITORY. FRANCHISOR OR ITS AFFILIATES MAY PROVIDE PRODUCTS & SERVICES TO A "NATIONAL ACCOUNT" WITH NO COMPENSATION PAID TO YOU.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

THIS ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”), is made as of _____, between **QC FRANCHISE GROUP, LLC**, a South Carolina limited liability company (“Franchisor”), and _____, a _____ (“Franchisee”), to the Franchise Agreement with Franchisee dated as of today’s date (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a franchised unit at _____ (the “Franchised Business”); and

WHEREAS, the laws of the State of Illinois require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

Amendment. The terms of the Agreement are amended as follows:

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or 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.

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.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Supplemental. This Addendum is supplemental to and part of the Agreement. All the Agreement’s terms and provisions, as amended above, remain effective on and after the date of this Addendum, as they may be later amended, supplemented, or otherwise modified from time to time.

Additional Disclosures.

ILLINOIS PROHIBITS THE CORPORATE PRACTICE OF MEDICINE. UNLICENSED INDIVIDUALS AND ENTITIES ARE PROHIBITED FROM OWNING, OPERATING AND MAINTAINING AN ESTABLISHMENT FOR THE STUDY, DIAGNOSIS AND TREATMENT OF HUMAN AILMENTS AND INJURIES, WHETHER PHYSICAL OR MENTAL. See Medical Corporation Act, 805 ILCS 15/2/, 5 (West 2018) and Medical Practice Act of 1987, 225 ILCA 60/ (West 2018)

IF YOU ARE NOT LICENSED/CERTIFIED IN ILLINOIS TO PROVIDE SERVICES OF THE NATURE DESCRIBED IN THIS DISCLOSURE DOCUMENT, YOU MUST NEGOTIATE THE TERMS OF A MANAGEMENT AGREEMENT WITH LICENSED PROFESSIONALS WHO WILL PROVIDE THE SERVICES THAT YOUR FRANCHISED BUSINESS OFFERS, RETAIN AN EXPERIENCED ATTORNEY WHO WILL LOOK OUR FOR YOUR BEST INTERESTS IN THIS BUSINESS VENTURE.

The Franchisor has obtained a Surety Bond to assure its financial obligations to you. The financial assurance requirement was imposed by Order of the Office of the Illinois Attorney General due to Franchisor’s financial condition. The Surety Bond is on file with the Office of the Illinois Attorney General.

“MULTI-TERRITORY ACCOUNTS” EXIST IN THIS FRANCHISE SYSTEM. FRANCHISOR RESERVES THE RIGHT TO ESTABLISH, IDENTIFY AND SERVICE SUCH ACCOUNTS WITHIN YOUR TERRITORY. FRANCHISOR OR ITS AFFILIATES MAY PROVIDE PRODUCTS & SERVICES TO A “NATIONAL ACCOUNT” WITH NO COMPENSATION PAID TO YOU.

The Franchisor has signed a significant number of Franchise Agreements in 2022 with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your own outlet.

QF FRANCHISE GROUP, LLC

[FRANCHISEE]

BY: _____

BY: _____

NAME: _____

NAME: _____

ITS: _____

ITS: _____

ILLINOIS ADDENDUM TO DEVELOPMENT AGREEMENT

THIS ILLINOIS ADDENDUM TO DEVELOPMENT AGREEMENT (the “Addendum”), is made as of the ___ day of __, 20__, between **QC FRANCHISE GROUP, LLC**, a South Carolina limited liability company (“Franchisor”), and ____, a ____ (“Developer”), to the Development Agreement with Developer dated as of today’s date (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to develop a territory for the operation of a prescribed number of franchised units (“Development Area”) through the execution of franchise agreements; and

WHEREAS, the laws of the State of Illinois require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

Amendment. The terms of the Agreement are amended as follows:

Illinois law governs the Development Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a development agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. However, a development agreement may provide for arbitration to take place outside of Illinois.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise or franchise development rights to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Supplemental.

This Addendum is supplemental to and part of the Agreement. All the Agreement’s terms and provisions, as amended above, remain effective on and after the date of this Addendum, as they may be later amended, supplemented, or otherwise modified from time to time.

Additional Disclosures.

ILLINOIS PROHIBITS THE CORPORATE PRACTICE OF MEDICINE. UNLICENSED INDIVIDUALS AND ENTITIES ARE PROHIBITED FROM OWNING, OPERATING AND MAINTAINING AN ESTABLISHMENT FOR THE STUDY, DIAGNOSIS AND TREATMENT OF HUMAN AILMENTS AND INJURIES, WHETHER PHYSICAL OR MENTAL. See Medical Corporation Act, 805 ILCS 15/2/, 5 (West 2018) and Medical Practice Act of 1987, 225 ILCA 60/ (West 2018)

IF YOU ARE NOT LICENSED/CERTIFIED IN ILLINOIS TO PROVIDE SERVICES OF THE NATURE DESCRIBED IN THIS DISCLOSURE DOCUMENT, YOU MUST NEGOTIATE THE TERMS OF A MANAGEMENT AGREEMENT WITH LICENSED PROFESSIONALS WHO WILL PROVIDE THE SERVICES THAT YOUR FRANCHISED BUSINESS OFFERS,

RETAIN AN EXPERIENCED ATTORNEY WHO WILL LOOK OUR FOR YOUR BEST INTERESTS IN THIS BUSINESS VENTURE.

As of December 2021, twenty-three (23) franchise agreements have been entered into in Illinois, of which none have commenced business operations.

The Franchisor has obtained a Surety Bond to assure its financial obligations to you. The financial assurance requirement was imposed by Order of the Office of the Illinois Attorney General due to Franchisor's financial condition. The Surety Bond is on file with the Office of the Illinois Attorney General.

"MULTI-TERRITORY ACCOUNTS" EXIST IN THIS FRANCHISE SYSTEM. FRANCHISOR RESERVES THE RIGHT TO ESTABLISH, IDENTIFY AND SERVICE SUCH ACCOUNTS WITHIN YOUR TERRITORY. FRANCHISOR OR ITS AFFILIATES MAY PROVIDE PRODUCTS & SERVICES TO A "NATIONAL ACCOUNT" WITH NO COMPENSATION PAID TO YOU.

The Franchisor has signed a significant number of Franchise Agreements in 2022 with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your own outlet.

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

QC FRANCHISE GROUP, LLC

[FRANCHISEE]

BY: _____

BY: _____

NAME: _____

NAME: _____

ITS: _____

ITS: _____

EXHIBIT D-4

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT – MARYLAND

The following language is added to Items 17(c) and (m): The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The following language is added to Item 17(e), (f), (g), and (h): Termination of the Development Agreement does permit us to terminate a developer's single unit franchise agreement merely because of the Development Agreement termination (and vice versa).

The following language is added to Item 17(h): A provision in the Franchise Agreement that provides for termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*).

Item 17(v), is modified to include the words “, except you may sue in Maryland for any items arising under the Maryland Franchise Registration and Disclosure Law.”

Item 17 is amended to state that “A franchisee may bring a lawsuit in Maryland arising under the Maryland Franchise Registration and Disclosure Law.”

Item 17 is amended to state that “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

Franchisor has elected to post a Franchise Surety Bond, with such bond being on file with the State of Maryland, Securities Division.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

In addition to the Franchise Agreement in the form attached as Exhibit A, Maryland franchisees will sign a Maryland addendum to Franchise Agreement attached to this Exhibit D-4.

In addition to the Development Agreement in the form attached as Exhibit J, Maryland franchisees will sign a Maryland addendum to Development Agreement attached to this Exhibit D-4.

{The balance of this page is intentionally blank}

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

THIS MARYLAND ADDENDUM TO FRANCHISE AGREEMENT (the "Addendum"), is made as of _____, between **QC FRANCHISE GROUP, LLC** a South Carolina limited liability company ("Franchisor"), and _____, a _____ ("Franchisee"), to that certain Franchise Agreement dated as of even date herewith (the "Franchise Agreement").

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a franchised unit at _____ (the "Franchised Business"); and

WHEREAS, the laws of the State of Maryland require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

The following language is added to the Terms and Conditions of the Franchise Agreement: "The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

The following language is added to the Franchise Agreement: "A franchisee may bring a lawsuit in Maryland arising under the Maryland Franchise Registration and Disclosure Law."

The following language is added to the Franchise Agreement: "Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise."

The following language is added to the Franchise Agreement: "All representations requiring perspective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

Franchisor has elected to post a Franchise Surety Bond, with such bond being on file with the State of Maryland, Securities Division.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(The signatures appear on the next page)

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

QC FRANCHISE GROUP, LLC

[FRANCHISEE]

BY: _____

BY: _____

NAME: _____

NAME: _____

ITS: _____

ITS: _____

MARYLAND ADDENDUM TO DEVELOPMENT AGREEMENT

THIS MARYLAND ADDENDUM TO DEVELOPMENT AGREEMENT (the “**Addendum**”), is made as of _____, between **QC FRANCHISE GROUP LLC** a South Carolina limited liability company (“Franchisor”), and _____, a _____ (“Franchisee”), to that certain Development Agreement dated as of even date herewith (the “**Development Agreement**”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate franchised QC Kinetix units (the “**Business**”); and

WHEREAS, the laws of the State of Maryland require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

The following language is added to paragraph 16(d) of the Development Agreement: “Provided that nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document.

The following language is added to the Terms and Conditions of the Development Agreement: “The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

The following language is added to the Development Agreement: “A developer may bring a lawsuit in Maryland arising under the Maryland Franchise Registration and Disclosure Law.”

The following language is added to the Development Agreement: “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the development rights.”

The following language is added to the Development Agreement: “All representations requiring perspective developers to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

Franchisor has elected to post a Franchise Surety Bond, with such bond being on file with the State of Maryland, Securities Division.

(The signatures appear on the next page)

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

QC FRANCHISE GROUP, LLC

[DEVELOPER]

BY: _____

BY: _____

NAME: _____

NAME: _____

ITS: _____

ITS: _____

EXHIBIT D-5

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT – MINNESOTA

The following language is added as an additional Risk Factor on the cover page of the Franchise Disclosure Document:

MINNESOTA STATUTES §80C.21 AND MINNESOTA RULE 2860.4400J CURRENTLY PROHIBIT LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA.

The following language is added to Item 13:

The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of Franchisor's registered trademark infringes trademark rights of the third party. Franchisor is not required to indemnify Franchisee for its use of Franchisor's trademark unless such use is in accordance with the requirements of the Franchise Agreement. As a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within 10 days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisee must cooperate in the defense as reasonably required and Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

The following language is added to Item 17:

Liquidated damages provisions are not enforceable under Minnesota law.

The following Sections are added to Item 17:

Minnesota Statute 80C.14, Subd. 5 states, "It is unfair and inequitable for a person to unreasonably withhold consent to an assignment, transfer, or sale of the franchise whenever the franchisee to be substituted meets the present qualifications and standards required of the franchisees of the particular franchisor."

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5 which require except in certain specified cases, that Franchisee be given 90-days' notice of termination (with 60 days to cure) and 180-days' notice for nonrenewal of the Franchise Agreement.

The following language is added to Item 17:

Minnesota Statute 80C.17, Subd. 5 states, "No action may be commenced pursuant to this section more than three years after the cause of action accrues."

The following language is added to Item 17:

This section shall in no way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes 1984, Chapter 80C, including the right to submit matters to the jurisdiction of the courts of Minnesota.

The following language is added to Item 17:

This section shall in no way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes 1984, Chapter 80(C), including the right to a jury trial.

The following language is added to Item 17:

Notwithstanding any requirement for litigation to be conducted in South Carolina, litigation may be brought in Minnesota to the extent required by Minnesota law.

The following language is added to Item 17:

Minnesota Rule 2860.4400(D) provides that a franchisee may not be required to assent to a release that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, sections 80C.01 to 80C.22.

The following language is added to Item 17:

Minnesota Rule 2860.4400(J) provides that [a] although a franchisor can seek injunctive relief, a franchisee cannot consent to the franchisor's obtaining injunctive relieve and [b] a court shall decide whether bond is required as a condition to entry of a temporary or permanent injunction.

In addition to the Franchise Agreement, in the form attached as Exhibit A, Minnesota franchisees will sign a Minnesota Addendum in the form attached to this Exhibit D-5.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

THIS MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT (the “**Addendum**”), is made as of the ____ day of ____, between **QC FRANCHISE GROUP LLC** a South Carolina limited liability company (“Franchisor”), and _____ (“Franchisee”), to that certain Franchise Agreement dated as of even date herewith (the “Agreement”).

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a franchised unit at ____ (the “Franchised Business”); and

WHEREAS, the laws of the State of Minnesota require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

Amendment. The terms of the Agreement are amended as follows:

Indemnification. The following language is added to Section 17:

(h) The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee’s use of Franchisor’s registered trademark infringes trademark rights of the third party. Franchisor is not required to indemnify Franchisee for its use of Franchisor’s trademark unless such use is in accordance with the requirements of the Franchise Agreement. As a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within 10 days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisee must cooperate in the defense as reasonably required and Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Consent. The following language is added as the new last paragraph of Section 18.2:

Minnesota Statute 80C.14, Subd. 5 states, “It is unfair and inequitable for a person to unreasonably withhold consent to an assignment, transfer, or sale of the franchise whenever the franchisee to be substituted meets the present qualifications and standards required of the franchisees of the particular franchisor”.

Notice. The following language is added as the new second paragraph of Section 19.1:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5 which require except in certain specified cases, that Franchisee be given 90-days' notice of termination with 60 days to cure (subject to the exceptions in the Rule 2860.4400(E)(2)(a)-(c)) and 180-days' notice for nonrenewal of the Franchise Agreement.

Limitation of Claims. The following language is added as a new Section 18.7:

Minnesota Statute 80C.17, Subd. 5 states, "No action may be commenced pursuant to this section more than three years after the cause of action accrues."

Jurisdiction. The following language is added to Section 21.7:

This section shall in no way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes 1984, Chapter 80C, including the right to submit matters to the jurisdiction of the courts of Minnesota or the right to a jury trial.

Forum. The following language is added to the end of Section 21.4

Notwithstanding any requirement for litigation to be conducted in South Carolina, litigation may be brought in Minnesota to the extent required by Minnesota law.

Release. The following language is added as a new Section 20.9:

Notwithstanding any other provisions in this Agreement to the contrary, Minnesota Rule 2860.4400(D) provides that a franchisee may not be required to assent to a release that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, sections 80C.01 to 80C.22.

Bond. The following language is added to the end of Section 21.6:

Notwithstanding any other provisions in this Agreement to the contrary, Minnesota Rule 2860.4400(J) provides that [a] although a franchisor can seek injunctive relief, a franchisee cannot consent to the franchisor's obtaining injunctive relief and [b] a court shall decide whether bond is required as a condition to entry of a temporary or permanent injunction.

Supplemental Agreement. This Addendum is supplemental to and part of the Agreement. All the Agreement's terms and provisions, as amended above, shall remain effective on and after the date written above, as they may be later amended, supplemented, or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

QC FRANCHISE GROUP LLC

[DEVELOPER]

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

EXHIBIT D-6

**NEW YORK ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

NEW YORK STATE ADDENDUM TO FDD

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by a franchisee": "You may terminate the agreement on any grounds available by law."

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

EXHIBIT D-7

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT – NORTH DAKOTA

Item 17(i) of the Disclosure Document, Section 20.8 of the Franchise Agreement, and Section 7.V of the Development Agreement requires the franchisee to consent to termination or liquidated damages. These sections will be deleted in the Addendum to Franchise/Development Agreement.

Item 17(c) of the Franchise Disclosure Document and Section 4.2(g) of the Franchise Agreement require the franchisee to sign a release of claims upon renewal of the franchise agreement. These provisions may not be enforceable under North Dakota law.

Item 17(r) of the Franchise Disclosure Document and Section 15 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which franchisees must agree. Covenants not to compete are generally considered unenforceable in the State of North Dakota.

Item 17(u) of the Franchise Disclosure Document, Section 21.3-4 of the Franchise Agreement and Section 14.D-E of the Development Agreement provides that the franchisee must agree to the arbitration or mediation of disputes, such arbitration or mediation to be held in North Carolina. These provisions may not be enforceable under North Dakota law.

Item 17(w) of the Franchise Disclosure Document and Section 21.7 of the Franchise Agreement and Section 14.A of the Development Agreement require application of the laws of the State of North Carolina. These provisions may not be enforceable under North Dakota law.

Section 14.E of the Development Agreement requires the franchisee to consent to a waiver of a trial by jury and to consent to a waiver of exemplary and punitive damages.

Section 21.4 of the Franchise Agreement requires the franchisee to consent to a waiver or exemplary and punitive damages. These provisions may not be enforceable under North Dakota law. These sections will be deleted in the Addendum to Franchise/Development Agreement.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

In addition to the Franchise Agreement, in the form attached as Exhibit A, North Dakota franchisees will sign the North Dakota Addendum to Franchise Agreement, in the form attached to this Exhibit D-7.

EXHIBIT D-7

ADDENDUM TO FRANCHISE/DEVELOPMENT AGREEMENT – NORTH DAKOTA

THIS ADDENDUM TO FRANCHISE/DEVELOPMENT AGREEMENT (this "**Addendum**") is made, entered into and effective this ____ day of _____, 20__, for purposes of complying with the requirements of the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, §§ 51-09-01 through 51-19-17 (2003) (the "**NDFIL**"), by and between QC Franchise Group LLC ("**Franchisor**") and _____ ("**Franchisee**") to amend and revise certain provisions of the Disclosure Document, Franchise Agreement and/or Development Agreement between Franchisor and the Franchisee, dated, _____ 20__ (collectively, the "**Agreement**") as follows:

Item 17(i) of the Disclosure Document, Section 20.8 of the Franchise Agreement, and Section 7.V of the Development Agreement are deleted and shall have no force or effect in North Dakota.

Item 17(u) of the Disclosure Document, Section 21.3-4 of the Franchise Agreement, and Section 14.D-E of the Development Agreement are amended to state that the site of arbitration or mediation be agreeable by all parties and may not be remote from the Franchisee's place of business.

Item 17(v) of the Disclosure Document, Section 21.7 of the Franchise Agreement, and Section 14.B of the Development Agreement are deleted and shall have no force or effect.

Item 17(w) of the Disclosure Document, Section 21.7 of the Franchise Agreement, and Section 14.A of the Development Agreement are deleted and shall have no force or effect.

Section 14.E of the Development Agreement is deleted and shall have no force or effect.

Item 17(c) of the Franchise Disclosure Document and Section 4.2(g) of the Franchise Agreement require the franchisee to sign a release of claims upon renewal of the franchise agreement. These provisions may not be enforceable under North Dakota law.

Item 17(r) of the Franchise Disclosure Document and Section 15 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which franchisees must agree. Covenants not to compete are generally considered unenforceable in the State of North Dakota.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

If the Agreement requires that FRANCHISEE consent to a limitation of claims, the requirement is void and the statute of limitations under North Dakota law will apply.

Notwithstanding anything to the contrary in the Disclosure Document or the Agreement the prevailing party in

any enforcement action is entitled to recover all costs and expenses including attorney's fees.

As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Agreement, Franchisor reserves the right to challenge the enforceability of the state law.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the NDFIL applicable to the provisions are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

To the extent this Addendum is deemed to be inconsistent with any terms or conditions of the Agreement or the exhibits attached thereto, the terms of this Addendum will govern. All other terms and conditions of the Agreement will remain the same.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it will be effective as of the date first above written.

FRANCHISEE

FRANCHISOR

Name: _____

Name: _____

Its: _____

Its: _____

SHAREHOLDERS/PRINCIPALS:

GUARANTORS:

EXHIBIT D-8

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT – WASHINGTON

Notwithstanding the provisions contained in Items 17(d), 17(g) and 17(r), including those regarding termination of the franchise, are subject to state law.

In addition to the Franchise Agreement, in the form attached as Exhibit A, Washington franchisees will sign a Washington Addendum in the applicable form attached to this Exhibit D-8.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

THIS WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT (the "**Addendum**"), is made as of _____, between **QC FRANCHISE GROUP LLC**, a South Carolina limited liability company ("**Franchisor**"), and _____, a _____ ("**Franchisee**"), to that certain Franchise Agreement dated as of even date herewith (the "**Agreement**").

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a franchised unit at _ (the "**Franchised Business**"); and

WHEREAS, the laws of the State of Washington require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

Amendment. The terms of the Agreement are amended as follows:

1.1 The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 (the "**Act**"), which may supersede the Agreement in Franchisee's relationship with Franchisor including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor, including the areas of termination and renewal of the franchise.

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

In the event of a conflict of laws, the provisions of the Act shall prevail.

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

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

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

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

unenforceable in Washington.

2. Supplemental Agreement. This Addendum is supplemental to and part of the Agreement. All the Agreement’s terms and provisions, as amended above, shall remain effective on and after the date written above, as they may be later amended, supplemented, or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

FRANCHISEE

FRANCHISOR

Name: _____

Name: _____

Its: _____

Its: _____

Exhibit E

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QC Kinetix Franchise Operations Manual Table of Contents

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MANUALS and GUIDES

Brand Style Guide

Leader guide for Hiring

Front Desk Manual

Finance Manual

Provider Reference Guide

MA Reference Guide

Consultation Coordinator Reference Guide

Hair Restoration Manual

Hair Restoration Maintenance Manual

Hair Restoration

Provider Guide

TRT Manual

MSK Membership Manual

APPENDICES

Mandatory and Approved Vendors Signage Specifications

Décor

Equipment and Inventory Financial

Statement Forms and Samples

Treatment Knowledge Marketing

QC Kinetix Operations Manual consists of 847 pages, including all Manuals, Guides, and Appendices.

The Operations Manual without Manuals and Guides consists of 332 pages.

Exhibit F

List of Franchisees

State / Province	City	Street Address	Center Phone	Owner First Name	Owner Last Name
Arizona	Chandler	1100 S Dobson RD Suite 210, Chandler, AZ 85286	(602) 819-6339	Mark	Richardson
Arizona	Peoria	13128 North 94th Drive Suite 205, Peoria, AZ 85381	(602) 819-6339	Mark	Richardson
Arizona	Phoenix	9305 West Thomas Road Suite 460, Phoenix, AZ 85037	(602) 819-6339	Mark	Richardson
Arizona	Scottsdale	9220 E. Mountain View Rd Ste 210, Scottsdale, AZ 85258	(602) 819-6339	Mark	Richardson
Arizona	Tucson	1925 W. Orange Grove Suite 307, Tucson, AZ 85704	(512) 694-7804	Chris	Roberts
				Mason	Caldwell
Arizona	Tucson	310 North Wilmot Rd. Ste. 101, Tucson, AZ 85711	(512) 694-7804	Chris	Roberts
				Mason	Caldwell
				Clara	Caughel
Arkansas	Bentonville	211 SE 34th St Suite 3, Bentonville, AR 72716	(417) 619-2017	Katherine	Preston
				Clara	Caughel
				Lindsay	Caughel
				Ron	Preston
Arkansas	Little Rock	500 S. University Ave suite 207 Little Rock, AR 72205	(803) 917-1254	Jason	Mildenberger
				Lindsay	Caughel
California	Clovis	1530 Shaw Ave., Clovis, CA 93611	(559) 214-1885	Kenny	Patel
				Heman	Patel
				Viren	Patel
California	Costa Mesa	1640 Newport Boulevard, Costa Mesa, CA 92627	(626) 589-8935	Kabir	Ahmed
California	Glendale	222 West Eulalia Street, Glendale, CA 91205	(626) 589-8935	Kabir	Ahmed
California	Mission Viejo	26732 Crown Valley Parkway, Mission Viejo, CA 92691	(626) 589-8935	Kabir	Ahmed
California	Orange	1010 West La Veta Avenue, Suite 675, Orange, CA 92868	(626) 589-8935	Kabir	Ahmed
California	Pleasanton	5720 Stoneridge Mall Road, Suite 260, Pleasanton, CA 94588	(408) 858-6440	Vinod	Kashyap
California	San Jose	1530 Meridian Avenue, Suite 103, San Jose, CA 95125	(408) 858-6440	Vinod	Kashyap
California	San Diego	4033 3rd Ave Suite 430, San Diego, CA 92103 USA	(513) 477-0613	Michael	Prus
California	San Diego	4765 Carmel Mountain Rd. Suite 202, San Diego, CA 92103	(513) 477-0613	Michael	Prus
Colorado	Aurora	1550 S Potomac Street, Suite 320, Aurora, CO 80012	(970) 237-0102	Daniel	Rosenthal
Colorado	Colorado Springs	595 Chapel Hills Dr Ste 100, Colorado Springs, CO 80920	(770) 851-8328	Daniel	Rosenthal

Colorado	Highlands Ranch	200 W County Line Road, Highlands Ranch, CO 80129	(970) 237-0102	Daniel	Rosenthal
Colorado	Louisville	80 Health Park Drive, Suite 230, Louisville, CO 80027	(970) 237-0102	Daniel	Rosenthal
Connecticut	Avon	100 Simsbury Rd. Suite 208, Avon, CT 06001	(303) 641-6676	Gregg	Nardone
				Emily	Nardone
Connecticut	Glastonbury	622 Hebron Ave Suite 204, Glastonbury, CT 06033	(303) 641-6676	Emily	Nardone
				Gregg	Nardone
Connecticut	New Haven	1 Long Wharf Dr. Suite 303, New Haven, CT 06511	(303) 641-6676	Gregg	Nardone
				Emily	Nardone
Florida	Boca Raton	9970 Central Park Blvd #201, Boca Raton, FL 33428	(305) 303-0479	Eran	Sharon
				Richard	Paz
Florida	Boynton Beach	1301 N Congress Ave Boynton Beach, FL 33426	(305) 303-0479	Richard	Paz
				Eran	Sharon
Florida	Gainesville	2555 SW 76th Street Suite 110, Gainesville, FL 32608	(954) 290-5327	Peter	Acs
				Michael	Katz
				Jason	West
Florida	Jacksonville	12276 San Jose Blvd Building 200 Suite 212 Jacksonville, FL 32223	(843) 766-2322	Peter	Acs
				Michael	Katz
				Jason	West
Florida	Lake Mary	4106 West Lake Mary Boulevard, Suite 205, Lake Mary, FL 32746	(270) 874-7161	Michael	Katz
				Jason	West
				Peter	Acs
Florida	Miami	730 NW 107th Ave Suite 210, Miami, FL 33172	(305) 303-0479	Eran	Sharon
				Richard	Paz
Florida	Miami	3850 Bird Rd Suite 701, Miami, FL 33146	(305) 303-0479	Eran	Sharon
				Richard	Paz
Florida	Miami	9380 SW 150 St, Suite 210 Miami, FL 33176	(305) 303-0479	Richard	Paz
				Eran	Sharon
Florida	North Miami Beach	1380 NE Miami Gardens Dr. #225, North Miami Beach, FL 33179	(305) 303-0479	Eran	Sharon

				Richard	Paz
Florida	Ocala	1740 SE 18th St #1201, Ocala, FL 34471	(352) 660-4474	Michael	Katz
				Peter	Acs
				Jason	West
Florida	Orlando	1724 33rd Street Ste 130, Orlando, FL 32839	(270) 874-7161	Michael	Katz
				Peter	Acs
				Jason	West
Florida	Pembroke Pines	1806 N Flamingo Rd, Suite 440, Pembroke Pines, FL 33028	(305) 303-0479	Eran	Sharon
				Richard	Paz
Florida	Ponte Vedra Beach	820 Highway A1A North, Ponte Vedra Beach, FL 32082	(843) 766-2322	Michael	Katz
				Peter	Acs
				Jason	West
Florida	Summerfield	17350 SE 109th Terrace Road Unit 4, Summerfield, FL 34471	(352) 660-4474	Peter	Acs
				Jason	West
				Michael	Katz
Florida	Tallahassee	1641 Mahan Center Blvd Suite 2, Tallahassee, FL 32308	(615) 972-6710	Jason	West
				Peter	Acs
				Michael	Katz
Florida	Tamarac	7710 NW 71st Ct. #300, Tamarac, FL 33321	(305) 303-0479	Eran	Sharon
				Richard	Paz
Florida	Winter Park	1870 Aloma Avenue, Winter Park, FL 32789	(270) 874-7161	Michael	Katz
				Peter	Acs
				Jason	West
Florida	West Palm Beach	1411 N. Flagler Drive Suite 8700 West Palm Beach, FL 33401	(305) 303-0479	Richard	Paz
				Eran	Sharon
Georgia	Atlanta	755 Mount Vernon Hwy, Suite 430 Atlanta, GA 30328	(336) 906-1885	Joseph	Marshall
				Dennis	Murphy
				Paul	Wong

Georgia	Augusta	3606 Wheeler Rd, Augusta, GA 30909	(779) 842-3273	Brian	Procida
Georgia	Decatur	200 E Ponce de Leon Avenue Suite 275 Decatur, GA 30030	(336) 906-1885	Paul	Wong
				Joseph	Marshall
				Dennis	Murphy
Georgia	Douglasville	4586 Timber Ridge, Suite 180 Douglasville, GA 30135	(336) 906-1885	Joseph	Marshall
				Dennis	Murphy
				Paul	Wong
Georgia	Lawrenceville	771 Old Norcross Road Suite 375, Lawrenceville, GA 30046	(336) 906-1885	Joseph	Marshall
				Dennis	Murphy
				Paul	Wong
Georgia	Marietta	780 Canton Road Northeast, Suite #200 Marietta, GA 30060	(336) 906-1885	Dennis	Murphy
				Paul	Wong
				Joseph	Marshall
Georgia	Pooler	1000 Towne Center Blvd Suite 703, Pooler, GA 31322	(770) 335-0197	Brian	Procida
Georgia	Stockbridge	290 Country Club Drive Suite 160, Stockbridge, GA 30281	(336) 906-1885	Paul	Wong
				Dennis	Murphy
				Joseph	Marshall
Idaho	Boise	9382 W Overland Road, Boise, ID 83709	(201) 234-9385	Renee	Ripsey
				Benjamin	Ripsey
Illinois	Aurora	4050 Healthway Drive Suite #210, Aurora, IL 60504	(641) 990-3487	Bill	Maschmeier
Illinois	Crystal Lake	360 Station Dr. Suite 240 Crystal Lake, IL 60014	(641) 990-3487	Bill	Maschmeier
Illinois	Gurnee	15 Tower Court Suite 255 Gurnee, IL 60031	(641) 990-3487	Bill	Maschmeier
Illinois	Morton Grove	9000 Waukegan road Suite 210, Morton Grove, IL 60053	(641) 990-3487	Bill	Maschmeier
Illinois	Oakbrook	1S224 Summit Ave Suite 203A, Oakbrook, IL 60181	(641) 990-3487	Bill	Maschmeier
Indiana	Carmel	13450 N Meridian Street Suite 244, Carmel, IN 46032	(720) 261-9957	Andrew	White
				Michael	Sample
Indiana	Elkhart	881 Parkway Avenue, Suite 200, Elkhart, IN 46516	(260) 241-3729	Bill	Maschmeier
Indiana	FT Wayne	10020 Dupont Circle Ct Ste 130, Ft Wayne, IN 46825	(317) 374-3697	Perry	Grove
				Adam	Ranard
Indiana	Indianapolis	5510 South East Building A Suite G, Indianapolis, IN 46227	(720) 261-9957	Andrew	White

				Michael	Sample
Indiana	Mishawaka	250 E. Day Road Ste 360, Mishawaka, IN 46545	(260) 241-3729	Bill	Maschmeier
				Oduware	Obasohan
Iowa	Coralville	2769 Heartland Dr Suite 307, Coralville, IA 52241	(330) 351-5557	Konlavouth	Varangkounh
				Molly	Varangkounh
Iowa	West Des Moines	1903 EP True Parkway Suite 301, West Des Moines, IA 50265	(816) 682-6815	Clayton	Darnell
				Megan	Mildenberger
				Tim	Mildenberger
				Rachel	Mildenberger
				Stephanie	Darnell
				Jason	Mildenberger
				Kevin	Mildenberger
Kentucky	Louisville	6420 Dutchmans Parkway Ste 375, Louisville, KY 40205	(801) 380-8832	Lora	Nelson
Maine	Freeport	23 Durham Rd Suite 301, Freeport, ME 04032	(786) 247-2169	Jose	Mora
Maine	Kennebunk	169 Port Rd Suite 23, Kennebunk, ME 04043	(786) 247-2169	Jose	Mora
Maine	South Portland	75 John Roberts Rd #4C, South Portland, ME 04106	(786) 247-2169	Jose	Mora
Massachusetts	Springfield	3550 Main St. Suite #202, Springfield, MA 01107	(801) 856-2935	Viren	Patel
				Kenny	Patel
Michigan	Grand Rapids	1179 East Paris Ave SE Suite 220, Grand Rapids, MI 49546	(212) 602-1417	Adam	Brant
				Mike	Katergaris
Michigan	Holland	3290 N Wellness Dr Suite 140, Holland, MI 49424	(212) 602-1417	Adam	Brant
				Mike	Katergaris
Michigan	Lansing	3370 E Jolly Rd Suite C, Lansing, MI 48910	(517) 537-7433	Mike	Katergaris
				Adam	Brant
Michigan	Portage	700 Mall Drive, Portage, MI 49024	(616) 622-3505	Adam	Brant
				Mike	Katergaris
Minnesota	Burnsville	14050 Nicollet Avenue Suite 202, Burnsville, MN 55337	(630) 926-7273	Josh	Means
				Pam	Means
Minnesota	Chanhassen	7770 Dell Road Suite 130, Chanhassen, MN 55317	(630) 926-7273	Josh	Means
				Pam	Means
Minnesota	Fridley	500 Osborne Road NE Suite 215, Fridley, MN 55432	(630) 926-7273	Josh	Means

				Pam	Means
Minnesota	Maple Grove	12000 Elm Creek Blvd Suite L20, Maple Grove, MN 55369	(630) 926-7273	Josh	Means
				Pam	Means
Minnesota	Maplewood	1655 Beam Avenue Suite 108, Maplewood, MN 55109	(630) 926-7273	Josh	Means
				Pam	Means
Missouri	Gladstone	101 NW Englewood Rd, Gladstone, MO 64118	(123) 456-7890	Jason	Mildenberger
Missouri	Kansas City	1010 Carondelet Dr Suite 208, Kansas City, MO 64114	(222) 333-4444	Jason	Mildenberger
Missouri	Springfield	4955 S. National, Springfield, MO 65810		Avelino	Ribeiro
Missouli	Branson	5571 Gretna Road, Suite B, Branson, MO 65616		Avelino	Ribeiro
Montana	Billings	2345 King Ave W, Billings, MT 59102	(817) 716-4842	Bradley	Staples
				Michael	Matthews
				Bryan	Searle
				Trevor	Langston
New York	Buffalo	4600 Main Street Suite 100, Buffalo, NY 14226	(917) 209-8517	Keith	Oh
New York	Hamburg	17 Long Ave Suite 106 Hamburg, NY 14075	(917) 209-8517	Keith	Oh
New York	Latham	711 Troy Schenectady Road Suite 207, Latham, NY 12110	(772) 217-7031	Daniel	Grabowski
				Mark	Justice
New York	Saratoga Springs	1 West Ave Suite 305, Saratoga Springs, NY 12866	(772) 217-7031	Mark	Justice
				Daniel	Grabowski
North Carolina	Greensboro	1002 N Church St Suite 202, Greensboro, NC 27401	(336) 234-3862	Eric	Pollard
				Autumn	Tobias
North Carolina	Greenville	1103 B Corporate Drive, Greenville, NC 27858	(610) 761-1864	Brian	Enright
				Josh	Reborchick
North Carolina	Winston-Salem	765 Highland Oaks Dr #100, Winston-Salem, NC 27103	(336) 344-9392	Eric	Pollard
				Autumn	Tobias
Ohio	Beachwood	3619 Park East Drive Suite 209, Beachwood, OH 44122	(440) 490-5234	Rob	Heyd
				Elaine	Heyd
Ohio	Columbus	5175 Morse Rd Suite 450, Columbus, OH 43230	(336) 689-4858	Joseph	Marshall
				Paul	Wong
				Dennis	Murphy
Ohio	Dayton	500 Lincoln Park Blvd Suite 206, Dayton, OH 45429	(563) 321-7790	Jon Andrew	Bright

Ohio	Dublin	5040 Bradenton Ave Suite C, Dublin, OH 43017	(336) 689-4858	Joseph	Marshall
				Dennis	Murphy
				Paul	Wong
Ohio	Independence	6701 Rockside Road Suite 360, Independence, OH 44131	(440) 490-5234	Elaine	Heyd
				Rob	Heyd
Ohio	Liberty Township	6770 Cincinnati Dayton Road STE 110, Liberty Township, OH 45044	(703) 901-4901	Dave	Olson
				Paul	Wong
				Joseph	Marshall
Ohio	Mentor	9500 Mentor Avenue Suite 360, Mentor, OH 44060	(440) 554-2030	Rob	Heyd
				Elaine	Heyd
Ohio	Westlake	25200 Center Ridge Road Suite 3200, Westlake, OH 44145	(440) 490-5234	Rob	Heyd
				Elaine	Heyd
Ohio	Warren	8828 E Market Street Suite #1, Warren, OH 44484	(412) 292-8313	Todd	Rosa
				Sharon	Rosa
Oklahoma	Tulsa	9716 Riverside PKWY STE 101, Tulsa, OK 74137	(417) 619-2017	Katherine	Preston
				Ron	Preston
				Clara	Caughel
				Lindsay	Caughel
Oregon	Eugene	920 Country Club Rd Suite 240 B, Eugene, OR 97401	(925) 989-3811	Tammy	Hawthorne
				Mark	Hawthorne
Pennsylvania	Camp Hill	205 Grandview Ave, Suite 402, Camp Hill, PA 17011	(571) 732-6684	Sandeep	Lohia
Pennsylvania	Exton	80 W Welsh Pool Rd Suite 201, Exton, PA 19341	(435) 237-9550	Klay	Bingham
Pennsylvania	Jenkintown	1653 The Fairway Ste A216, Jenkintown, PA 19046	(435) 237-9550	Klay	Bingham
Pennsylvania	Kennett Square	404 McFarlan Rd. Ste 201, Kennett Square, PA 19348	(435) 237-9550	Klay	Bingham
Pennsylvania	King of Prussia	170 N Henderson Rd Ste 206, King of Prussia, PA 19406	(435) 237-9550	Klay	Bingham
Pennsylvania	Lancaster	1891 Santa Barbara Drive, Suite 204, Lancaster, PA 17601	(571) 732-6684	Sandeep	Lohia
Pennsylvania	Pittsburgh	Two Robinson Plaza, Suite 310, 6600 Steubenville Pike, Pittsburgh, PA 15205	(412) 292-8313	Todd	Rosa
				Sharon	Rosa
Rhode Island	Fall River	222 Milliken Blvd 4th Floor, Fall River, MA 02721	(770) 313-6980	Gregg	Nardone

				Emily	Nardone
Rhode Island	Warwick	400 Bald Hill Rd Ste 508 Warwick, RI 02886	(770) 313-6980	Emily	Nardone
				Gregg	Nardone
South Carolina	Myrtle Beach	8210 Devon Ct Suite A, Myrtle Beach, SC 29572	(222) 333-4444	Adam/Dick	Rose
South Carolina	West Columbia	3020 Sunset Blvd Ste. 102, West Columbia, SC 29169	(404) 414-1156	Hari	Cheedella
Tennessee	Chattanooga	1309 Panorama Drive Suite 109, Chattanooga, TN 37421	(404) 308-4032	Matthew	McFarlane
				Jeffrey	McFarlane
Tennessee	Clarksville	787 Weatherly Drive, Suite 300, Clarksville, TN 37043	(662) 321-2274	Dennis	Goldman
				Paul	Goldman
Tennessee	Knoxville	11653 Parkside Drive, Knoxville, TN 37934	(843) 270-6455	David	Wertan
				Deborah	Wertan
Tennessee	Nashville	1916 Patterson Street, Suite 205, Nashville, TN 37203	(662) 321-2274	Dennis	Goldman
				Paul	Goldman
Tennessee	Powell	7714 Conner Rd Suite 104 Powell, TN 37849	(843) 270-6455	David	Wertan
				Deborah	Wertan
Tennessee	Murfreesboro	1747 Medican Center Pkwy, Murfreesboro, TN 37129	(662) 321-2274	Dennis	Goldman
				Paul	Goldman
Texas	Amarillo	1901 Medi-Park Drive, Suire 2036, Amarillo TX 79106	(405) 531-6779	Chris	Dellaughter
Texas	Austin	3801 Bee Caves Road, Suite 140, Austin, TX 78746		Casey	Sietsema
Texas	Beaumont	350 Pine St, Suite 350, Beaumont, TX 77701	(409) 422-7511	Anthony	Strong
Texas	Bryan	8441 Riverside Parkway, Suite 4200, Bryan, TX 77807		Casey	Sietsema
Texas	Corpus Christi	1521 South Staples St Corpus Christi, TX 78401	(832) 488-0505	Keith	Southard
Texas	Dallas	9301 N Central Expwy, Dallas TX 75231	(404) 323-9722	Rich	Hicks
				Shane	Fay
Texas	Ft. Worth	1650 W Rosedale Suite 302 Ft. Worth, TX 76104	(404) 323-9722	Rich	Hicks
				Shane	Fay
Texas	Grapevine	2020 W State Hwy 114, Suite, 120, Grapevine, TX	(404) 323-9722	Shane	Fay
				Rich	Hicks
Texas	Harris County	1900 N. Loop W. Fwy, Houston, Harris County, Texas 77018	(281) 881-2080	Shane	Fay
				Rich	Hicks
Texas	Houston	10425 Huffmeister Road, Suite 480, Houston, TX 77065	(281) 881-2080	Rich	Hicks

				Shane	Fay
Texas	Lubbock	4903 82nd St, Lubbock, TX 79424	(405) 531-6779	Chris	Dellaughter
Texas	Midland	3300 North A st, suite 8-125 Midland, TX 79705	(313) 539-9390	Kimani	Frank
Texas	New Braunfels	1583 East Common Street, Suite 211, New Braunfels, TX 78130		Casey	Sietsema
Texas	Plano	6000 W Spring Creek Pkwy, Suite 120, Plano TX 75024	(404) 323-9722	Rich	Hicks
				Shane	Fay
Texas	Round Rock	511 Oakwood Blvd, Suite 203, Round Rock, TX 78681		Casey	Sietsema
Texas	San Antonio	18707 Hardy Oak Blvd, Suite 445, San Antonio, TX 78258		Casey	Sietsema
Texas	San Antonio	3903 Wiseman Blvd, San Antonio, TX 78251		Casey	Sietsema
Texas	Shenandoah	1001 Medical Plaza Dr Suite 190, Shenandoah, TX 77380	(281) 881-2080	Shane	Fay
				Rich	Hicks
Texas	Sherman	300 N Highland Drive, Sherman, TX 75092	(704) 661-8747	Viren	Patel
Texas	Sugar Land	1327 Lake Pointe Parkway Suite 317, Sugar Land, TX 77478	(281) 881-2080	Shane	Fay
				Rich	Hicks
Texas	Temple	10154 Windy Pointe, Suite 120, Temple, TX 76502		Casey	Sietsema
Utah	Bountiful	1551 South Renaissance Towne Dr Ste 320, Bountiful, UT 84010	(801) 699-5476	Klay	Bingham
Utah	Provo	524 W 300 North suite 203, Provo, UT 84601	(801) 699-5476	Klay	Bingham
Utah	Salt Lake City	1121 E 3900 S. suite 130, Salt Lake City, UT 84124	(801) 699-5476	Klay	Bingham
Vermont	Colchester	401 Water Tower Circle, Suite 203, Colchester, VT 05446	(802) 355-3486	Tom	Lee
Virginia	Newport News	716 Denbigh Blvd, Suite C-4, Newport News, VA 23608	(919) 696-1399	Autumn	Tobias
				Eric	Pollard
Virginia	Richmond	8700 Stony Point Parkway, Suite 140, Richmond, VA 23235	(919) 693-1399	Autumn	Tobias
				Eric	Pollard
Virginia	Virginia Beach	828 Healthy Way, Suite 370, Virginia Beach, VA 23462	(919) 696-1399	Autumn	Tobias
				Eric	Pollard
Wisconsin	Appleton	1703 S. Oneida St, Unit A, Appleton, WI 54915	(732) 910-4812	Gregory	Osiegbu
Wisconsin	Altoona	1409 Winchester Way, Suite 6, Altoona, WI 54720	(619) 248-1511	Jennifer	Busser
Wisconsin	Green Bay	1525 Park Place, Suite 200, Green Bay, WI 54304	(732) 910-4812	Gregory	Osiegbu

Wisconsin	Greenfield	4131 W Loomis Rd Ste 210, Greenfield, WI 53221	(512) 506-1478	Bill	Maschmeier
Wisconsin	Mequon	10345 N Port Washington Ste 150, Mequon, WI 53092	(512) 506-1478	Bill	Maschmeier
Wisconsin	Madison	406 Science Drive, Suite 410, Madison, WI 53711	(920) 770-6292	Allan	Breidenbach
Wisconsin	Madison	4600 American Parkway, Suite 208, Madison, WI 53718	(920) 770-6292	Allan	Breidenbach
Wyoming	Cheyenne	5920 Yellowstone Road Suite 4, Cheyenne, WY 82009	(970) 744-9323	Mason	Meyer
				Cody	Johnson

Exhibit G

Franchisees Who Left the System in 2024

Exhibit G lists the name, city and state, and the current business telephone number (or, if unknown, home) of every franchisee who ceased to do business under the franchise agreement or had an outlet terminated, canceled, not renewed, transferred, within the last fiscal year, or who has not communicated with the franchisor within 10 weeks of the application date.

2024 Ownership Terminations

Steven Nicholas: Memphis, TN and Huntington, West Virginia; 304-617-2500

Anthony (Tony) Strong: Lafayette, LA and Frisco, TX; 214-289-0838

Brian Weed: Jackson, TN and Gallatin, TN; 770-712-0466

Alan Cole / Mason Cole / Nick Spera / Lisa Spera: Sioux Falls, SD and Rusk, TX / Dallas, TX / Rusk, TX / Rusk, TX; 704-661-8747 / 704-579-7127 / 854-202-5069 / 854-202-5069

Andrew Sullivan; St. Louis, MO and Bradenton, FL; 603-568-1617

Ashley Thomas / Susan Thomas: Harlingen, TX and Pearland, TX; 832-721-8908 / 832-721-8908

Michael Prus / Charlie Mescher: Baltimore, MD and Cincinnati, OH / Severna Park, Maryland; 513-477-0613 / 714-271-0476

Jeremy P. Colombik / Jeffrey D. Kleid: Raleigh, NC and Raleigh, NC / Newport Beach, CA; 847-337-7541 / 949-478-0363

Bradley Staples / Michael Matthews / Trevor Langston / Bryan Searle: Idaho Falls, ID and Nibley, UT / Nibley, UT / Wellsville, UT / Shelley, ID; 435-999-4085 / 435-881-2604 / 801-643-9781 / 208-521-5636

Jeremy Anderson / Kristin Anderson: Joplin, MO and Durango, CO / Durango, CO; 970-749-7407 / 970-749-7407

Adam Ranard / Perry Grove: Toledo, OH and Bargersville, IN / Indianapolis, IN; 317-347-3697 / 317-872-6676

Robert Rodriguez: Tyler, TX and Plano, TX; 972-672-0005

Joe Luber: Lexington, KY and Louisville, KY; 502-608-7728

Hursh Patel / Chetan Patel / Girish Patel / Pinakin Patel: Tri-Cities, TN and Cookeville, TN / Cookeville, TN / Cookeville, TN / Hermitage, TN; 931-319-6949 / 931-265-1199 / 931-284-2601 / 423-693-8686

Milan Patel: Wichita Falls, TX and Parsippany, NJ; 973-769-8056

Dennis Daughey / Jeff Cooke: Birmingham, AL and Birmingham, AL; 205-422-5661 / 205-937-2800

ZVI Leibovici: Mobile, AL and Aventura, FL; 561-289-6800

Bharat Thakkar: Flint, MI and Madison, OH; 440-990-6686

Innocent Clement / Oduware Obasohan: Evansville, IN and New York, NY / East Orange, NJ; 347-706-9929 / 646-651-9947

Joshua Ingram / Adam Blindauer / Emily Whyms / Garrett Whyms: Wichita, KS and Rosendale, WI / Fond du Lac, WI / Oakfield, WI / Oakfield, WI; 608-617-3143 / 920-207-2412 / 920-517-5500 / 920-517-5500

Alan Cole: Santa Barbara, CA and Rusk, TX; 704-661-8747

1.

Stephen Alexander: Charleston-Huntington, WV and Tampa, FL; 317-374-4790

Josiah Dare / Rebecca Dare: Medford, OR and Frisco, TX / Frisco, TX; 850-208-4834 / 850-208-4834

Dr. Tanvir Dara / Alvaro Zeballos / Paulo Gazoni: Ft. Myers – Naples, FL and Estero, FL / Henrico, VA / Henrico, VA; 716-818-7719 / 804-677-6418 / 804-787-0530

David Betty / Brian Betty: Boston, MA and Nashua, NH / Tyngsboro, MA: 603-966-7239 / 978-804-3670

Daniel SuchermanL Tampa, FL and Charlotte, NC, 561-866-1166

2024 Ownership Transfers

1. Josh Means / Pam Means
 - a. Phoenix, AZ
 - b. Mound, MN / Mound, MN
 - c. 630-926-7273 / 508-826-1636
2. Rex Olson
 - a. Salt Lake City, UT
 - b. Kaysville, UT
 - c. 801-699-5476
3. Bart Bess
 - a. Philadelphia, PA
 - b. Perry, UT
 - c. 435-237-9550
4. Scott McLeod
 - a. Chattanooga, TN
 - b. Big Canoe, GA
 - c. 404-308-4032
5. Eric Rowden / Steve Decker
 - a. Tulsa, OK
 - b. Springfield, MI
 - c. 417-830-2898 / 417-619-2017
6. Eric Rowden / Steve Decker
 - a. Ft. Smith – Fayetteville, AR
 - b. Springfield, MI
 - c. 417-830-2898 / 417-619-2017
7. Hursh Patel / Chetan Patel / Girish Patel / Pinakin Patel
 - a. Columbia, SC
 - b. Cookeville, TN / Cookeville, TN / Cookeville, TN / Hermitage, TN
 - c. 931-319-6949 / 931-265-1199 / 931-284-2601 / 423-693-8686

Exhibit H

Financial Statements

QC FRANCHISE GROUP LLC

Financial Statements

Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Members
QC Franchise Group LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of QC Franchise Group LLC (a South Carolina limited liability company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QC Franchise Group 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 QC Franchise Group LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about QC Franchise Group LLC'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 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 QC Franchise Group LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about QC Franchise Group LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Thomas, J. & Tuckman, P.A.

Raleigh, North Carolina
March 28, 2025

QC FRANCHISE GROUP LLC
BALANCE SHEETS
December 31, 2024 and 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and Cash Equivalents	\$ 8,911,186	\$ 4,915,593
Accounts Receivable, Net	846,074	949,047
Related Party Receivable	2,252,218	376,854
Prepaid Expenses	977,675	562,532
Inventory	46,971	24,381
Deferred Costs, Current	602,985	861,889
Notes Receivable - Franchisees, Current	172,669	-
Other Receivables	13,729	3,041
	<u>13,823,507</u>	<u>7,693,337</u>
Total Current Assets		
	<u>13,823,507</u>	<u>7,693,337</u>
Property and Equipment at Cost:		
Leasehold Improvements	113,496	113,496
Furniture and Equipment	172,360	125,862
Software	43,900	-
Less Accumulated Depreciation	(145,977)	(82,751)
	<u>183,779</u>	<u>156,607</u>
Net Property and Equipment		
	<u>183,779</u>	<u>156,607</u>
Other Assets:		
Security Deposit	18,402	18,402
Deferred Costs, Net of Accumulated Amortization of \$2,304,852 and \$1,668,210, as of December 31, 2024 and 2023, respectively	8,656,340	10,605,489
Notes Receivable - Franchisees, Net of Current Portion	118,931	-
Operating Lease - Right-of-Use Asset	768,425	975,118
	<u>9,562,098</u>	<u>11,599,009</u>
Total Other Assets		
	<u>9,562,098</u>	<u>11,599,009</u>
Total Assets	<u>\$ 23,569,384</u>	<u>\$ 19,448,953</u>

See Accompanying Notes

QC FRANCHISE GROUP LLC
BALANCE SHEETS
December 31, 2024 and 2023
(Continued)

<u>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</u>	<u>2024</u>	<u>2023</u>
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 2,131,839	\$ 2,079,206
Long-Term Debt, Current	10,915	-
Line of Credit	1,889,600	-
Due to Affiliates	354,686	94,174
Deferred Revenue, Current	841,504	1,383,875
Operating Lease Liability, Current	227,189	216,798
Total Current Liabilities	<u>5,455,733</u>	<u>3,774,053</u>
Long-Term Liabilities:		
Deferred Revenue, Net of Current Portion	11,327,126	13,446,368
Long-Term Debt, Net of Current Portion	7,688,304	-
Operating Lease Liability, Net of Current Portion	637,348	865,595
Total Long-Term Liabilities	<u>19,652,778</u>	<u>14,311,963</u>
Total Liabilities	<u>25,108,511</u>	<u>18,086,016</u>
Members' Equity (Deficit)	<u>(1,539,127)</u>	<u>1,362,937</u>
Total Liabilities and Members' Equity (Deficit)	<u>\$ 23,569,384</u>	<u>\$ 19,448,953</u>

See Accompanying Notes

QC FRANCHISE GROUP LLC
STATEMENTS OF INCOME
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Equipment and Supply Sales	\$ 9,615,578	\$ 17,142,025
Royalty Fees	8,357,828	10,414,144
Brand Development Fees	1,014,944	1,270,645
Call Center Fees	3,698,462	4,307,644
Franchise Fees	2,859,616	3,041,967
Other Revenue	<u>3,758,889</u>	<u>2,573,802</u>
Total Revenues	<u>29,305,317</u>	<u>38,750,227</u>
Operating Expenses:		
Healthcare Products	6,064,395	10,766,077
Advertising and Promotion	3,597,964	1,023,722
Selling, General and Administrative	15,198,211	16,227,804
Bad Debt Expense	30,219	159,474
Depreciation	63,226	50,167
Amortization	<u>2,263,553</u>	<u>2,485,496</u>
Total Operating Expenses	<u>27,217,568</u>	<u>30,712,740</u>
Net Income Before Interest and Income Taxes	2,087,749	8,037,487
Other Expenses:		
Interest Expense	<u>409,052</u>	<u>-</u>
Net Income Before Income Taxes	1,678,697	8,037,487
Income Tax Expense	<u>170,299</u>	<u>584,062</u>
Net Income	<u><u>\$ 1,508,398</u></u>	<u><u>\$ 7,453,425</u></u>

See Accompanying Notes

QC FRANCHISE GROUP LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
Years Ended December 31, 2024 and 2023

Members' Deficit, January 1, 2023	\$ (608,488)
Member Distributions	(5,482,000)
Net Income	<u>7,453,425</u>
Members' Equity, December 31, 2023	1,362,937
Member Distributions	(4,410,462)
Net Income	<u>1,508,398</u>
Members' Deficit, December 31, 2024	<u><u>\$ (1,539,127)</u></u>

See Accompanying Notes

QC FRANCHISE GROUP LLC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Net Income	\$ 1,508,398	\$ 7,453,425
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	63,226	50,167
Amortization of Deferred Costs	2,263,553	2,485,496
Non-Cash Operating Lease Expense	(11,163)	(5,330)
Amortization of Deferred Finance Costs	4,899	-
Changes in Operating Assets and Liabilities that Provided (Used) Cash:		
Accounts Receivable, Net	102,973	(327,941)
Related Party Receivable	(1,875,364)	(98,665)
Prepaid Expenses	(415,143)	(110,809)
Inventory	(22,590)	32,434
Other Receivables	(10,688)	(1,870)
Deferred Costs	(55,500)	(440,000)
Accounts Payable and Accrued Expenses	52,633	285,986
Due to Affiliates	260,512	(32,375)
Deferred Revenue	(2,661,613)	(2,935,227)
Net Cash Provided (Used) by Operating Activities	(795,867)	6,355,291
Cash Flows from Investing Activities:		
Advances on Notes Receivable - Franchisees	(291,600)	-
Purchases of Property and Equipment	(90,398)	(47,629)
Net Cash Used in Investing Activities	(381,998)	(47,629)
Cash Flows from Financing Activities:		
Proceeds from Line of Credit	1,889,600	-
Deferred Finance Costs Paid	(305,680)	-
Proceeds from Long Term Debt	8,000,000	-
Distributions to Members	(4,410,462)	(5,482,000)
Net Cash Provided (Used) in Financing Activities	5,173,458	(5,482,000)
Net Increase in Cash and Cash Equivalents	3,995,593	825,662
Cash and Cash Equivalents, Beginning of Year	4,915,593	4,089,931
Cash and Cash Equivalents, End of Year	\$ 8,911,186	\$ 4,915,593
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ 306,634	\$ -
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Income Taxes	\$ 170,299	\$ 584,062

See Accompanying Notes

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

1. Summary of Significant Accounting Policies

Business Operations

QC Franchise Group LLC (the "Company") was organized on January 13, 2020 and began operations in 2020. The Company is the franchisor for QC Kinetix medical center franchises that are engaging in the practice of non-surgical regenerative medicine. The Company's fiscal year-end is December 31.

Ownership

Membership interest in the Company is held by three members. The members shall not be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Operating Agreement or as required by law. The Company shall continue in perpetual existence unless the Company is dissolved in accordance with the provisions of the Company's operating agreement.

Operating Agreement

The Company was formed on January 13, 2020 and shall be dissolved pursuant to provisions in the Operating Agreement in Article XII. Contributions to the Company are made pro rata based on each member's commitment. Contributions are recorded on the capital account of each member as of the stated due date per the capital call notice. Distributions shall be made pursuant to provisions in the Operating Agreement in Article VII. The Company's income, gains, losses, expenses or deductions for any period shall be allocated among the members pursuant to the provisions of Annex A in the Operating Agreement.

Basis of Accounting and Use of Estimates

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition

The Company accounts for revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification 606 ("ASC 606"), *Revenue from Contracts with Customers*. Revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

The Company revenues primarily consist of the following: equipment and supply sales, call center fees, franchise fees, royalty fees, brand development fees, marketing fees and other revenue. Revenue is recognized when control for these services and supplies are transferred to franchisees in an amount that reflects consideration the Company expects to be entitled to in exchange for services provided.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Equipment and Supply Sales

The Company enters into a contract with franchisees to sell equipment and medical supplies to each individual franchisee. The transaction price for the equipment and supplies are the invoiced amount. Revenue from these sales are recognized at a point in time upon when control is transferred to the franchisee once the delivery of the product has been completed.

Call Center Fees

The Company enters into a contract with franchisees through the franchise agreement to provide call center services and support for individual clinics. Revenue from these sales are recognized over time as the Company performs the services and provides support to the franchisee and the Company satisfies the performance obligation.

Royalty Fees

The Company enters into a contract with franchisees through the franchise agreement. Royalty fees are based on 8% of the franchisee's gross clinic weekly sales, net of financing fees. Franchisees remit to the Company a percentage of their weekly sales as outlined by the franchise agreement. Revenue from these sales are recognized at a point in time, when the underlying clinic service is completed based on the application of the sales-based exception within ASC 606.

Franchise Fees

The Company determined that the services that the Company provides in exchange for these upfront franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services that the Company provides franchisees. As a result, upfront franchise fees are recognized as revenue over the term of the respective agreement. The franchise license granted for each individual clinic within an arrangement represents a single performance obligation. Therefore, initial franchise fees for each arrangement are allocated to each individual clinic and recognized over the 10-year term of the respective franchise agreement from the date of the clinic opening.

Brand Development Fees

The Company enters into a contract with franchisees through the franchise agreement. Brand development fees are based on 1% of the franchisee's gross clinic weekly sales, net of financing fees. Franchisees remit to the Company a percentage of their weekly sales as outlined by the franchise agreement. Revenue from these sales are recognized at a point in time, when the underlying clinic service is completed based on the application of the sales-based exception within ASC 606.

Other Revenue

Other revenue primarily consists of technology fees, convention income, training fees, marketing fees, and consideration from vendors. Brand development, technology, marketing fees, and training fees are recognized as the related services are delivered. Consideration from vendors represents rebate revenues received from service and supply agreements with certain major vendors. Rebates are provided to the Company based on the dollar value of purchases made by franchisees. These incentives are recognized throughout the year as earned. The incentives recognized were \$486,971 and \$890,118 during the years ended December 31, 2024 and 2023, respectively.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Other Revenue (Continued)

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied over time	\$ 9,803,827	\$ 8,565,333
Performance obligations satisfied at a point in time	<u>19,501,490</u>	<u>30,184,894</u>
Total Revenue	<u>\$ 29,305,317</u>	<u>\$ 38,750,227</u>

Contract Balances

Deferred costs represents commissions and broker fees paid as consideration for obtaining new franchises and have been deferred to be recognized over the franchise and license agreement. Deferred revenue represents the Company's remaining performance obligations under its franchise and license agreements for which consideration has been received. These amounts have been separately stated in the accompanying balance sheets and therefore are not disclosed as required by ASC 606.

Cash Equivalents

The Company considers investments in money market accounts and commercial paper with maturities of 90 days or less to be cash equivalents. At December 31, 2024 and 2023, the Company had cash equivalents of \$8,460,817 and \$3,537,026, respectively.

Accounts Receivable

Accounts receivable consists of royalties associated with the license agreements based on monthly gross sales, equipment and supply sales, call center fees and other services provided to franchisees. Receivables are reported at the amount management expects to collect from outstanding balances, net of any rebates and allowance for credit losses. The allowance represents the current estimate of lifetime expected credit losses over the remaining duration of existing accounts receivable considering current market conditions and supportable forecasts when appropriate. Total receivables due to the Company at December 31, 2024 and 2023 was \$1,035,767 and \$1,108,521, respectively. The Company had allowance for credit losses of \$189,693 and \$159,474 at December 31, 2024 and 2023, respectively.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable (Continued)

The following table represents changes in the allowance for credit losses for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Balance, January 1	\$ 159,474	\$ 159,474
Additional Allowances	30,219	
Write-offs		
	<u>189,693</u>	<u>159,474</u>
Balance, December 31	<u>\$ 189,693</u>	<u>\$ 159,474</u>

Deferred Costs

Deferred costs are initial costs related to the Company's sale of franchise agreements that are deferred and amortized over the life of the respective franchise agreement. Amortization of deferred costs totaled \$2,263,553 and \$2,485,496 for the years ended December 31, 2024 and 2023, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method for financial statement purposes over the following estimated useful lives:

	<u>Years</u>
Leasehold Improvements	Shorter of Useful life or life of the lease
Furniture and Equipment	3 – 5
Software	5

Depreciation expense for the years ended December 31, 2024 and 2023 was \$63,226 and \$50,167, respectively.

Concentration of Credit Risk

The Company places its cash in various financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The risk is managed by maintaining all deposits in high quality financial institutions. At December 31, 2024, the Company had an uninsured cash balance of \$8,480,646.

Advertising and Promotion

The Company had \$3,597,964 and \$1,023,722 in advertising and marketing related expense for the years ended December 31, 2024 and 2023, respectively.

Inventory

Inventories, consisting of hair treatment and weight loss products, are stated at the lower of cost or net realizable value, with cost determined under first-in, first-out.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company is an S Corporation for income tax purposes. No provision for U.S. federal income taxes is made in the accounts since such taxes are the responsibility of each member and will be taxed at that level. Further, the members' capital reflected in the accompanying financial statements may differ from amounts reported in the Company's federal income tax returns because of differences in accounting policies adopted for financial and tax reporting purposes. The qualification as a S corporation for tax purposes, and the amount of distributable Company income or loss are subject to examination by the Internal Revenue Service. If such examinations result in changes with respect to such matters, the tax liability of the member may be affected. No amounts related to uncertain tax positions were recorded for the year ended December 31, 2024.

The Company files a U.S. S Corporation tax return along with various other state and local filings. In the normal course of business, the Company may be audited by any of these taxing authorities. As of December 31, 2024, the Company is not currently undergoing any tax examinations nor has the Company agreed to extend.

The Company elected to pay income taxes at the state level through the Pass-Through Entity tax ("PTE Tax") on behalf of its members. This tax is assessed at the Company's taxable income and is applied to reduce the members proportionate share of the federal taxable income reportable on the members' personal income tax return. Since the PTE tax paid satisfied the Company's liability for income tax imposed by the state departments of revenue on the Company, the amounts have been included in income tax expense in accordance with ASC 740, *Income Taxes*. Income tax expense during the years ended December 31, 2024 and 2023 totaled \$170,299 and \$584,062, respectively, are included in income tax expense on the accompanying statements of income.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease liabilities and long-term lease liabilities in the Company's balance sheets. ROU lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company used the risk-free rate on the first day of the year, a practical expedient in adopting ASC 842, based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term (see Note 7). The Company has elected not to recognize right-of-use assets and lease liabilities for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in selling, general and administrative expenses in the statements of income. Non-lease components consisting of common area maintenance costs are expensed as incurred.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

2. License Agreements

The Company entered into licensing agreements with companies that conduct concierge regenerative medical services pursuant to certain management service agreements. In connection with the agreements, the Company granted the licensees the right and license to open and operate full service locations using the Company's brand. The licensees are required to pay the Company a royalty based on 8% of gross sales. Royalties recognized for the years ended December 31, 2024 and 2023 totaled \$8,357,828 and \$10,414,144, respectively.

In addition, under the agreements, the licensees pay a franchise fee ranging from \$20,000 to \$55,000, depending on the number of clinics. The fees were recognized as deferred revenue upon receipt of payment as the Company will recognize the fees as revenue over the term of the license agreements starting when operations begin for franchisees. Total deferred revenue at December 31, 2024 and 2023 was \$12,168,630 and \$14,830,243, respectively.

3. Commitments

The Company entered into a Franchise Sales Management Agreement (the "Agreement") on July 24, 2020 with a company. Under the Agreement, the Company will pay a consulting fee for services provided, and a percentage of the franchise fees for franchise sales made exclusively by the consultants. Additionally, the Agreement provides that the Company will pay a percentage of franchise fees made by sales representatives. Amounts paid by the Company related to commissions and broker fees for franchise sales made by sales representatives during the years ended December 31, 2024 and 2023, totaled \$55,500 and \$440,000, respectively, and are included in deferred costs on the accompanying balance sheets.

4. Line of Credit

On February 3, 2022, the Company entered into a one-year revolving line of credit agreement, jointly with an affiliate, with maximum borrowing capacity of \$1,000,000 and monthly interest only payments on the outstanding principal balance at an index rate outlined by the revolving line of credit agreement. On January 19, 2023, the Company renewed and amended the line of credit to a borrowing capacity of \$2,000,000 with an expiration date of January 19, 2025. On January 23, 2025, the Company extended the line of credit to expire on July 19, 2025. The outstanding balance on the line of credit as of December 31, 2024 and 2023 was \$1,889,600 and \$0, respectively. Interest is variable based upon the base rate as defined in the agreement (7.50% at December 31, 2024). The revolving line of credit agreement is secured by all assets of the Company and guaranteed by the members of the Company. The carrying value of assets secured by the line of credit totaled \$12,253,957 as of December 31, 2024.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

5. Long-Term Debt

The Company signed a note payable with a financial institution on August 16, 2024 for \$8,000,000 (the "Note Payable"). The Note Payable requires interest only payments beginning October 1, 2024 based on Prime Rate plus 4% with a floor of 12.5% (12.5% at December 31, 2024). Beginning October 1, 2025, the Note Payable requires interest at the 5-year Treasury Rate plus 8.5% with a floor of 12.3%. Monthly principal and interest payments of \$87,088 will be due beginning October 1, 2025 through maturity on September 1, 2050. Amounts outstanding on the Note Payable totaled \$8,000,000 and \$0 as of December 31, 2024 and 2023, respectively. The Note Payable is guaranteed by the Members of the Company and secured by assets held by related parties.

The maturities of the Note Payable are as follows:

2025	\$ 10,915
2026	52,861
2027	59,742
2028	67,519
2029	76,309
Thereafter	<u>7,732,654</u>
Long-Term Debt	8,000,000
Less: Current Portion	(10,915)
Less: Unamortized Deferred Finance Costs	<u>(300,781)</u>
Total Long-Term Debt, Net	<u>\$ 7,688,304</u>

6. Notes Receivable from Franchisees

The Company signed a note receivable with a franchisee with a \$100,932 principal balance and an interest rate of 5%. Monthly principal and interest payments of \$8,623 will be paid through maturity on August 15, 2025. The outstanding balance on the note receivable as of December 31, 2024 and 2023 was \$91,772 and \$0, respectively.

The Company signed a secured revolving promissory note receivable with a line of credit limit of \$184,000 and an interest rate of 5%. The outstanding balance on the line of credit as of December 31, 2024 and 2023 was \$179,834 and \$0, respectively. No payments of principal and interest are due for the first six months ("Grace Period"). The unpaid principal will be repaid at the expiration of the Grace Period in thirty equal monthly installments through maturity date in August 2027.

The Company had various other notes with franchisees that have maturity dates throughout 2025. The outstanding balance on the notes receivable as of December 31, 2024 and 2023 was \$19,994 and \$0, respectively.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

6. Notes Receivable to Franchisees (Continued)

The Note Receivables are due as follows:

2025	\$ 172,669
2026	74,018
2027	<u>44,913</u>
Total Notes Receivable	291,600
Less: Current Portion	<u>(172,669)</u>
Total Notes Receivable, Net	<u>\$ 118,931</u>

7. Operating Lease Obligations

The Company leases office space under an operating lease agreement requiring escalating rent payments through November 2021 before transitioning to month to month. In November 2021, the Company committed to a seventy-five-month operating lease agreement commencing in April 2022. In accordance with ASC 842 – *Leases*, the Company recorded an operating lease right-of-use asset. Rent expense is recognized on a straight-line basis over the term of the lease. The operating lease – right-of-use asset was \$768,425 and \$975,118 as of December 31, 2024 and 2023, respectively. The operating – right-of-use liability was \$864,537 and \$1,082,393 as of December 31, 2024 and 2023, respectively. The cash paid for amounts included in the measurement of operating lease right-of-use liability for the years ending December 31, 2024 and 2023 was \$217,856 and \$208,870, respectively.

Rental expense recognized in the accompanying financial statements under ASC 842 for the years ended December 31, 2024 and 2023 was:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 222,911	\$ 222,911
Short-term lease costs	<u> </u>	<u>1,838</u>
Total Lease Costs	<u>\$ 222,911</u>	<u>\$ 224,749</u>

As of December 31, 2024 and 2023, the weighted average remaining lease term was 3.58 years and 4.58 years, respectively, and the weighted average discount rate was 1.55%.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

7. Operating Lease Obligations (Continued)

Future minimum lease commitments for the years ending December 31 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2025	\$ 238,995
2026	246,175
2027	253,555
2028	<u>151,275</u>
Total Future Undiscounted Lease Payments	890,000
Less: Imputed Interest	<u>(25,463)</u>
Lease Obligations	864,537
Less: Current Portion of Lease Liability	<u>(227,189)</u>
Noncurrent Portion of Lease Liability	<u><u>\$ 637,348</u></u>

8. Related Parties

The Members of the Company are affiliated with entities that have shared expenses and services with the Company. The amounts due from these related parties were \$2,252,218 and \$376,854 at December 31, 2024 and 2023, respectively. The amounts due to these related parties were \$354,686 and \$94,174 at December 31, 2024 and 2023, respectively.

The Company entered into a management agreement with a related party through common ownership. The Company incurred management fees of \$1,233,330 and \$1,200,000 for the years ended December 31, 2024 and 2023, respectively.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

9. Retirement Plan

The Company has a 401(k) profit-sharing plan that covers all eligible employees of the Company. An employee is eligible for participation upon completion of one month with the Company. The contributions are based on a percentage of the deferral contribution by the participating employee. All contributions are participant directed and the Company matches up to 5% of the participating employee's salary. The plan is qualified under the Internal Revenue Code. The Company contributed \$197,052 and \$124,311 to the 401(k) plan for the years ended December 31, 2024 and 2023, respectively.

10. Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure in the financial statement through March 28, 2025, which is the date the financial statements were available to be issued.

Subsequent to year end, the Company signed amendment to extend the maturity of the line of credit to July 19, 2025.

Subsequent to year end, the Company's lease for additional office space commenced and the Company moved into the expanded space in March 2025. Footnote 7 does not reflect changes in the future minimum lease commitments schedule.

QC FRANCHISE GROUP LLC

Financial Statements

Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Members
QC Franchise Group LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of QC Franchise Group LLC (a South Carolina limited liability company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QC Franchise Group LLC as of December 31, 2023 and 2022, 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 QC Franchise Group LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about QC Franchise Group LLC'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 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 QC Franchise Group LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about QC Franchise Group LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Thomas, Judy & Tucker, P.A.

Raleigh, North Carolina
March 14, 2024

QC FRANCHISE GROUP LLC
BALANCE SHEETS
December 31, 2023 and 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and Cash Equivalents	\$ 4,915,593	\$ 4,089,931
Accounts Receivable, Net	949,047	621,106
Related Party Receivable	376,854	278,189
Prepaid Expenses	562,532	451,723
Inventory	24,381	56,815
Current Portion of Deferred Costs	861,889	886,893
Other Receivables	3,041	1,171
Total Current Assets	<u>7,693,337</u>	<u>6,385,828</u>
Property and Equipment at Cost:		
Leasehold Improvements	113,496	109,169
Furniture and Equipment	125,862	82,560
Less Accumulated Depreciation	<u>(82,751)</u>	<u>(32,584)</u>
Net Property and Equipment	<u>156,607</u>	<u>159,145</u>
Other Assets:		
Security Deposit and Other Long-Term Assets	18,402	18,402
Deferred Costs, Net of Accumulated Amortization of \$1,668,210 and \$1,079,701, as of December 31, 2023 and 2022, respectively	10,605,489	12,625,981
Operating Lease - Right-of-Use Asset	<u>975,118</u>	<u>1,178,658</u>
Total Other Assets	<u>11,599,009</u>	<u>13,823,041</u>
 Total Assets	 <u><u>\$ 19,448,953</u></u>	 <u><u>\$ 20,368,014</u></u>

QC FRANCHISE GROUP LLC
BALANCE SHEETS
December 31, 2023 and 2022
(Continued)

<u>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</u>	<u>2023</u>	<u>2022</u>
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 2,079,206	\$ 1,793,220
Due to Affiliates	94,174	126,549
Deferred Revenue, Current	1,383,875	1,960,570
Operating Lease Liability, Current	<u>216,798</u>	<u>206,746</u>
Total Current Liabilities	<u>3,774,053</u>	<u>4,087,085</u>
Long-Term Liabilities:		
Deferred Revenue, Net of Current Portion	13,446,368	15,804,900
Operating Lease Liability, Net of Current Portion	<u>865,595</u>	<u>1,084,517</u>
Total Long-Term Liabilities	<u>14,311,963</u>	<u>16,889,417</u>
Total Liabilities	<u>18,086,016</u>	<u>20,976,502</u>
Members' Equity (Deficit)	<u>1,362,937</u>	<u>(608,488)</u>
 Total Liabilities and Members' Equity (Deficit)	 <u><u>\$ 19,448,953</u></u>	 <u><u>\$ 20,368,014</u></u>

See Accompanying Notes

QC FRANCHISE GROUP LLC
STATEMENTS OF INCOME
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Equipment and Supply Sales	\$ 17,142,025	\$ 13,238,120
Royalty Fees	10,414,144	6,889,019
Brand Development Fees	1,270,645	862,643
Call Center Fees	4,307,644	3,503,291
Franchise Fees	3,041,967	1,234,083
Other Revenue	<u>2,573,802</u>	<u>2,399,768</u>
Total Revenues	<u>38,750,227</u>	<u>28,126,924</u>
Operating Expenses:		
Healthcare Products	10,766,077	8,977,932
Advertising and Promotion	1,023,722	1,096,742
Selling, General and Administrative	16,227,804	11,412,263
Bad Debt Expense	159,474	8,325
Depreciation	50,167	25,754
Amortization	<u>2,485,496</u>	<u>1,055,553</u>
Total Operating Expenses	<u>30,712,740</u>	<u>22,576,569</u>
Net Income Before Income Taxes	8,037,487	5,550,355
Income Tax Expense	<u>584,062</u>	<u>-</u>
Net Income	<u><u>\$ 7,453,425</u></u>	<u><u>\$ 5,550,355</u></u>

See Accompanying Notes

QC FRANCHISE GROUP LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
Years Ended December 31, 2023 and 2022

Members' Deficit, January 1, 2022	\$ (618,343)
Member Distributions	(5,540,500)
Net Income	<u>5,550,355</u>
Members' Deficit, December 31, 2022	(608,488)
Member Distributions	(5,482,000)
Net Income	<u>7,453,425</u>
Members' Equity, December 31, 2023	<u><u>\$ 1,362,937</u></u>

See Accompanying Notes

QC FRANCHISE GROUP LLC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Net Income	\$ 7,453,425	\$ 5,550,355
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	50,167	25,754
Amortization of Deferred Costs	2,485,496	1,055,553
Non-Cash Operating Lease Expense	(5,330)	112,605
Changes in Operating Assets and Liabilities that Provided (Used) Cash:		
Accounts Receivable	(327,941)	(489,226)
Related Party Receivable	(98,665)	(241,471)
Other Receivables	(1,870)	7,469
Prepaid Expenses	(110,809)	(199,027)
Inventory	32,434	(56,815)
Security Deposit and Other Long-Term Assets	-	67,240
Deferred Costs	(440,000)	(3,088,164)
Accounts Payable and Accrued Expenses	285,986	990,177
Due to Affiliates	(32,375)	126,549
Deferred Revenue	<u>(2,935,227)</u>	<u>3,300,017</u>
Net Cash Provided by Operating Activities	<u>6,355,291</u>	<u>7,161,016</u>
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	<u>(47,629)</u>	<u>(61,323)</u>
Net Cash Used in Investing Activities	<u>(47,629)</u>	<u>(61,323)</u>
Cash Flows from Financing Activities:		
Distributions to Members	<u>(5,482,000)</u>	<u>(5,540,500)</u>
Net Cash Used in Financing Activities	<u>(5,482,000)</u>	<u>(5,540,500)</u>
Net Increase in Cash and Cash Equivalents	825,662	1,559,193
Cash and Cash Equivalents, Beginning of Year	<u>4,089,931</u>	<u>2,530,738</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,915,593</u></u>	<u><u>\$ 4,089,931</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Income Taxes	<u><u>\$ 584,062</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies

Business Operations

QC Franchise Group LLC (the "Company") was organized on January 13, 2020 and began operations in 2020. The Company is the managerial service provider, consultant, and franchisor for QC Kinetix medical center franchises that are engaging in the practice of non-surgical regenerative medicine. The Company's fiscal year-end is December 31.

Ownership

Membership interest in the Company is held by three members. The members shall not be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Operating Agreement or as required by law. The Company shall continue in perpetual existence unless the Company is dissolved in accordance with the provisions of the Company's operating agreement.

Operating Agreement

The Company was formed on January 13, 2020 and shall be dissolved pursuant to provisions in the Operating Agreement in Article XII. Contributions to the Company are made pro rata based on each member's commitment. Contributions are recorded on the capital account of each member as of the stated due date per the capital call notice. Distributions shall be made pursuant to provisions in the Operating Agreement in Article VII. The Company's income, gains, losses, expenses or deductions for any period shall be allocated among the members pursuant to the provisions of Annex A in the Operating Agreement.

Basis of Accounting and Use of Estimates

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those results.

Revenue Recognition

The Company accounts for revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification 606 ("ASC 606"), *Revenue from Contracts with Customers*. Revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

The Company revenues primarily consist of the following: equipment and supply sales, call center fees, franchise fees, royalty fees, brand fund fees and other revenue. Revenue is recognized when control for these services and supplies are transferred to franchisees in an amount that reflects consideration the Company expects to be entitled to in exchange for services provided.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Equipment and Supply Sales

The Company enters into a contract with franchisees to sell equipment and medical supplies to each individual franchisee. The transaction price for the equipment and supplies are the invoiced amount. Revenue from these sales are recognized at a point in time upon when control is transferred to the franchisee once the delivery of the product has been completed.

Call Center Fees

The Company enters into a contract with franchisees through the franchise agreement to provide call center services and support for individual clinics. Revenue from these sales are recognized over time as the Company performs the services and provides support to the franchisee and the Company satisfies the performance obligation.

Royalty Fees

The Company enters into a contract with franchisees through the franchise agreement. Royalty fees are based on 8% of the franchisee's gross clinic weekly sales. Franchisees remit to the Company a percentage of their weekly sales as outlined by the franchise agreement. Revenue from these sales are recognized at a point in time, when the underlying clinic service is completed based on the application of the sales-based exception within ASC 606.

Franchise Fees

The Company determined that the services that the Company provides in exchange for these upfront franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services that the Company provides franchisees. As a result, upfront franchise fees are recognized as revenue over the term of the respective agreement. The franchise license granted for each individual clinic within an arrangement represents a single performance obligation. Therefore, initial franchise fees for each arrangement are allocated to each individual clinic and recognized over the 10-year term of the respective franchise agreement from the date of the clinic opening.

Brand Development Fees

The Company enters into a contract with franchisees through the franchise agreement. Brand development fees are based on 1% of the franchisee's gross clinic weekly sales. Franchisees remit to the Company a percentage of their weekly sales as outlined by the franchise agreement. Revenue from these sales are recognized at a point in time, when the underlying clinic service is completed based on the application of the sales-based exception within ASC 606.

Other Revenue

Other revenue primarily consists of technology fees, convention income, training fees and consideration from vendors. Brand development, technology and training fees are recognized as the related services are delivered. Consideration from vendors represents rebate revenues received from service and supply agreements with certain major vendors. Rebates are provided to the Company based on the dollar value of purchases made by franchisees. These incentives are recognized throughout the year as earned. The incentives recognized were \$890,118 and \$1,001,727 during the years ended December 31, 2023 and 2022, respectively.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Other Revenue (Continued)

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied over time	\$ 8,565,333	\$ 5,913,068
Performance obligations satisfied at a point in time	<u>30,184,894</u>	<u>22,213,856</u>
Total Revenue	<u>\$ 38,750,227</u>	<u>\$ 28,126,924</u>

Contract Balances

Deferred costs represents commissions and broker fees paid as consideration for obtaining new franchises and have been deferred to be recognized over the franchise and license agreement. Deferred revenue represents the Company's remaining performance obligations under its franchise and license agreements for which consideration has been received. These amounts have been separately stated in the accompanying balance sheet and therefore are not disclosed as required by ASC 606.

Cash Equivalents

The Company considers investments in money market accounts and commercial paper with maturities of 90 days or less to be cash equivalents. At December 31, 2023 and 2022, the Company had cash equivalents of \$4,567,444 and \$3,752,221, respectively.

New Accounting Pronouncements

Effective January 1, 2023, the Company adopted provisions of FASB Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326"), on a modified retrospective basis, which did not result in a cumulative-effect adjustment to the opening balance of members' deficit to be recognized on the date of adoption. ASC 326 requires the measurement of all expected credit losses for financial assets held at the reporting date is based on historical experience, current conditions, and reasonable and supportable forecasts.

Accounts Receivable

Accounts receivable consists of royalties associated with the license agreements based on monthly gross sales, equipment and supply sales, call center fees and other services provided to franchisees. Receivables are reported at the amount management expects to collect from outstanding balances, net of any rebates and allowances. The allowance represents the current estimate of lifetime expected credit losses over the remaining duration of existing accounts receivable considering current market conditions and supportable forecasts when appropriate. Total receivables due to the Company at December 31, 2023 and 2022 was \$1,108,521 and \$621,106, respectively. The Company had allowance for doubtful accounts of \$159,474 and \$0 at December 31, 2023 and 2022, respectively.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable (Continued)

The following table represents changes in the allowance for doubtful accounts for the years ended December 31:

	2023	2022
Balance, January 1	\$	\$
Additional Allowances	159,474	8,325
Write-offs		(8,325)
	<u>159,474</u>	<u>(8,325)</u>
Balance, December 31	<u>\$ 159,474</u>	<u>\$</u>

Deferred Costs

Deferred costs are initial costs related to the Company's sale of franchise agreements that are deferred and amortized over the life of the respective franchise agreement. Amortization of deferred costs totaled \$2,485,496 and \$1,055,553 for the years ended December 31, 2023 and 2022, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method for financial statement purposes over the following estimated useful lives:

	Years
Leasehold Improvements	Shorter of Useful life or life of the lease
Furniture and Equipment	3 - 5

Depreciation expense for the years ended December 31, 2023 and 2022 was \$50,167 and \$25,754, respectively.

Concentration of Credit Risk

The Company places its cash in a financial institution located in the Charlotte, North Carolina area. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The risk is managed by maintaining all deposits in high quality financial institutions. At December 31, 2023, the Company had an uninsured cash balance of \$4,661,783.

Advertising and Promotion

The Company had \$1,023,722 and \$1,096,742 in advertising and marketing related expense for the years ended December 31, 2023 and 2022, respectively.

Inventory

Inventories, consisting of hair treatment products, are stated at the lower of cost or net realizable value, with cost determined under first-in, first-out.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company is an S Corporation for income tax purposes. No provision for U.S. federal income taxes is made in the accounts since such taxes are the responsibility of each member and will be taxed at that level. Further, the members' capital reflected in the accompanying financial statements may differ from amounts reported in the Company's federal income tax returns because of differences in accounting policies adopted for financial and tax reporting purposes. The qualification as a S corporation for tax purposes, and the amount of distributable Company income or loss are subject to examination by the Internal Revenue Service. If such examinations result in changes with respect to such matters, the tax liability of the member may be affected. No amounts related to uncertain tax positions were recorded for the year ended December 31, 2023.

The Company files a U.S. S Corporation tax return along with various other state and local filings. In the normal course of business, the Company may be audited by any of these taxing authorities. As of December 31, 2023, the Company is not currently undergoing any tax examinations nor has the Company agreed to extend.

The Company elected to pay income taxes at the state level through the Pass-Through Entity tax ("PTE Tax") on behalf of its members. This tax is assessed at the Company's taxable income and is applied to reduce the members proportionate share of the federal taxable income reportable on the members' personal income tax return. Since the PTE tax paid satisfied the Company's liability for income tax imposed by the state departments of revenue on the Company, the amounts have been included in income tax expense in accordance with ASC 740, *Income Taxes*. Income tax expense during the years ended December 31, 2023 and 2022 totaled \$584,062 and \$0, respectively, are included in income tax expense on the accompanying statements of income.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease liabilities and long-term lease liabilities in the Company's balance sheets. ROU lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company used the risk-free rate on the first day of the year, a practical expedient in adopting ASC 842, based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term (see Note 5). The Company has elected not to recognize right-of-use assets and lease liabilities for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in selling, general and administrative expenses in the statements of income. Non-lease components consisting of common area maintenance costs are expensed as incurred.

Reclassifications

Certain reclassifications have been made to the 2022 presentation to conform to the current year presentation with no affect to previously reported net income and members' deficit.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

2. License Agreements

The Company entered into licensing agreements with companies that conduct concierge regenerative medical services pursuant to certain management service agreements. In connection with the agreements, the Company granted the licensees the right and license to open and operate full service locations using the Company's brand. The licensees are required to pay the Company a royalty based on 8% of gross sales. Royalties recognized for the years ended December 31, 2023 and 2022 totaled \$10,414,144 and \$6,889,019, respectively.

In addition, under the agreements, the licensees pay a franchise fee ranging from \$20,000 to \$55,000, depending on the number of clinics. The fees were recognized as deferred revenue upon receipt of payment as the Company will recognize the fees as revenue over the term of the license agreements starting when operations begin for franchisees. Total deferred revenue at December 31, 2023 and 2022 was \$14,830,243 and \$17,765,470, respectively.

3. Commitments

The Company entered into a Franchise Sales Management Agreement (the "Agreement") on July 24, 2020 with a company. Under the Agreement, the Company will pay a consulting fee for services provided, and a percentage of the franchise fees for franchise sales made exclusively by the consultants. Additionally, the Agreement provides that the Company will pay a percentage of franchise fees made by sales representatives. Amounts paid by the Company related to commissions and broker fees for franchise sales made by sales representatives during the years ended December 31, 2023 and 2022, totaled \$440,000 and \$3,089,000, respectively, and are included in deferred costs on the accompanying balance sheets.

The Company entered into a distribution agreement in November 2019 with a manufacturer whereby the Company agreed to purchase certain items exclusively from the manufacturer. The purchase price of the products may be adjusted from time to time by the manufacturer during the term of the agreement with a minimum 60-day advance notice from the manufacturer. If the Company refuses to accept the proposed price increase within 30 days after receiving such notice, then either party may terminate the agreement. Amounts purchased by the Company from the manufacturer during the years ended December 31, 2023 and 2022 totaled \$8,554,458 and \$8,837,268, respectively. The term of the agreement was for three years and expired in November 2022. The Company still purchases materials from the manufacturer but not on an exclusive basis.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

4. Line of Credit

On February 3, 2022, the Company entered into a one-year revolving line of credit agreement, jointly with an affiliate (see Note 6), with maximum borrowing capacity of \$1,000,000 and monthly interest payment on the outstanding principal balance at an index rate outlined by the revolving line of credit agreement. On January 19, 2023, the Company renewed and amended the credit to a borrowing capacity of \$2,000,000 and is scheduled to expire on January 19, 2025. The outstanding balance on the line of credit as of December 31, 2023 and 2022 was \$0. Interest is variable based upon the base rate as defined in the agreement (8.50% at December 31, 2023). The revolving line of credit agreement is secured by all assets of the Company and guaranteed by the members of the Company. The carrying value of asset secured by the line of credit totaled \$6,425,523 as of December 31, 2023.

5. Operating Lease Obligations

The Company leases office space under an operating lease agreement requiring escalating rent payments through November 2021 before transitioning to month to month. In November 2021, the Company committed to a seventy-five-month operating lease agreement commencing in April 2022. In accordance with ASC 842 – *Leases*, the Company recorded an operating lease right-of-use asset. Rent expense is recognized on a straight-line basis over the term of the lease. The operating lease – right-of-use asset was \$975,118 and \$1,178,658 as of December 31, 2023 and 2022, respectively. The operating – right-of-use liability was \$1,082,393 and \$1,291,263 as of December 31, 2023 and 2022, respectively. The cash paid for amounts included in the measurement of operating lease right-of-use liability for the years ending December 31, 2023 and 2022 was \$208,870 and \$70,392, respectively. There were no new leases entered into during 2023 and the Company recognized an operating lease – right-of-use asset and operating – right-of-use lease liability of \$1,361,654 during 2022 related to the new lease.

Rental expense recognized in the accompanying financial statements under ASC 842 for the years ended December 31, 2023 and 2022 was:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 222,911	\$ 194,725
Short-term lease costs	<u>1,838</u>	<u>5,378</u>
Total Lease Costs	<u>\$ 224,749</u>	<u>\$ 200,103</u>

As of December 31, 2023 and 2022, the weighted average remaining lease term was 4.58 years and 5.58 years, respectively, and the weighted average discount rate was 1.55%.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

5. Operating Lease Obligations (Continued)

Future minimum lease commitments for the years ending December 31 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2024	\$ 232,038
2025	238,995
2026	246,175
2027	253,555
2028	<u>151,275</u>
Total Future Undiscounted Lease Payments	1,122,038
Less: Imputed Interest	<u>(39,645)</u>
Lease Obligations	1,082,393
Less: Current Portion of Lease Liability	<u>(216,798)</u>
Noncurrent Portion of Lease Liability	<u><u>\$ 865,595</u></u>

6. Related Parties

The Members of the Company are affiliated with entities that have shared expenses and services with the Company. The amounts due from these related parties were \$376,854 and \$278,189 at December 31, 2023 and 2022, respectively. The amounts due to these related parties were \$94,174 and \$126,549 at December 31, 2023 and 2022, respectively.

The Company entered into a management agreement with a related party through common ownership. The Company incurred management fees of \$1,200,000 and \$807,692 for the years ended December 31, 2023 and 2022, respectively.

The Company entered into a revolving line of credit agreement with an affiliate through common ownership on January 19, 2023 (see Note 4). The revolving line of credit has a maximum borrowing capacity of \$2,000,000 and monthly interest payment on the outstanding principal balance at an index rate outlined by the revolving line of credit agreement. The outstanding balance on the line of credit at December 31, 2023 and 2022 was \$0. The interest rate was 8.50% at December 31, 2023.

QC FRANCHISE GROUP LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

7. Retirement Plan

The Company has a 401(k) profit-sharing plan that covers all eligible employees of the Company. An employee is eligible for participation upon completion of one month with the Company. The contributions are based on a percentage of the deferral contribution by the participating employee. All contributions are participant directed and the Company matches up to 5% of the participating employee's salary. The plan is qualified under the Internal Revenue Code. The Company contributed \$124,311 and \$7,537 to the 401(k) plan for the years ended December 31, 2023 and 2022, respectively.

8. Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure in the financial statement through March 14, 2024, which is the date the financial statements were available to be issued.

GENERAL RELEASE

THIS GENERAL RELEASE ("Release") is executed as of _____ (the "Effective Date") by the undersigned franchisee and each of its owners, spouses, officers, directors, managers, members, partners, shareholders, guarantors and affiliates (collectively, "Releasor"), in favor of QC Franchise Group LLC, a South Carolina limited liability company, its past, present and future parents, subsidiaries and affiliates, and each of their respective members, managers, officers, directors, shareholders, owners, partners, employees, agents, insurers, successors and assigns (collectively, "Releasee").

For good and valuable consideration, the receipt and sufficiency of which are acknowledged—including, without limitation, Releasee's consent to (a) the transfer of the franchise agreement dated _____ (the "Franchise Agreement") and related rights to _____ ("Transferee") or (b) the cancellation, termination or expiration of the Franchise Agreement—Releasor agrees as follows:

1. Releasor, on behalf of itself and its respective heirs, executors, administrators, affiliates, successors and assigns, irrevocably and unconditionally releases, remises and forever discharges Releasee from any and all claims, demands, debts, liabilities, obligations, damages, losses, causes of action, costs, attorneys' fees and expenses of whatever kind or nature, whether known or unknown, fixed or contingent, suspected or unsuspected, in law or in equity, which Releasor ever had, now has, or hereafter may have, arising out of or relating to (i) the Franchise Agreement; (ii) any other agreement, understanding, act, omission or transaction between Releasor and Releasee concerning the franchise or the operation, ownership, transfer, sale, cancellation or termination of the franchised business; (iii) any statements, representations or omissions made by Releasee, its agents or representatives; and (iv) any act or omission occurring on or before the Effective Date.
2. The foregoing release includes, without limitation, all claims for breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, misrepresentation, concealment, negligence (ordinary or gross), strict liability, violation of any federal, state or local statute, regulation or ordinance (including any franchise or business opportunity law), unfair trade practices, antitrust, trademark or other intellectual-property-related claims, claims for contribution or indemnity, claims for rescission, restitution, reformation or specific performance, and any claim for costs, expenses or attorneys' fees; provided, however, that nothing herein releases (a) Releasor's continuing post-termination or post-transfer obligations that expressly survive pursuant to the Franchise Agreement (including, without limitation, confidentiality, non-competition, indemnification and payment obligations), or (b) Releasee's obligations that expressly arise under a written agreement executed by Releasee after the Effective Date.
3. Releasor represents and warrants that (i) it has full power and authority to execute and deliver this Release and to bind each person or entity who may assert a claim by, through or on behalf of Releasor; (ii) no assignment, conveyance or transfer of any interest or claim released herein has been or will be made; (iii) it is the sole and lawful owner of all right, title and interest in and to every claim released; (iv) it has not relied on any representation or statement of Releasee not expressly set forth in this Release; and (v) it has had the opportunity to consult with independent legal counsel of its own choosing.
4. Releasor covenants not to sue or institute any claim, complaint, arbitration, action or proceeding of any kind against Releasee with respect to any matter released herein. If Releasor breaches this covenant, Releasor shall indemnify and hold harmless Releasee from and against any and all resulting costs, damages and attorneys' fees.
5. Nothing in this Release constitutes or shall be construed as an admission of liability or wrongdoing by Releasee, which liability and wrongdoing are expressly denied.
6. If any provision of this Release is found unenforceable, the remaining provisions shall be enforced to the fullest extent permitted by law, and the invalid provision shall be deemed modified to the minimum extent necessary to render it enforceable.
7. This Release is governed by and shall be construed in accordance with the laws of the State of North Carolina, without regard to conflicts-of-law principles. Any dispute arising out of or relating to this Release shall be resolved in accordance with the mediation and binding arbitration provisions contained in Section 21.3 and 21.4 of the Franchise Agreement; provided, however, that Releasee may seek injunctive relief in any court of competent jurisdiction to enforce the covenant not to sue.
8. This Release binds and benefits the parties and their respective heirs, executors, administrators, personal representatives, legal representatives, successors and assigns. It may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together constitute one instrument. Facsimile, PDF and other electronic signatures shall be deemed originals for all purposes.

RELEASOR ACKNOWLEDGES THAT IT HAS READ THIS RELEASE, UNDERSTANDS ALL OF ITS TERMS, AND VOLUNTARILY EXECUTES IT WITH THE INTENT TO BE LEGALLY BOUND.

Signature (Authorized Signatory)

Print Name and Title

Franchisee Entity Name (if applicable)

Date: _____

Exhibit J

Development Agreement

QC KINETIX DEVELOPMENT AGREEMENT

This **DEVELOPMENT AGREEMENT** ("**Agreement**") is made and entered into as of _____ by and between **QC Franchise Group LLC**, a South Carolina limited liability company with its principal place of business at 227 W. Trade St. Suite 2160, Charlotte, NC 28202 ("**QC Kinetix**"), and _____, a _____ [corporation/ limited liability company] ("**Developer**") with its principal place of business at _____.

WITNESSETH:

WHEREAS, QC Kinetix, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique system ("**System**") of franchised and company owned businesses offering non-clinical services related to the field of non-surgical regenerative care under the "QC Kinetix" marks, as described in **Exhibit A** hereto (collectively, the "**Mark**"), which System includes, without limitation, our standards, specifications, business techniques, and procedures; all of which may be changed, improved and further developed by QC Kinetix from time to time;

WHEREAS, QC Kinetix is a licensee, with the right, title and interest to sublicense the Mark and such other trade names, service marks, trademarks and trade dress now or hereafter designated as part of the System for the benefit and exclusive use of QC Kinetix and its developers; and

WHEREAS QC Kinetix continues to develop, use and control the Mark for the benefit and exclusive use of itself and developers in order to identify for the public the System, and to represent the System's high standards of quality, appearance and service; and

WHEREAS, Developer wishes to obtain certain development rights to open and operate QC Kinetix non-surgical regenerative medicine facilities (each a "**Business**" and collectively, the "**Businesses**") utilizing the Mark and System in the territory described in **Exhibit B** attached hereto (the "**Territory**");

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

1. GRANT

(a) QC Kinetix hereby grants to Developer the right to enter into Franchise Agreements with QC Kinetix pursuant to which Developer will establish (defined herein) and operate Businesses during the Term, as hereinafter defined, at specific locations approved by QC Kinetix within the Territory. For purposes hereof, "Franchise Agreement" means a franchise agreement in the form of QC Kinetix then current standard franchise agreement conformed for use by QC Kinetix in the Territory. The current form of Franchise Agreement is appended hereto as **Exhibit C**. The schedule set forth in **Exhibit D** to this Agreement ("**Development Schedule**") sets forth the minimum number of Businesses to be opened (and in operation) by Developer at various stages during the Term. Each Business developed hereunder shall be located within the Territory.

(b) Subject to Developer's payment in full of the Development Fee, as set forth herein and compliance with the terms hereof, QC Kinetix will not grant any other party the right to operate Businesses in the Territory, nor will it do so itself, except as otherwise set forth herein. Except as expressly set forth in this Section, QC Kinetix (on behalf of QC Kinetix and its affiliates) retains the right, in its sole discretion and without granting any rights to Developer to do those things specifically required to franchisor in the Franchise Agreement.

(c) Developer expressly acknowledges that, as between QC Kinetix and Developer, QC Kinetix is the owner of all right, title and interest in and to the Mark licensed to Developer by this Agreement, registered and unregistered.

(d) This Agreement is not a license or franchise agreement and does not grant to Developer any right to use the Mark or System. Such rights will be granted pursuant to the Franchise Agreement for each approved location, if any are executed.

(e) Developer shall have no right under this Agreement to franchise or license others to use the Mark or System.

(f) Developer shall establish and operate, from time to time, the minimum number of Businesses in the Territory required in accordance with the Schedule set forth in **Exhibit D** (the "**Minimum Franchise Requirement**") in order to maintain Developer's exclusive rights under this Agreement.

2. DEVELOPMENT FEE; FRANCHISE FEES

(a) Pursuant to each Franchise Agreement, Developer shall pay to QC Kinetix, for each Business to be opened in the Territory, the "**Initial Franchise Fee**," as defined in the applicable Franchise Agreement, and computed as set forth in **Exhibit E** hereto, as well as the continuing "**Royalty Fee**," as defined in said Franchise Agreement. For purposes of this Agreement, the sum total of the Initial Franchise Fees payable for the minimum number of Businesses to be opened under this Agreement is referred to as the "**Development Fee**."

(b) Upon execution of this Agreement, the Development Fee shall be fully earned by QC Kinetix and shall be non-refundable. The parties recognize that the Development Fee is intended, among other things, to reimburse QC Kinetix for administrative and other expenses and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

3. SITE AND PLAN APPROVALS

(a) Developer shall not begin any work necessary or desirable to adapt a proposed site as a Business until QC Kinetix shall have approved the site and the plans and specifications for the construction work thereat, including the design (interior and exterior), layout and signage of the proposed Business.

(b) Upon identifying a potential site for a Business, Developer shall submit to QC Kinetix a site selection package in such form, and containing such information, as QC Kinetix shall request. QC Kinetix, within thirty (30) days after its receipt of the site selection package, shall (i) approve the proposed site, (ii) disapprove the proposed site, or (iii) request additional information. If additional information is requested, QC Kinetix shall approve or disapprove the site within fifteen (15) days after receipt of such additional information.

(c) In the course of the site approval process, QC Kinetix shall make such on-site evaluation as QC Kinetix may deem advisable; provided, however, that QC Kinetix shall not provide on-site evaluation for any proposed site prior to receipt of a completed site selection package and letter of intent or other evidence satisfactory to QC Kinetix that confirms Developer's favorable prospects for obtaining the proposed site.

4. MANNER OF EXERCISE OF DEVELOPMENT RIGHT

This Agreement shall be executed at the same time as the initial Franchise Agreement(s) are executed. Notwithstanding anything to the contrary contained herein, QC Kinetix shall not be required to perform any obligation hereunder, nor shall Developer be entitled to exercise its development rights, or open a new Business, if at such time Developer is in breach or default of this Agreement, any Franchise Agreement or any other agreement between Developer (or any parent, subsidiary or affiliate of Developer) and QC Kinetix (or any parent, subsidiary or affiliate of QC Kinetix) or if there exists any event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default hereunder or thereunder.

5. TERM

(a) The term of this Agreement and all rights granted hereunder shall commence upon execution hereof by QC Kinetix and shall expire ____ (__) years thereafter, unless sooner terminated as provided herein ("**Term**").

(b) Developer shall have the option to renew this Agreement subject to Section 1, provided:

- (1) Developer gives QC Kinetix written notice of its intent to renew at least one-hundred and eighty (180) days prior to the expiration of this Agreement, and
- (2) At least one-hundred and eighty (180) days prior to the expiration of this Agreement, Developer has negotiated with QC Kinetix a development schedule and a renewal development fee for the renewal term, and
- (3) Developer shall pay to QC Kinetix at least ninety (90) days prior to the expiration of this Agreement, the renewal development fee determined by QC Kinetix and Developer, and
- (4) Developer has executed, upon renewal, QC Kinetix then-current standard form of development agreement, conformed by QC Kinetix for use in accordance with the laws and customs in the Territory (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal and only for such renewal terms as are provided by this Agreement), which agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement.

6. DEVELOPER'S COVENANTS

(a) During the Term, QC Kinetix will disclose to Developer certain of QC Kinetix proprietary, secret and confidential information, relating to, among other things, site selection; layout and design plans and specifications; technical knowledge; product data, plans and specifications; supplier and vendor

information; know-how and other aspects of the System (collectively "**Confidential Information**"). Developer agrees that during the Term and at all times thereafter:

(i) It shall hold in confidence all Confidential Information, using the highest degree of care in connection therewith;

(ii) It shall use the Confidential Information only in connection with this Agreement and the development and operation of Businesses and for no other purpose, and shall not permit the use thereof by any other person, firm, corporation, or entity ("**Person**");

(iii) It shall not reproduce, copy or photograph, in any manner or form, any tangible embodiment of the Confidential Information;

(iv) The Confidential Information is, and at all times shall remain, the sole and exclusive property of QC Kinetix; and

(v) It shall limit dissemination of the Confidential Information to those of its employees, independent contractors and agents who have a need to know such information and who have agreed in writing to be bound by the terms of this paragraph pursuant to an agreement granting QC Kinetix the right to enforce such agreement and a duplicate original copy thereof shall have been provided to QC Kinetix.

(b) During the Term and for two (2) years thereafter (or such longer period as may be provided in any other agreement between QC Kinetix and Developer), Developer will not, directly or indirectly, as principal, licensee, consultant, investor or in any other capacity, engage in, or have an economic interest in, any business located or operating in the Territory which provides the same or similar services to QC Kinetix at the expiration or termination of the Term.

(c) Developer covenants that during the Term, except as otherwise approved in writing by QC Kinetix, Developer shall not, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any Person:

(i) Divert or attempt to divert any business or customer of QC Kinetix to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Mark or the System; or

(ii) Knowingly employ, or seek to employ, any person who is at the time employed, or during the six (6) month period prior to such time was employed, by QC Kinetix or by any licensee or developer of QC Kinetix, or otherwise directly or indirectly induce, or seek to induce, such person to leave their employment thereat.

(d) Developer expressly acknowledges that the covenants contained in this Section are a material part of this Agreement and any failure by Developer to strictly adhere to the provisions of this Section will result in irreparable injury to QC Kinetix. Therefore, Developer agrees that, upon any breach or violation of this Section, or any threatened breach or violation of this Section, QC Kinetix, in addition to all other rights and remedies, all of which are reserved by QC Kinetix, shall be entitled to preliminary and permanent equitable relief, including an injunction, without bond, and without the need to prove irreparable harm or the inadequacy of legal remedies. If any of the covenants contained in this Section are deemed, by a court of competent jurisdiction, to be unenforceable by reason of the scope or duration

thereof, such provision shall be deemed to be modified to the maximum scope or duration which such court would deem valid and enforceable, and as so modified shall be enforced by such court.

7. FAILURE TO MEET DEVELOPMENT SCHEDULE; EVENTS OF DEFAULT

Developer acknowledges that its undertaking to open Businesses in accordance with the Development Schedule is a material inducement for QC Kinetix entering into this Agreement and time is of the essence as to Developer adhering to, and meeting, the Development Schedule. Therefore, each of the following events shall constitute a material event of default under this Agreement (individually, an “**Event of Default**,” and collectively, the “**Events of Default**”):

(a) Developer fails to obtain site approval or any other approval required from QC Kinetix prior to the commencement of construction of a Business.

(b) Developer fails to adhere to the agreed Development Schedule(s) in accordance with this Agreement or fails at any time to have open and operating a number of Businesses meeting the Minimum Franchise Requirement.

(c) Developer fails at any time to meet and satisfy fully the operational, financial and legal requirements set forth herein whether for the purpose of seeking franchise approval or in the day-to-day operation of a Business, and does not cure such failure within thirty (30) days of receipt of written notice from QC Kinetix.

(d) Developer fails to pay any amount when due under this Agreement and does not cure such failure within ten (10) days of written notice from QC Kinetix.

(e) Dissolution, termination of existence, insolvency, or business failure of either Developer or any Developer’s owners (as set forth in **Exhibit “F”** attached hereto, each an “**Owner**,” and collectively, the “**Owners**”), or the appointment of a custodian or receiver of any part of the property of Developer or any Owner, or a trust, mortgage or an assignment for the benefit of creditors is entered into by either Developer or any Owner; or the recording or existence of any lien against either Developer or any Owner for past due taxes, or the commencement by or against either Developer or any Owner of any proceeding under any bankruptcy or insolvency laws; or service on QC Kinetix of any writ, summons or process designed to affect any account or property of either Developer or any Owner, any of which is not released, dismissed, discharged, bonded or otherwise adequately reserved against within thirty (30) days.

(f) Developer fails to obtain or renew any licenses or permits necessary for the performance of Developer’s obligations under this Agreement or any Franchise Agreement and does not cure such failure within thirty days of written notice from QC Kinetix.

(g) Developer opens a Business without QC Kinetix approval, site approval, payment of all Initial Franchise Fees and other fees, and/or execution of a Franchise Agreement and all other agreements and documents required by QC Kinetix.

(h) Developer or any Owner challenges the validity of any of the Mark, other trademarks or trade names, copyrights or other intellectual property of QC Kinetix.

(i) Developer or any of its affiliates defaults under any Franchise Agreement or any other agreement with QC Kinetix or its affiliates and fails to cure such default within any applicable cure period.

(j) The occurrence of any event or governmental regulation or practice or any law which prohibits or restricts the payment to QC Kinetix of the amounts due to QC Kinetix hereunder or under the proposed or existing Franchise Agreements, or if such a restriction is in QC Kinetix reasonable opinion about to be imposed or likely to be imposed within twelve (12) months.

(k) The occurrence of any event which is contrary to the provisions of Section 9 hereof.

(l) Developer or any Owner fails to comply with any of the other terms, provisions or conditions of this Agreement, and does not cure such failure within thirty (30) days of receipt of written notice of such failure from QC Kinetix.

Upon the occurrence of an Event of Default, in the event Developer is not then currently in compliance with the Minimum Franchise Requirement, QC Kinetix may elect, by notice to Developer, any or all of the following, in addition to any other rights granted to QC Kinetix hereunder or under law, and without affecting Developer's liabilities or obligations, monetary or otherwise, hereunder:

- (i) Reduce (to zero or otherwise) or limit the number of additional Businesses which Developer may establish hereunder;
- (ii) Terminate the territorial protection granted to Developer hereunder;
- (iii) Reduce the Territory;
- (iv) Accelerate the Development Schedule; and
- (v) Require Developer to pay to QC Kinetix an amount equal to the Minimum Royalty for each franchise location to be opened, in accordance with each franchise agreement and the Development Schedule set forth in **Exhibit D** of this Agreement. This amount shall be paid in a lump sum to Franchisor on the termination date. Any unpaid amounts shall bear interest at the highest rate permitted by law, in the state in which the Franchised Business is located. Developer agrees that such payment is not a penalty but rather liquidated damages due to the impossibility of determining actual damages, *and that liquidated damages represent a fair, reasonable and appropriate estimate thereof.* during all periods thereafter but not so opened.

8. ADDITIONAL REMEDIES UPON AN EVENT OF DEFAULT

Additionally, upon the occurrence of an Event of Default, in QC Kinetix sole discretion,

- (a) QC Kinetix may terminate this Agreement, and all rights of Developer hereunder, and/or
- (b) QC Kinetix may terminate all existing Franchise Agreements, and/or
- (c) QC Kinetix shall be entitled to all remedies provided by law for a breach, or termination after breach, of an agreement, and/or
- (d) Developer shall immediately cease, and shall not at any time thereafter, directly or indirectly, to represent to the public or hold itself out as a present or former Developer or Developer of QC Kinetix; and/or

(e) Developer shall indemnify and hold QC Kinetix and QC Kinetix affiliates, and their respective officers, directors, shareholders, managers, members, agents, and employees harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Developer's activities hereunder (including but not limited to the establishment and operation of Businesses) as well as the costs, including attorneys' fees, of defending against them.

9. TRANSFER

Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and are granted in reliance on the business skill and financial capacity of Developer and the Persons presently owning the controlling interests in Developer. Accordingly, neither Developer, any immediate or remote successor to any part of Developer's interest in this Agreement, nor any Person who directly or indirectly controls Developer shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement; or transfer any interest in Developer or any Person that directly or indirectly controls Developer, in a transfer or series of transfers which results in a change in control of Developer, in any such case without prior written consent of QC Kinetix. Any such purported assignment or transfer, by operation of law or otherwise without QC Kinetix prior written consent shall be null and void and shall constitute a material breach of this Agreement.

10. CORPORATE RESTRICTIONS

(a) Developer shall maintain stop transfer instructions against the transfer on its records of any equity securities; and each certificate representing equity ownership in Developer shall have conspicuously endorsed upon its face a statement, in a form satisfactory to QC Kinetix, that it is held subject to, and that further transfer or assignment thereof is subject to, all restrictions on assignments imposed by this Agreement.

(b) Developer shall maintain a current list of all owners of record and all beneficial owners of any class of voting stock or other voting or equity interest in Developer and shall furnish the list to QC Kinetix upon request. **Exhibit F** hereto is a true and current list of the owners of record and beneficial owner of any class of voting stock or other voting or equity interest in Developer.

11. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be mailed by certified mail, return receipt requested, or Express Mail, or sent via recognized national or international courier, postage or fees prepaid, to the other party at the following addresses unless and until a different address has been designated by similar notice:

Notice to QC Kinetix:	QC Franchise Group LLC
	227 W. Trade Street, Suite 2160
	Charlotte, North Carolina 28202
	Attention: Mark Montini, CEO

Notice to Developer: _____

Attention: _____

Either party hereto may from time to time provide additional addresses or substitute addresses as the case may be by notice pursuant to this Section. All notices permitted or required to be delivered by the provisions of this Agreement or of the Operations Manuals shall be deemed effective upon receipt or refusal.

12. INDEPENDENT CONTRACTORS

(a) This Agreement does not create a fiduciary relationship between the parties, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purposes whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

(b) Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

(c) Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on QC Kinetix behalf, or to incur any debt or other obligation in QC Kinetix name, and that QC Kinetix assumes no liability for, nor shall be deemed liable by reason of, any act or omission of Developer or any claim or judgment arising therefrom. Developer shall indemnify, defend and hold QC Kinetix and QC Kinetix officers, directors, employees and agents harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with, Developer's activities hereunder, as well as the cost, including reasonable attorney's fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Mark that are caused solely by actions of QC Kinetix or actions caused by the negligent acts of QC Kinetix or its agents.

13. NO WAIVER

No failure of QC Kinetix to exercise any power reserved to it in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of QC Kinetix rights to demand exact compliance with the terms of this Agreement. Waiver by QC Kinetix of any particular default shall not affect or impair QC Kinetix right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance or omission of QC Kinetix to exercise any power or right arising out of any breach of default by Developer of any of the terms, provisions or covenants of this Agreement affect or impair QC Kinetix rights; nor shall such constitute a waiver by QC Kinetix of any right hereunder or rights to declare any subsequent breach or default.

14. DISPUTE RESOLUTION

(a) Choice of Law. This Agreement shall be interpreted and construed under the laws of the state of North Carolina. In the event of any conflict of law, the laws of the state of North Carolina shall prevail, without regard to the application of North Carolina conflict of law rules, except that any state law regulating the sale of franchises or governing the relationship of a franchisor and its franchisees will not apply unless its jurisdictional requirements are met independently without reference to this paragraph. If, however, any provision of this Agreement would not be enforceable under the laws of the state of North Carolina, and if the franchise business is located outside of North Carolina and such provisions would be enforceable under the laws of the state in which the franchise business is located, then such provision shall be interpreted and construed under the laws of that state.

(b) Venue. The parties agree that any action brought by either party against the other in any federal or state court shall be brought within the county in which QC Kinetix has its headquarters at the time action is initiated (currently, Charlotte, North Carolina), and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

(c) Non-Exclusivity of Remedy. No right or remedy conferred upon or reserved to QC Kinetix or Developer by this Agreement is intended to be or is exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

(d) Mediation. Before either party may initiate any action regarding any dispute, claim or controversy arising out of or relating to this Agreement, or the breach, termination, enforcement, interpretation or validity thereof, or any dispute, claim or controversy arising out of or relating to any non-exclusive right or remedy a party believes it has, the parties must first attempt to resolve the dispute through mediation conducted in accordance with the Commercial Mediation Procedures of the American Arbitration Association, or such other rules as the parties may mutually agree. Mediation shall be conducted in the state and county in where QC Kinetix has its headquarters at the time of the mediation (currently, Mecklenburg, North Carolina), and shall be conducted and completed within ninety (90) days following the date either party first gives notice of mediation unless otherwise agreed in writing by the parties. The parties will share equally the fees and costs of the mediator. The mediator shall be disqualified as a witness, expert or counsel for either party with respect to the dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under North Carolina and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. If a party fails to reasonably cooperate in scheduling and completing a mediation within ninety (90) days after giving or receiving notice thereof, such party shall be precluded from and not entitled to recover costs, expenses, and/or prevailing attorneys' fees in any subsequent legal proceeding. Despite the parties' agreement to mediate, the parties each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that the parties must contemporaneously submit the dispute, controversy or claim for mediation as provided in this Section.

(e) Arbitration. Except as Franchisor elects to enforce this Agreement by judicial process, injunction, or specific performance (as provided below), all disputes and claims relating to any provision hereof, any specification, standard or operating procedure, or any other obligation of Developer

prescribed by Franchisor, or any obligation of Franchisor, or the breach thereof (including, without limitation, any specification, standard or operating procedure or any other obligation of Franchisee or Franchisor, which is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by mandatory binding arbitration which shall be held in the County where the Franchisor headquarters are then located, which is currently Mecklenburg County, North Carolina. Arbitration must be in accordance with the then current Commercial Rules of the American Arbitration Association (“AAA”) and, where applicable, the provision of the Federal Arbitration Act, i.e. 9 USC §1, et al; and provided that at the option of the Franchisor or the Developer that the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association which could include an attorney with twenty (20) years or more franchise experience. The actual selection of the arbitrator from the list will be in accordance with the procedures for selecting an arbitrator under the Commercial Rules of the AAA. The parties agree that, in connection with any such arbitration proceeding, each 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. The parties further agree that arbitration will be conducted on an individual and not a class-wide or multiple plaintiff basis.

The party discovering an arbitrable claim will have one (1) year from the date of discovery but not to exceed two (2) years from the date the claim occurred, in which to settle the claim or to commence arbitration on it. Otherwise, the claim or demand will be deemed abandoned and shall be barred. The arbitrator shall allow discovery in accordance with the North Carolina Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Unless specifically provided for by applicable statute, no punitive or exemplary damages shall be awarded against the Franchisor, or entities related to it, in an arbitration proceeding or otherwise, and are hereby waived. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of the Franchisor or Developer. During the pendency of any arbitration proceeding hereunder, Developer and Franchisor shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement. Arbitration fees shall be shared equally and the prevailing party shall be entitled to their attorney fees, provided should there be no prevailing party each party shall pay their own attorney fees.

This arbitration provision shall not apply to any of the following disputes or controversies: any action for injunctive or other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Developer to comply with Developer’s obligations to Franchisor and/or to protect the Marks or any claim or dispute involving or contesting the validity of any of the Marks, or any claim or dispute involving any of the Confidential Information, trade secrets, or copyrights provided by the Franchisor to the Developer under this Agreement.

Limitation of Adjunctive Proceedings.

(i) THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

(ii) The parties hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that any dispute between them each shall be limited to the recovery of any actual damages sustained by the party. Developer agrees not to bring any claim asserting that any of the Marks are generic or otherwise invalid.

(iii) Developer agrees that the members, managers, shareholders, directors, officers, employees, and agents of QC Kinetix and its affiliates shall not be personally liable nor named as a party in any action between QC Kinetix and Developer.

(iv) QC Kinetix and Developer agree that, in connection with any such proceeding regarding Claims, each must submit or file any claim that would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim that is not submitted or filed as described above will be forever barred.

(v) The parties agree that any proceeding regarding Claims will be conducted on an individual, not a class-wide, basis. The parties waive to the maximum extent permitted by law the right to bring, maintain, or participate in any class, collective, or representative proceeding. Further, any Claims must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis, to the full extent permitted by applicable law.

(vi) The parties agree that a proceeding between QC Kinetix and Developer may not be consolidated with another proceeding between QC Kinetix and any other person or entity, nor may any claims of another party or parties be joined with any claims asserted in any action or proceeding between QC Kinetix and Developer.

(vii) No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement.

(viii) No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

(f) Injunctive Relief. Nothing in this Agreement bars QC Kinetix right to obtain specific performance of the provisions of this Agreement and injunctive relief against conduct that threatens to injure or harm QC Kinetix, the Marks or the Business, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Developer agrees that QC Kinetix may obtain such injunctive relief and will not be required to post a bond to obtain injunctive relief and that Developer's only remedy if an injunction is entered against Developer will be the dissolution of that injunction, if warranted, upon due hearing, and Developer hereby expressly waives any claim for damages caused by such injunction. Developer shall pay QC Kinetix costs of enforcement in obtaining injunctive relief or the enforcement of any item of this Agreement, as incurred ("**Costs of Enforcement**").

15. FORCE MAJEURE

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by and caused by circumstances beyond its reasonable control, including without limiting the generality of the foregoing, act or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, and insurrections, or acts of God. If any such delay occurs, any applicable time period shall automatically be extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay. Notwithstanding the foregoing, the provisions of this Section shall not result in any delay in the payment of any amounts due hereunder.

16. MISCELLANEOUS

(a) Nothing in this Agreement shall confer upon any Person other than QC Kinetix or Developer, and such of their respective successors and assigns as may be contemplated hereby, any rights or remedies under or by reason of this Agreement.

(b) All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by those executing this Agreement on behalf of Developer.

(c) This Agreement may be executed in multiple copies or counterparts and each copy so executed shall be deemed an original and one and the same agreement. Electronic signatures are also authorized.

(d) This Agreement, the documents referred to herein and the exhibits attached hereto, constitute the entire, full and complete agreement between QC Kinetix and Developer concerning the subject matter hereof and shall supersede any and all agreements that may have been heretofore entered into between QC Kinetix and Developer with respect to the subject matter hereof. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. No amendment, change or variances from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing and indicating an intention to modify or amend this Agreement.

17. DEVELOPER ACKNOWLEDGMENTS

(a) Developer acknowledges that the success of the business venture contemplated by this Agreement involves substantial business risks and will be largely dependent upon the ability of Developer

as an independent entity. QC Kinetix expressly disclaims the making of, and Developer acknowledges not having received any, warranty or guaranty, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

(b) Developer acknowledges having received, read and understood this Agreement, the exhibits attached hereto and agreements relating hereto, if any, delivered simultaneously herewith; and that QC Kinetix has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential risks of entering into this Agreement.

18. GUARANTY

As an inducement to QC Kinetix to enter into this Agreement with Developer, the principals of Developer are concurrently entering into a guaranty agreement in form and substance appended hereto as Exhibit G (the "**Guaranty**").

THIS AGREEMENT SHALL NOT BE BINDING ON QC KINETIX UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF QC KINETIX.

{The signatures appear on the next page}

IN WITNESS WHEREOF, the parties hereto have executed this Agreement. Upon signature and delivery of this Agreement by both parties, the effective date shall be the date first above written.

QC FRANCHISE GROUP LLC

By: _____

Title: _____

Date: _____

_____ (“Developer”)

By: _____

Title: _____

Date: _____

DEVELOPMENT AGREEMENT

ACKNOWLEDGMENT STATEMENT

I HEREBY ACKNOWLEDGE THAT I HAVE RECEIVED AND HAVE READ QC KINETIX'S FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN (14) DAYS PRIOR TO THE DATE THAT I HAVE EXECUTED THIS AGREEMENT, THAT I HAVE NOT PAID ANY CONSIDERATION THEREFOR TO QC KINETIX.

_____[Developer Name]_____

By:_____

(DEVELOPER)

By:_____

(DEVELOPER)

DEVELOPMENT AGREEMENT

DISCLAIMER STATEMENT

The undersigned having voluntarily applied for the right to develop certain franchises for the operation of Businesses, does hereby acknowledge the following:

- 1) Neither any QC Kinetix sales personnel nor any officer or employee of QC Kinetix is authorized (and indeed they are specifically directed not) to make any claims or statements as to the prospects or chances of success that your franchise can expect or that past Developers have had. No assurance or guaranty of success is either directly or indirectly given, intended, or implied by QC Kinetix.
- 2) Neither QC Kinetix nor any of its employees has made any representation or guaranty orally or in writing as to any gross sales, net profits, gross profits, revenues or other earnings that Developer can expect, other than as stated in Item 19 of the Franchise Disclosure Document.
- 3) QC Kinetix representatives, officers, and other employees are not authorized to represent or estimate dollar volumes and they are directed to provide the names of store owners in the contemplated area so that the prospective Developer can make its own investigation and analysis.
- 4) QC Kinetix is not bound by any unauthorized representations as to the success or dollar volume.

Dated this _____.

_____ ("Developer")

BY: _____

Signature of Developer

BY: _____

Signature of Developer

DEVELOPMENT AGREEMENT

EXHIBIT A

List of Proprietary Marks

1. "QC Kinetix" - registered with the United States Patent and Trademark Office bearing the registration number 6056438.

DEVELOPMENT AGREEMENT

EXHIBIT B

Territory

The territory is defined by the highlighted areas of the map below and on the following page.

DEVELOPMENT AGREEMENT

EXHIBIT C

Franchise Agreement

DEVELOPMENT AGREEMENT

EXHIBIT D

Development Schedule

<u>Deadline Date:</u>	<u>Cumulative Minimum Number</u> <u>of Businesses to be Opened and in Operation:</u>
**TOTAL	

DEVELOPMENT AGREEMENT

EXHIBIT E

INITIAL FRANCHISE FEE PER UNIT

<u>Number of QC Kinetix® Business Units</u>	<u>Initial Franchise Fee for Each Location</u>	<u>Total Initial Franchise Fee</u>
2 Units	\$50,000 each	\$100,000
3 Units	\$45,000 each	\$135,000
4 Units	\$41,250 each	\$165,000
5 units	\$37,000 each	\$185,000
Each unit after 5	\$20,000 each	

DEVELOPMENT AGREEMENT

EXHIBIT F

List of Owners

The owners of _____, and their respective ownership interests as of the date of the Development Agreement are:

•	_____	-	_____%
•	_____	-	_____%
•	_____	-	_____%
•	_____	-	_____%

DEVELOPMENT AGREEMENT

EXHIBIT G

GUARANTY, INDEMNIFICATION AND ACKNOWLEDGEMENT

As an inducement to QC Franchise Group LLC, a South Carolina limited liability company (hereinafter referred to as “QC Kinetix”) to execute the Development Agreement between QC Kinetix and [Developer’s name], (hereinafter referred to as “Developer”) dated _____, (hereinafter referred to as the “Agreement”), the undersigned, jointly and severally, hereby unconditionally guaranty to QC Kinetix and its successors and assigns that all of Developer’s obligations under the Agreement will be punctually paid and performed.

Upon demand by QC Kinetix, the undersigned will immediately make each payment required of Developer under the Agreement. The undersigned hereby waive any right to require QC Kinetix to: (a) proceed against Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Developer; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer. Without affecting the obligations of the undersigned under this Guaranty, QC Kinetix may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer. The undersigned waive notice of amendment of the Agreement and notice of demand for payment by Developer, and agree to be bound by any and all such amendments and changes to the Agreement.

The undersigned agree at all times to defend at the undersigned’s own cost, and to indemnify and hold harmless to the fullest extent permitted by law, QC Kinetix, and QC Kinetix officers, directors, employees and agents against any and all claims arising directly or indirectly from, as a result of, or in connection with, Developer’s activities under the Agreement, as well as the cost, including reasonable attorney’s fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Mark that are caused solely by actions of QC Kinetix or actions caused by the negligent acts of QC Kinetix or its agents.

The undersigned hereby acknowledge and agree to be individually bound by all of the covenants contained in Section 6 of the Agreement as if such covenants applied to the undersigned individually.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination or expiration shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the termination or expiration of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 14 of the Agreement, a copy of which the undersigned acknowledge having read and understood. This Guaranty shall be interpreted and construed under the laws of the State of North Carolina which laws shall prevail in the event of any conflict of laws. The other dispute resolution provisions of Section 14 of the Agreement shall apply to this Guaranty.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be mailed by certified mail return receipt requested, or Express Mail, or sent via recognized national or international courier, postage or

fees prepaid to the other party at the following addresses unless and until a different address has been designated by similar notice:

Notice to QC Kinetix: QC Franchise Group LLC
 227 W. Trade St, Suite 2160
 Charlotte, North Carolina 28202
 Attention: Mark Montini, CEO

Notice to Undersigned: _____

Attention: _____
All notices shall be effective upon receipt or refusal.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date of the Agreement.

GUARANTORS: _____

[name of Guarantor]

[name of Guarantor]

Exhibit K

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

California	
Hawaii	
Illinois	
Indiana	September 16, 2025
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

QC FRANCHISE GROUP LLC

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If QC Franchise Group LLC offers you a Franchise, it must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the Franchise Disclosure Document on the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other document or the payment of any consideration that relates to the franchise relationship.

If QC Franchise Group 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20508 and the appropriate state agency as identified on Exhibit B of this disclosure document.

QC Franchise Group LLC's franchise seller is Mark Montini, 227 W. Trade Street, Suite 2160, Charlotte, NC 28202. His phone number is (770) 841-3148. We also use an independent franchise broker R7FDC, Inc., doing business as Rhino7 Consulting. Rhino7 Consulting is headquartered at 431 Keisler Dr, Ste. 201, Cary, NC 27518. The phone number is (919) 977-9517. The franchise sellers working with Rhino7 Consulting include Joseph Schadle, Douglas Schadle, James D. Wollman and Mathew Wagner.

Issuance Date: April 30, 2025 (with effective dates as stated on Exhibit K to this Franchise Disclosure Document).

I have received QC Kinetix® Disclosure Document dated April 30, 2025 that included the following Exhibits:

- A. Franchise Agreement with attached Schedules
- B. List of State Franchise Regulators
- C. Business Associate Agreement
- D. State Addenda
- E. Operations Manual Table of Contents
- F. List of Franchisees
- G. Franchisees Who Have Left the System
- H. Financial Statements
- I. Sample General Release
- J. Development Agreement
- K. State Effective Dates
- L. Receipts

Date

Recipient/Franchise Applicant

RETURN THIS SIGNED FORM TO THE FRANCHISOR. Mail to: QC Franchise Group LLC, 227 W. Trade Street, Suite 2160, Charlotte, NC 28202.

APPLICANT COPY

RECEIPT

QC FRANCHISE GROUP LLC

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If QC Franchise Group LLC offers you a Franchise, it must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the Franchise Disclosure Document on the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other document or the payment of any consideration that relates to the franchise relationship.

If QC Franchise Group 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20508 and the appropriate state agency as identified on Exhibit B of this disclosure document.

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- J. Development Agreement
- K. State Effective Dates
- L. Receipts

Date

Recipient/Franchise Applicant

THIS SIGNED FORM REMAINS WITH THE FRANCHISE APPLICANT

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

FEDERAL TRADE COMMISSION and
STATE OF GEORGIA,

Plaintiffs,

v.

STEVEN D. PEYROUX, individually
and as an owner and officer of
REGENERATIVE MEDICINE
INSTITUTE OF AMERICA, LLC, also
d/b/a Stem Cell Institute of America,
LLC, PHYSICIANS BUSINESS
SOLUTIONS, LLC, and SUPERIOR
HEALTHCARE, LLC,

BRENT J. DETELICH, individually
and as an officer of REGENERATIVE
MEDICINE INSTITUTE OF
AMERICA, LLC, also d/b/a Stem Cell
Institute of America, LLC,

REGENERATIVE MEDICINE
INSTITUTE OF AMERICA, LLC, a
limited liability company, also d/b/a
Stem Cell Institute of America, LLC,

PHYSICIANS BUSINESS
SOLUTIONS, LLC, a limited liability
company, and

SUPERIOR HEALTHCARE, LLC, a
limited liability company,

Defendants.

CIVIL ACTION NO.
1:21-cv-3329-AT

OPINION AND ORDER

In this case, the Federal Trade Commission (“FTC”) and the State of Georgia allege that Defendants — acting together as a part of a common enterprise — engaged in unfair and deceptive acts in violation of the Federal Trade Commission Act (“FTC Act”) and the Georgia Fair Business Practice Act (“GFBPA”). In particular, Plaintiffs allege that Defendants created and published false and misleading advertisements about the efficacy and approval of stem cell therapy injection treatments for a host of medical conditions (osteoarthritis, neuropathy, joint pain, and more), and embarked on a comprehensive marketing campaign to distribute those ads to the public and to other medical clinics across the county. Now before the Court is Plaintiffs’ Motion for Summary Judgment [Doc. 73] on all five claims. As detailed in this Order, Plaintiffs have put forth ample record evidence in support of their claims. After review of the entire summary judgment record, the Court finds that there are no disputes of genuine issues of material fact and that the record and controlling law dictate that Plaintiffs’ Motion [Doc. 73] be **GRANTED** in full as to liability.

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I. BACKGROUND¹

A. The Parties

Plaintiffs are the Federal Trade Commission (“FTC”) and the State of Georgia. The FTC enforces the FTC Act, which prohibits unfair or deceptive acts or practices in or affecting commerce — including false advertising for drugs or services. 15 U.S.C. §§ 45(a) and 52. The State of Georgia, through its Attorney General, enforces the GFBPA, which also prohibits unfair or deceptive acts or practices in or affecting commerce. O.C.G.A. §§ 10-1-390—10-1-408.

This case involves a complex web of interrelated Defendants. There are five named Defendants: three LLC corporate Defendants and two individual Defendants. The three corporate Defendants are: (1) Superior Healthcare, LLC (“Superior”); (2) Physicians Business Solutions, LLC (“Physicians Business”); and (3) Regenerative Medicine Institute of America, LLC d/b/a Stem Cell Institute of America LLC (“SCIA”) (collectively, the “Corporate Defendants”). The two individual Defendants are (4) Steven Peyroux and (5) Brent Detelich. The three Corporate Defendants and Mr. Peyroux (“the Peyroux Defendants”) are

¹ This factual description does not constitute actual findings of fact. The Court derives the facts below from the evidence in the record and views these facts in the light most favorable to Defendants, the non-moving parties. The Court notes from the outset that, in filing their response to the Plaintiffs’ Statement of Material Facts, the Peyroux Defendants dispute certain facts but *never* cite to contrary evidence. (*See generally* Peyroux Defs. Resp. to SOMF, Doc. 109.) Consistent with Local Rule 56.1(B)(2)(a)(2), the Court deems Plaintiffs’ facts admitted unless Defendants (i) directly refute the movant’s fact with specific citations to evidence, (ii) state a valid admissibility objection, or (iii) point out that the citation does not support the movant’s fact. Most of the Peyroux Defendants objections fall in this third category, so, as to these facts, the Court has reviewed Plaintiffs’ cited evidence to determine whether the evidence supports the stated fact.

represented by one set of counsel, and Mr. Detelich is represented by separate counsel. A breakdown is provided below.

Corporate Defendants	Individual Defendants
• Superior • Physicians Business • SCIA	• Peyroux • Detelich (separate counsel)

The Court begins with descriptions of the Corporate Defendants.

From 2005 to 2019, **Superior** operated a clinic in Canton, Georgia that provided health-related services and products to consumers, including: chiropractic services, medical weight loss services, and — at issue here — stem cell therapy. Superior offered stem cell therapy from 2015 to 2019. (Plaintiffs’ Reply to Peyroux Defendants in Support of Statement of Material Facts (“PSOMF-Peyroux”), Doc. 115-1 ¶¶ 1–2, 341.) Stem cell therapy involves the injection of shots with products containing cells or growth factors derived from birth tissue, including amniotic tissue or fluid, placenta, Wharton’s jelly, umbilical cord blood, adipose tissue, and bone marrow. (*Id.* ¶¶ 343, 344.) Besides offering stem cell therapy at *its* clinic, Superior also provided stem cell therapy through satellite clinic locations. (Defs. Rog. Resp., Doc. 79-19 at ROG 6.) Superior paid rent to these satellite clinics and paid doctors and medical staff flat fees to inject patients with stem cell therapy. (*Id.*) From 2017 to 2019, at least 485 consumers purchased stem cell therapy injections from Superior (at its clinic and/or the satellite

locations) at an aggregate cost of \$3,350,416. (Declaration of FTC Investigator Dawn Bae, Doc. 78-16 ¶ 16.) Of these customers, 335 were age 60 or older. (*Id.*)²

The next Corporate Defendant is **Physicians Business**. Physicians Business is a consulting company that advises chiropractors and healthcare clinics (like Superior) on how to increase revenue by offering additional services to patients — one such service is stem cell therapy. (PSOMF-Peyroux, Doc. 115-1 ¶¶ 550, 553, 555.) In advising healthcare clinics on how to add stem cell therapy to their practices, Physicians Business provided resources — marketing manuals, flyers, lectures, sample emails ads, and PowerPoints — and a procedure to launch advertising campaigns.³ (*Id.* ¶¶ 553, 561, 564, 566, 567.) Physicians Business also provided coaching to clinics on how to deliver PowerPoint presentations to potential patients. (*Id.* ¶ 577.) And, as a part of its consulting, Physicians Business offered medical training for clinics, ordered supplies for the stem cell injections, and provided other sales training, for example, on how to track patients and potential patient responses to marketing campaigns. (*Id.* ¶¶ 561, 568.) Physicians Business offered various consulting programs to client clinics; these programs charged monthly or annual fees. (*See, e.g.*, PBS 1-Year Consulting Agreement, Doc.

² Defendant Peyroux testified that Superior typically charged around \$5,000 “per joint,” but that the cost fluctuated depending on the specific product; for example, “Wharton’s jelly was more expensive than an amnio product.” (Peyroux 30(b)(6) for Superior Dep., Doc. 73-7 p. 87.) Peyroux himself set the original prices at the clinic.

³ At some point, Physicians Business also created a training platform called “PBS University” that provided client clinics with training videos and other materials containing information on stem cell therapy. (*Id.* ¶¶ 579–81.)

75-18) (charging clinic in Decatur, Alabama \$13,500 per year, with \$2,500 initial payment and \$1,000 subsequent monthly payments).

The third corporate Defendant is The Stem Cell Institute of America (“SCIA”). Like Physicians Business, SCIA offered consulting services to chiropractors and other healthcare clinics — but SCIA’s consulting business focused *only* on stem cell therapy. (Plaintiffs’ Reply to Detelich in Support of Statement of Material Facts (“PSOMF-Detelich”), Doc. 117-1 ¶ 435.) SCIA provided its client clinics with materials such as public-facing lectures and PowerPoints (*id.* ¶ 442), advertising campaigns to promote those lectures (through social media ads, newspaper ads, and more) (*id.* ¶ 445), and an online document sharing system (“Smart Vault”). Smart Vault included information on stem cell products, advertisements for stem cell therapy, medical exam materials, patient surveys, contracts related to the provision of stem cell therapy, and more. (*Id.* ¶¶ 447–48.) SCIA also coached clients on how to deliver lectures to potential patients and provided sample handout materials to give consumers at these lectures. (*Id.* ¶¶ 449, 462.) SCIA provided client clinics with sample TV, video, and radio ads. (*Id.* ¶¶ 486, 489.) Besides providing client clinics with marketing campaigns, SCIA advertised stem cell therapy directly to consumers through lectures, postcards, emails, its website, YouTube, a documentary, and more. (*Id.* ¶¶ 512, 513, 515, 517, 520, 527.)

SCIA at first charged each client clinic a \$400 fee per stem cell treatment injection administered by the clinic. (*Id.* ¶ 439.) At some point, however, SCIA

began offering clients “exclusivity membership” through which the clinic paid SCIA a flat fee and SCIA agreed not to accept competing client clinics within a set radius. (*Id.* ¶ 440) (*See also* Sample SCIA contract, Doc. 47-12) (offering exclusivity package of, e.g., \$1,500 per month for a 2.5 mile exclusivity radius or \$4,500 per month for a 15 mile exclusivity radius).

Besides the three Corporate Defendants, there are two named individual Defendants: Steven Peyroux and Brent Detelich.

Peyroux, a licensed chiropractor (PSOMF-Peyroux, Doc. 115-1 ¶ 134), was the 100% owner of all three Corporate Defendants: Superior, Physicians Business, and SCIA. (*Id.* ¶¶ 138, 156, 184.) Peyroux was the Executive Director and a corporate officer of Superior. (*Id.* ¶¶ 185–86.) Peyroux is the CEO and a corporate officer of Physicians Business. (*Id.* ¶¶ 157–58.) Peyroux was a co-founder and corporate officer of SCIA. (*Id.* ¶¶ 136, 139.)

Detelich was licensed as a chiropractor, but his license was revoked after he was convicted in federal court of several felonies and because he committed unprofessional conduct. (PSOMF-Detelich, Doc. 117-1 ¶ 245.)⁴ Detelich was a co-founder, officer, and director of SCIA and served as SCIA’s president until Peyroux took over this role in January 2018. (*Id.* ¶¶ 249–52.) As to Physicians Business, Detelich was directly involved in developing, marketing, and delivering consulting services about stem cell therapy. (*Id.* ¶ 304.) Detelich was also directly involved with Superior’s marketing of its stem cell therapy treatments (though Detelich

⁴ No further information about Mr. Detelich’s felonies was provided.

claims that he was involved only because Superior was a client clinic of SCIA). (*Id.* ¶¶ 314–27.)

In 2019, Superior and SCIA filed for bankruptcy. (*Id.* ¶¶ 3, 8.) The bankruptcies closed in August and November 2021. (*Id.*)⁵ Physicians Business remains operational. Peyroux and Detelich currently hold interests in several other healthcare companies. (PSOMF-Peyroux, Doc. 115-1 ¶¶ 217, 218, 219, 229, 230, 234, 238, 241; PSOMF-Detelich, Doc. 117-1 ¶¶ 332, 334.)

B. Plaintiffs’ Allegations that Stem Cell Advertisements Were Deceptive

1. Direct Ads to Consumers

Plaintiffs allege that the Corporate Defendants published advertisements that were deceptive because the ads misrepresented the efficacy of stem cell therapy treatment.

Superior (the clinic), advertised stem cell therapy treatments directly and advertised for stem cell therapy lecture events (also known as “lunch and learns” or “seminars”). At these lecture events, stem cell therapy was further advertised. (PSOMF-Peyroux, Doc. 115-1 ¶ 360.) In so advertising, Superior used postcards, social media, TV commercials, websites, YouTube channels, email blasts, and print media. (*Id.* ¶ 362.) For example, on its website, Superior stated, among other things, “OUR . . . STEM CELL TREATMENTS CAN PROVIDE REMARKABLE

⁵ The automatic stay provision of the bankruptcy code, 11 U.S.C. § 362(a), does not apply here. This is an action to enforce Plaintiffs’ police and regulatory power as governmental units and therefore falls within an exception to the automatic stay provision. *See* 11 U.S.C. § 362(b)(4).

IMPROVEMENT WHEN OTHER TRADITIONAL MEDICAL PROCESSES HAVE FAILED OR HAD LIMITED EFFICACY.” (See Superior Website, Docs. 96-24, 126-2 at ECF 21) (also noting “stem cells can be used to treat nearly any type of condition caused by injury or degeneration”). Superior’s website also advertised for “educational seminars,” by offering attendees a chance to learn about this “cutting edge therapy” that could provide relief in “as little as one treatment”:

DISCOVER HOW TO REPAIR JOINT DAMAGE AND LIVE PAIN
FREE WITHOUT PAINFUL SURGERY OR HARMFUL DRUGS
LEARN HOW THIS CUTTING EDGE THERAPY CAN GIVE YOU LASTING PAIN RELIEF IN AS LITTLE
AS ONE TREATMENT TO HELP YOU STAY ACTIVE AND HEALTHY!

(See Superior Website II, Docs. 96-23, 126-2 at ECF 12) (also noting that stem cell therapy can treat COPD, Parkinson’s Disease, Multiple Sclerosis, Congestive Heart Failure, and more). Superior also advertised for SCIA’s stem cell therapy seminars but included its own name and logo in the bottom left corner:

Do you suffer from...

- Knee Pain
- Low Back Pain
- Shoulder Pain
- Joint Pain
- Plantar Fasciitis
- Neck Pain
- Tennis Elbow
- Osteoarthritis of the Knee
- Neuropathy

Learn How
STEM CELL THERAPY
Can Change Your Life
FREE Seminar
by the Stem Cell Institute of America

STOP the Pain! Get Relief without costly and painful surgery!
You and a guest are invited to attend a 1-hour educational seminar to hear about the latest medical breakthrough in pain relief. You must be over 18 to attend.

Regenerative medicine is now available locally and can effectively reduce and even eliminate your pain without surgery or addictive medications.
Regenerative medicine uses stem cells to regenerate and repair tissues in your body that are damaged due to age, disease and defects. Stem cells have the power to go to these damaged areas and generate new cells and rebuild the area.

SUPERIOR HEALTHCARE

Our Healthcare Team gets results because we treat the whole person all under one roof.
• Medical Doctors • Nurse Practitioners • Athletic Trainers • Chiropractors • Nutritionists

Call 678-293-9959 Today! First 20 Callers will receive 10% off any Stem Cell Service.

(Stop the Pain Newspaper Ad, Doc. 75-11.)⁶ The ad states that these treatments “can effectively reduce and even eliminate your pain without surgery or additive medications.” (*Id.*) The same ad was sent out via postcards. (See Stop the Pain Postcard, Doc. 75-23) (advertising educational seminar to “hear about the latest medical breakthroughs in pain relief” for conditions like knee pain, low back pain, neuropathy, joint pain, osteoarthritis, and more, and touting an “80% Success rate!”).

Superior also advertised seminars on Facebook, stating that attendees can learn how stem cell therapy “can be used to regenerate joints and restore mobility to damaged knees,” as follows:

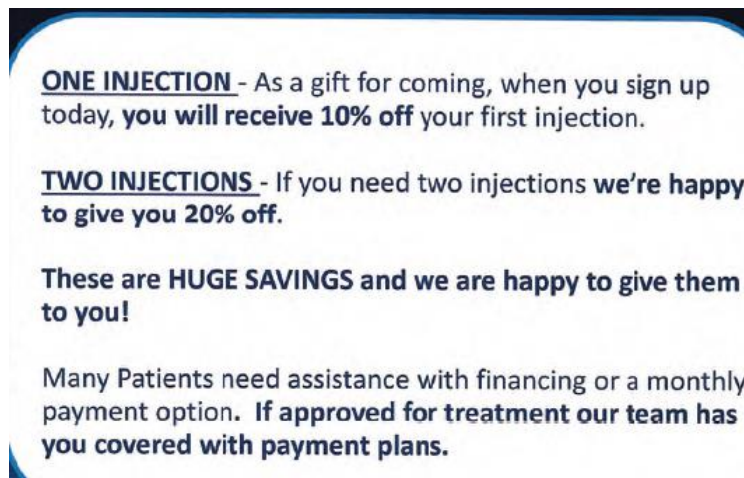


(Superior Facebook Ad, Doc. 75-12) (also noting that the lecture would be presented by “Dr. Steven Peyroux” and would show “how thousands of patients are living pain-free lives with help from the research, treatments and therapies of stem cell science”) (emphasis added).

⁶ This ad is attached to an email sent from Physicians Business to Superior’s marketing department, and cc’ing Defendant Peyroux.

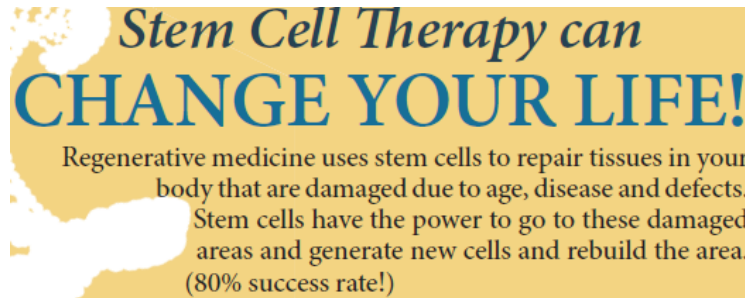
Superior also used TV ads. (See Superior TV Ad Video, Doc. 78-6, Pls. Ex. 131, filed manually) (“It only takes one stem cell treatment to reduce or eliminate your knee pain without prescription medications and without surgery. In fact, many patients start experiencing relief from their pain immediately after the treatment.”); (See also Superior TV Ad II, Doc. 95-24, Pls. Ex. 574, filed manually) (advertising stem cell therapy as treatment for neuropathy).

At the lectures themselves, speakers (such as Mr. Peyroux) presented PowerPoints that touted a “Medical Breakthrough Recognized The World Over!” (Superior PowerPoint, Doc. 93-6 at ECF 3.) At the end, the PowerPoints offered discounts for signing up for stem cell injections immediately:



(*Id.* at ECF 65.)

Like Superior, SCIA (the consulting company that focused only on stem cell therapy) advertised directly to consumers. (PSOMF-Peyroux, Doc. 115-1 ¶ 511; PSOMF-Detelich, Doc. 117-1 ¶ 511.) SCIA also advertised through postcards:



(SCIA Postcard Ad, Doc. 77-18.) On its website, SCIA advertised both its stem cell therapy and its lectures, noting, e.g., that customers could “eliminate knee pain” and that regenerative medicine “has revolutionized treatment options for those suffering from chronic neck pain”:



Cervical Pain

Regenerative medicine has revolutionized treatment options for those suffering from chronic neck pain. Regenerative Cell Therapy uses Regenerative cells to target the painful areas, help recharge the immune system, and greatly reduce inflammation. [Read More](#)

(SCIA website, Doc. 76-6.) SCIA also advertised directly to customers on YouTube. (See, e.g., Pls. Ex. 612, filed manually, at 1:16–1:20) (stating that stem cell therapies are “clinically proven to be extremely effective in promoting healing”); (Pls. Ex. 623, filed manually) (“[O]ur clinic is proud to offer one of the most cutting edge, non-invasive, and non-surgical treatments for joint and arthritis pain”). SCIA also advertised directly through blog posts:

Say Goodbye to Joint Pain – Regenerative Cellular Medicine to The Rescue

april 24, 2018 • [stemcellinstituteofamerica](#)

Joint pain can leave you incapacitated, as it hinders your mobility. This can cause severe depression if it is not addressed on time. So, if you have joint pain of any kind, do not neglect it. There are 3 primary types of joint pain:



(<http://americastem.com/>).

1. Cervical pain that occurs from the degeneration of the cervical cartilages,
2. Chronic pain that occurs from reduced immunity (DJD), and
3. Cervical arthritis that occurs from inflammation of the tendons and ligaments.

Till recently, surgery was the only means of treating joint pain. Now, there are non-surgical alternatives and pain-free ways to treat joint pain. Regenerative medicine has gained popularity as a non-surgical treatment option because of its ability to restore structure and function of damaged tissues. Regenerative stem cell therapy repairs the injured and degenerated tissues and stimulates new growth of cells. You can learn about these advanced regenerative options at [Stem Cell Institute of America](#) (<https://twitter.com/SCIAtweets>).

Regenerative medicine is a promising revolution in the treatment of joint pain. It significantly reduces pain, slows the progression of the disease, restores joint function and increases mobility of the patient. The effects of this therapy can be greatly amplified by combining it with physiotherapy. If you want to know how regenerative medicine can help you live a better quality of life, contact [Stem Cell Institute of America](#) (<https://www.pinterest.com/infostemcellinst/>) for a free informational seminar today!

(SCIA Blog Post, Doc. 88-5.)

SCIA also created a documentary called The Healing Miracle that used other interviews and patient testimonials to advertise stem cell therapy. (See Healing Miracle Transcript, Doc. 97-4.)

Like Superior and SCIA, Physicians Business operated a website that included advertisements for stem cell therapy, such as:

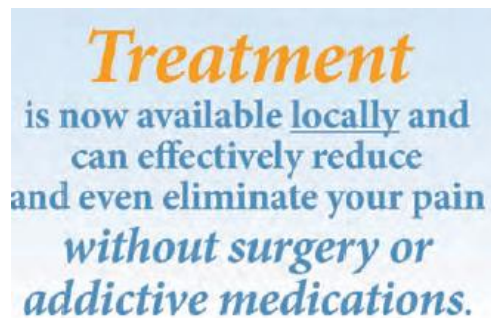
Revolutionary platelet-rich plasma (PRP) and amniotic regenerative cell therapy procedures can treat all the damages and underlying conditions that cause pain. Practitioners can inject these cells into the target area, and they then act as an immunologically privileged material to rebuild and strengthen the damaged tissue causing back pain.

(Physicians Business Website, Doc. 80-23.)

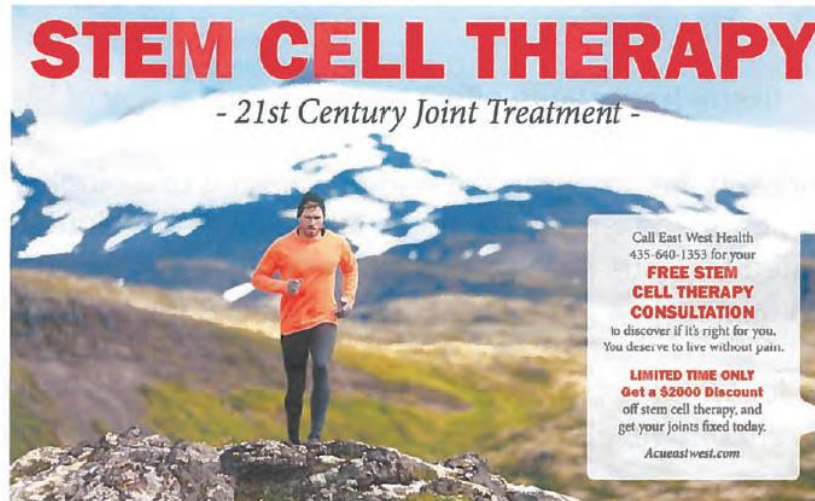
2. Ads Provided to Clinics

Beyond advertising directly to consumers, SCIA and Physicians Business — as consultants — provided ads to client clinics for those clinics to use when advertising stem cell treatments and lectures. (PSOMF-Peyroux, Doc. 115-1 ¶ 600; PSOMF-Detelich, Doc. 117-1 ¶ 447.)

SCIA included a SCIA Manual in its marketing packages. (PSOMF-Detelich, Doc. 117-1 ¶ 447.) This SCIA Manual included sample ads that are similar to the ones shown above. (See SCIA Manual, Doc. 78-2 at ECF 68–86.) For example, postcard ads included similar statements that stem cell therapy could “reduce and even eliminate” pain:



(*Id.* at ECF 72.) One sample magazine/newspaper ad touted the stem cell therapy as “FDA-approved,” as shown below:



STEM CELL THERAPY
- 21st Century Joint Treatment -

Call East West Health
435-640-1353 for your
FREE STEM CELL THERAPY CONSULTATION
to discover if it's right for you.
You deserve to live without pain.

LIMITED TIME ONLY
Get a \$2000 Discount
off stem cell therapy, and
get your joints fixed today.

AcuEastWest.com

The opening of ski season is typically a time for excitement and anticipation, but if you've experienced a joint injury, you're feeling anything but "typical." You wonder if your skiing days are in your past, because of pain resulting from injuries to arms, legs, and everything in-between.

Regan Archibald, himself a board-certified acupuncturist, knows about joint injuries all too well. In a snowboarding accident, he tore a rotator cuff and biceps tendon and fractured his scapula. He became frustrated at the usual injury protocol of doctors and therapists because pain was keeping him awake at night. Surgery seemed like the last resort, but Regan resisted; having worked on shoulder injuries in his own practice, he knew that surgery was not a panacea for pain relief.

A new treatment option, "amniotic allograft stem cell therapy," got Regan's attention. This FDA approved process of injecting stem cells allows for safe transfer of the cells from healthy mothers' amniotic fluid to inflamed joints. These cells are packed with life - seeking damaged tissue and giving the body's natural recovery a big boost. With healing cytokines that decrease inflammation, "indifferent" stem cells respond to the body's needs, growing new muscle, tendons, ligaments and cartilage. The amniotic fluid itself carries 121 growth factors and immune-protecting proteins, preventing any risk of rejection by the body. Additional stem cell research revealed that over 300,000 cases had been found effective, with no side effects.

Armed with knowledge, Regan decided to have a stem cell injection in his shoulder, an

office procedure that took less than five minutes. Within 72 hours, his shoulder pain was gone. Having conquered this issue that had plagued him for months and impacted his treatment, Regan regained 95% of function in his shoulder. He was able to return to his pre-injury Crossfit training, and ultimately resumed sleeping through the night - an impossibility given his previous pain levels.

Amniotic allograft stem cell therapy cannot "grow" a joint that is missing (e.g., hip replacement), but as long as you physically have a joint, this therapy has enormous potential to help the healing process as well as relieve pain.

While this stem cell therapy is a 21st-century achievement, it is widely-available and affordable. And it comes with a "guarantee"

for satisfaction, by way of a second, no-cost injection after six months.

Regan is part of the medical team at East West Health, and he is excited to share his successful stem-cell experience with anyone suffering from unrelenting joint pain. East West doctor John Lawrence is confident that "with stem cell therapy, we now have new frontiers in joint repair, reversing auto-immune conditions, and even with chronic lung disease." The team has a track record of "incredible results," even for treatment-resistant bone-on-bone injuries.

With its one-two punch of pain relief and healing properties, stem cell therapy might just be the way to get back on those slopes...

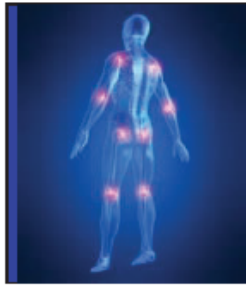
AcuEastWest.com

(Id. at ECF 82.) SCIA also provided client clinics sample e-blast emails to send to potential customers/patients:

Dear Patient,

You or someone you know may have been recommended or even undergone harmful and painful steroid injections or surgery for a hip, knee, shoulder, back or neck condition.

Did you know there is a pain free medical breakthrough that can eliminate the need for steroids, pain medications and surgery for virtually any joint in the body?



Well there is! And.....

_____ in partnership with the *Stem Cell Institute of America* is ready to tell you how. Today you can schedule a free 30 minute consultation to learn all about the amazing benefits of stem cells. **This new revolutionary service now available to all of our past patients, family and friends is being called the most significant medical breakthrough in the 21st-century!**

Call *The Stem Cell Institute of America* today at 800-391-6040 to schedule your free appointment in our office and to have all your questions answered

(SCIA Sample Email for Clinics, Doc. 96-18.) Other sample email templates advertised for upcoming lectures given by “Dr. Steven Peyroux, *Chief Medical Officer* of Superior Healthcare” where “**FDA – approved ‘Regenerative Injection Therapy’** for arthritic and/or degenerative conditions” would be discussed:

When: Tuesday, Mar. 8, 2016 at 6:30pm

Where: Northside Hospital Cherokee Conference Center at 1130 Bluffs Parkway in Canton

Who: Dr. Steve Peyroux, Chief Medical Officer of Superior Healthcare, will present these exciting new medical breakthroughs that are allowing chronic joint pain sufferers to return to a pain free life in a matter of weeks.

What You'll Get: Discover how you can finally become pain free from your arthritis, degenerative joint disease, tendonitis, bursitis, and more without expensive and painful surgery or prescription drugs.

How To Participate: Seating is limited to the first 30 callers! Please call us at **678-266 0298** to reserve a seat.

Developed in conjunction with the Stem Cell Institute of America, Superior Healthcare is now offering painless, **FDA - approved "Regenerative Injection Therapy"** for arthritic and/or

(SCIA Sample Email for Clinics II, Doc. 76-23) Other newspaper/print ads similarly represented that the stem cell therapy offered by the client clinic, along with SCIA, was FDA approved:

FREE Educational Seminars on Stem Cells
 Tuesday, March 8th at 11:00 a.m. and 5:30 p.m.
 Sun City Prairie Lodge - 12940 Del Webb Blvd., Huntley, IL

Local Stem Cell Institute of America Clinic now offers Regenerative Therapy

WELLNESS INSTITUTE OF ILLINOIS devotes much of its time treating chronically ill patients – especially those in pain. With 25 years of experience, serving Northern Illinois with multiple practices, it continues to utilize cutting-edge technology to help restore patients' health. The institute recently announced its latest state-of-the-art healing procedure: regenerative stem cell therapy.

Developed in conjunction with the Stem Cell Institute of America, Wellness Institute of Illinois is now offering painless, FDA approved stem cell injections for arthritic and/or degenerative conditions, especially those found in the knees, hips, shoulder, neck and lower back.

These remarkable treatments can repair issue in the body that has been damaged from age, disease or degeneration. They do this by pinpointing the impaired areas, removing the swelling with powerful anti-in-



Wellness Institute of America is now offering state-of-the-art stem cell therapy at it's Crystal Lake location. To attend one of the free educational seminars or find out more about these amazing regenerative treatments call 815-526-8414.

(See, e.g., Wellness Institute of Illinois Print Ad, Doc. 75-24) (highlights added).

One video ad stated that, as an alternative to surgery or medication, the particular clinic (in conjunction with SCIA) “offers a breakthrough treatment available now: a simple injection of an all-natural substance that your body already produces that has been *clinically shown* to regenerate damaged cartilage and connective tissue.” (Gil Center Video Ad, Pls. Ex. 202, filed manually.)

Like SCIA, Physicians Business provided client clinics with sample ads. For example, Physicians Business provided clinics with a template (to be filled in by the clinic) for emails to be sent out that advertised stem cell therapy and lectures:

is now offering Regenerative Medicine Services. The science and results of Regenerative and Stem Cell Therapy have already changed healthcare forever and we are excited to bring them to you.

Until recently, treatment options for people with chronic pain were limited to steroid injections (short term relief) and surgery (high risk and long recovery periods). Now, safe and effective treatments for knee, shoulder, hip, elbow, back and neck pain are available without harmful side effects and minimal pain.

(See, e.g., PBS Email Template, Doc. 97-16.) Physicians Business also provided clients with sample PowerPoints for seminars. (See Email Conveying PowerPoint, Doc. 77-11; PowerPoint Template, Doc. 77-12.)⁷

C. Other Aspects of the Marketing Campaigns

Besides providing sample ads, SCIA provided client clinics with other resources such as PowerPoint presentations; patient service agreements; informed consent forms; medical intake forms; access to a centralized call center with trained personnel to respond to patient questions; training for the client's clinical staff on how to deliver "successful lectures" as well as the appropriate methods to administer regenerative medicine services; and more. (SCIA Consulting Agreement, Doc. 75-22 at ECF 7, 9–10.) Under this umbrella of services, SCIA provided client clinics with materials and training on "handling objections" (i.e., where a consumer was hesitant or unwilling to purchase stem cell therapy treatment). One slideshow on this issue includes the following training:

⁷ Physicians Business derived this PowerPoint template from a SCIA template. (See PSOMF-Peyroux, Doc. 115-1 ¶ 571) (the Peyroux Defendants do not dispute this fact).

Tips for handling

1. Empathize
2. Take responsibility for the patient getting well, it's more important than any excuse
3. Always handle with truth
4. Don't exaggerate, use real expectations
5. These only work if you are sincere

3

Spouse

"I need to talk to my spouse."

4

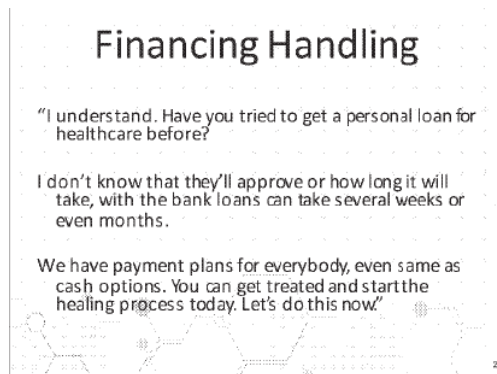
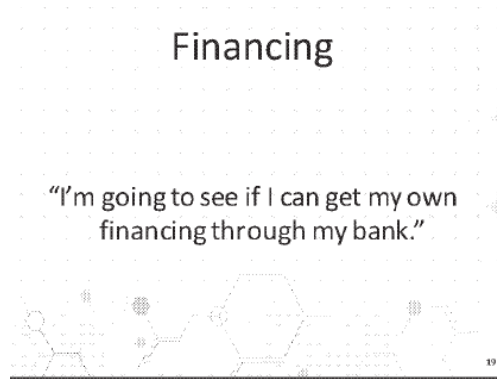
Spouse Handle

"I agree you should. However, I know that if you go home and tell your spouse about it they'll say no, because they weren't at the seminar and they weren't here today to fully understand your condition and the therapy.

I'd like you to bring them in and we will go over it together so I can answer any questions or concerns they have."

5

...



(Handling Objections Slideshow, Doc. 76-4.) SCIA provided many other trainings and materials related to sales strategies. (See, e.g., Sales and Marketing PowerPoint, Doc. 74-7) (with specific slides for training of “case managers” whose “purpose” was to “ensure the public and patients are sufficiently enlightened to purchase stem cell therapy” and to “sell stem cells in high volume and collect the money needed to expand and further the purpose of the clinic”). SCIA also recommended particular stem cell products to client clinics. (PSOMF-Detelich, Doc. 117-1 ¶ 502.)

Like SCIA, Physicians Business also provided client clinics with various resources besides template ads, including management consultation on how to hire needed clinical staff; plans for internal and external marketing systems; case

management (including sales, financing, scheduling, and follow-up); medical forms and documentation templates; guidance on regenerative medicine products; and more. (Physicians Business Contract, Doc. 75-18.) Physicians Business also coached client clinics on how to deliver stem cell therapy lectures and PowerPoint presentations. (*See, e.g.*, Pls. Exs. 466, 471) (recordings of Peyroux coaching on how to present PowerPoint at lectures). In one training video, Peyroux and another employee explain and role-play how to respond to a customer's objection that she needs more information and more data by stating:

There are certainly some research and things like that that I can provide to you that are published studies in well-known journal articles. However, the question you really should be asking me is . . . how many people and what results have you seen in people with similar knee conditions to me. . . .

Over the past few years that we've done this, we have treated hundreds of patients with knee conditions with amazing results. So the level of degeneration you have in your knee makes you a really good candidate for this procedure. And I feel very confident in telling you that this is going to be a positive outcome for you as far as improving your range of motion, quality of life, and decreasing pain.

(Objection Training Video, Pls. Ex. 470, filed manually.)

Physicians Business also hosted seminars at the client clinics themselves that were directed to the clinics and/or the public. Such seminars could include sessions titled "Cash Services that Bring in New Patients by the 'Truckload'" and "Miracles of Stem Cells and Your Office," (Garden State Seminar Ad, Doc. 75-20 at ECF 9), or "How to resolve a knee condition with certainty in just 1-2 treatments – The secret to getting \$5,000-\$10,000 case fees paid in cash for these conditions"

(Apex Seminar Agenda, Doc. 90-5). At one Physicians Business Seminar in 2021, the agenda included talks by “Dr. Brent [Detelich]” and “Dr. Steve [Peyroux]” about these topics, among others: “Learn the only *FDA approved* regen[erative] med[icine] systems that get results!” (emphases added); “How to *stay compliant with FDA and FTC for treatments and marketing*”; “Best systems to ensure 5 to 10 K per case”; “Cellular Hope Institute – Your private personal advanced Regen[erative] Med[icine] treatment Hospital in Cancun, Mexico Learn our ultra smooth process of preferring patients to the cancun[sic] center [and] Legal documents so that you can receive 20% of all funds collected without any risk.” (Marietta Seminar Agenda, Doc. 77-25.) Physicians Business also offered Facebook Live events about stem cell therapy and exosomes.⁸ (See PBS Facebook Live, Doc. 92-15.) In advertising for virtual sales trainings, Physicians Business represented that its regenerative medicine programs were both “FDA approved” and “approved by the FTC & FDA,” as follows:

⁸ Exosomes “are not cells, they are extracellular vesicles secreted by cells.” (Expert Report of Dr. Phillip Morrison (“Morrison Report”), Doc. 78-22 ¶ 47.) Defendants, as alleged, recommended products that were claimed to contain exosomes produced in culture “by mesenchymal cells propagated from placentas or umbilical cords.” (*Id.*)



(FDA Approved Facebook Ad, Doc. 87-3.) Like SCIA, Physicians Business also recommended particular stem cell products to clients. (PSOMF-Peyroux, Doc. 115-1 ¶ 632.) Together, SCIA and Physicians Business held joint conferences that included trainings on stem cell therapy and marketing stem cell therapy. (PSOMF-Detelich, Doc. 117-1 ¶ 508; *see, e.g.*, October 28–29, 2016 SCIA and PBS Seminar Agenda, Doc. 93-25.)

In total, Plaintiffs assert that the Defendants collectively generated \$18,403,116.14 in gross income from 2015 to 2022. (MSJ, Doc. 73-1 at 31.)

D. Procedural History of this Case

The FTC began investigating Defendants' advertising practices at some time before July 2018 (*see* PSOMF-Peyroux ¶ 211) and filed its Complaint in August 2021 (Doc. 1). The Complaint asserts five claims, against all Defendants collectively:

- **Count I:** False or Unsubstantiated Efficacy Representations in violation of the FTC Act;

- **Count II:** False Representations About FTC/FDA Approval in violation of the FTC Act;
- **Count III:** Providing Means and Instrumentalities for Others to Commit Deceptive Acts in violation of the FTC Act;
- **Count IV:** False or Unsubstantiated Efficacy Representations in violation of the Georgia Fair Business Practices Act (“GFBPA”);
- **Count V:** Unlawful Use of a Computer in Disseminating False or Misleading Representations in violation of the GFBPA.

(See generally Compl.) As relief, Plaintiffs FTC and the State of Georgia seek a permanent injunction and the State seeks monetary relief in the form of civil penalties and restitution available under the GFBPA.⁹ (*Id.*) No motion to dismiss was filed here. In March of 2023, Plaintiffs moved for summary judgment [Doc. 73]. Defendants Superior, Physicians Business, SCIA, and Peyroux (“the Peyroux Defendants”) responded. (Doc. 110.) Defendant Detelich, who has separate counsel, filed a separate response brief. (Doc. 112.) Plaintiffs filed separate replies to Defendants’ responses. (Docs. 115, 117.)

Notably, in their response briefs, Defendants generally do not raise any *factual* disputes or challenge the voluminous evidence offered by the Plaintiffs in support of their claims.¹⁰ Instead, Defendants advance *legal* arguments concerning interpretation and application of the relevant doctrines and statutes. With that note, the Court turns to the appropriate standard of review.

⁹ Monetary relief is no longer available under Section 13(b) of the FTC Act. See *AMG Cap. Mgmt., LLC v. FTC*, 141 S. Ct. 1341, 1347 (2021).

¹⁰ Similarly, Defendants do not challenge the majority of the facts cited in Plaintiffs’ SOMF. And, for the facts they do challenge, they do not provide any contrary evidence but rather challenge the Plaintiffs’ facts “as unsupported by the record evidence,” as the Court noted *supra* at n.1.

II. LEGAL STANDARD

The Court may grant summary judgment only if the record shows “that there is no genuine dispute as to any material fact and that the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a). A factual dispute is genuine if there is sufficient evidence for a reasonable jury to return a verdict for the non-moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). But “the mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no *genuine* issue of *material* fact.” *Id.* (emphasis in original). A fact is not “material” unless it is identified by the controlling substantive law as an essential element of the non-moving party’s case. *Id.* (“Only disputes over facts that might affect the outcome of the suit under governing law will properly preclude the entry of summary judgment. Factual disputes that are irrelevant or unnecessary will not be counted.”).

Where the moving party bears the burden of proof at trial, as here, the moving party must show that “on all the essential elements of its case on which it bears the burden of proof, no reasonable [factfinder] could find for the nonmoving party.” *Fitzpatrick v. City of Atlanta*, 2 F.3d 1112, 1115 (11th Cir. 1993). The FTC must support its motion with credible evidence that would entitle it to a directed verdict if not controverted at trial. *Id.* If the moving party makes such a showing, it is entitled to summary judgment unless the non-moving party comes forward

with *significant, probative evidence* demonstrating the existence of a genuine and material dispute of fact. *Id.*

The essential question is “whether the evidence presents a sufficient disagreement to require submission to a [factfinder] or whether it is so one-sided that one party must prevail as a matter of law.” *Anderson*, 477 U.S. at 250–51 (“[T]here is no issue for trial unless there is sufficient evidence favoring the nonmoving party for a [factfinder] to return a verdict for that party.”). In deciding this question, it is not the court’s function to weigh conflicting evidence or make credibility determinations. *Hairston v. Gainesville Sun Publ’g Co.*, 9 F.3d 913, 919 (11th Cir. 1993), *reh’g denied*, 16 F.3d 1233 (11th Cir. 1994) (en banc). When reviewing the record evidence at the summary judgment stage, “the court must draw all reasonable inferences in favor of the nonmoving party.” *See Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000).¹¹

¹¹ District courts in this Circuit have on numerous occasions granted summary judgment to the FTC in assessing claims of deceptive and unfair acts under Section 5 of the FTC Act. A number of those decisions have been affirmed by the Eleventh Circuit. *See, e.g., FTC v. USA Fin., LLC*, 415 F. App’x 970, 974 (11th Cir. 2011) (affirming district court’s grant of summary judgment to FTC); *FTC v. Peoples Credit First, LLC*, 244 F. App’x 942 (11th Cir. 2007) (same); *FTC v. Lalonde*, 545 F. App’x 825, 841 (11th Cir. 2013) (same); *FTC v. Nat’l Urological Grp., Inc.*, 645 F. Supp. 2d 1167 (N.D. Ga. 2008) (Pannell, J.), *aff’d*, 356 F. App’x 358 (11th Cir. 2009) (summarily affirming grant of summary judgment to FTC); *FTC v. Windward Mktg., Inc.*, 1997 WL 33642380, at *10 (N.D. Ga. Sept. 30, 1997) (Hull, J.); *FTC v. Primary Grp. Inc.*, 2016 WL 4056206, at *10 (N.D. Ga. May 19, 2016) (Cohen, J.), *aff’d*, 713 F. App’x 805 (11th Cir. 2017); *FTC v. Alcoholism Cure Corp.*, 2011 WL 13137951, at *51 (M.D. Fla. Sept. 16, 2011), *aff’d sub nom. FTC v. Krotzer*, 2013 WL 7860383 (11th Cir. May 3, 2013); *FTC v. Wolf*, 1996 WL 812940, at *5 (S.D. Fla. Jan. 31, 1996); *see also FTC v. Tashman*, 318 F.3d 1273 (11th Cir. 2003) (vacating district court’s entry of judgment in favor of defendant and remanding for the entry of judgment in favor of the FTC and directing district court to fashion appropriate relief on remand); *Orkin Exterminating Co. v. FTC*, 849 F.2d 1354, 1364 (11th Cir. 1988) (affirming Commission’s grant of summary judgment to FTC and issuing enforcement order).

III. DISCUSSION

Plaintiffs' request for summary judgment implicates a number of legal issues, which the Court addresses as follows. Broadly speaking, the Court focuses first on the FTC Act claims, second on the GFBPA claims, and third on the requested relief.

In assessing the FTC Act claims, the Court first evaluates whether the Corporate Defendants can be held legally responsible for each other's actions under the common enterprise doctrine. After finding that the common enterprise doctrine applies, the Court assesses the Corporate Defendants' common liability on Counts I–III. After finding that the Plaintiffs have proven that the Corporate Defendants are liable on Counts I–III, the Court assesses whether the individual Defendants can be held liable for the FTC Act claims as well. After finding that the FTC is entitled to summary judgment as to liability on Counts I–III as to all Defendants, the Court assesses whether the same standards for liability apply to the GFBPA claims as to the FTC Act claims. Finally, the Court addresses injunctive relief available under the FTC Act and GFBPA, and then monetary relief available under the GFBPA.

A. The FTC Act Claims (Counts I–III)

Before turning to the merits of each FTC Act claim, the Court evaluates whether the Corporate Defendants can be held responsible for each other's actions.

1. The Corporate Defendants Engaged in a Common Enterprise

Under the FTC Act, “corporate entities can be responsible . . . for each other’s actions through the common enterprise doctrine.” *FTC v. On Point Cap. Partners LLC*, 17 F.4th 1066, 1081 (11th Cir. 2021) (citing *FTC v. WV Universal Mgmt., LLC*, 877 F.3d 1234, 1240 (11th Cir. 2017)). Through this doctrine, one corporate entity can be held responsible for the actions of other corporations where “the structure, organization, and pattern of a business venture reveal a common enterprise or a maze of integrated business entities.” *Id.* (quoting *FTC v. Lanier L., LLC*, 715 F. App’x 970, 979–80 (11th Cir. 2017)). In determining whether a common enterprise exists, courts consider several factors, including whether the businesses (1) operated under common control, (2) shared office space and employees, (3) commingled funds, and (4) coordinated advertising.” *Id.* (citing *FTC v. E.M.A. Nationwide, Inc.*, 767 F.3d 611, 636 (6th Cir. 2014) (listing same basic factors)). While courts weigh all of these factors, “they are primarily tasked with evaluating the pattern and framework of the whole enterprise.” *FTC v. Pointbreak Media, LLC*, 376 F.Supp.3d 1257, 1269 (S.D. Fla. 2019) (citing *FTC v. HES Merch. Servs. Co.*, 2014 WL 6863506, at *5 (M.D. Fla. Nov. 18, 2014), *aff’d*, 652 F. App’x 837 (11th Cir. 2016)).

Here, Plaintiffs argue that the three Corporate Defendants — Superior, Physicians Business, and SCIA — operated as a common enterprise and thus can be held liable for each other’s acts. In response, the Peyroux Defendants mainly argue that this common enterprise doctrine should not apply *to the GFBPA claims*

and that the Court should instead apply the standard for piercing the corporate veil — an argument the Court will address in review of the GFBPA claims. Beyond that, however, the Peyroux Defendants make no legal argument in their brief that the Court should not apply the common enterprise doctrine to the FTC Act claims. (Peyroux Resp., Doc. 110 at 17–21.) That said, the Peyroux Defendants do assert (in connection with their veil piercing argument) that the corporate Defendants did not wrongfully comingle funds and, in their response to Plaintiffs’ SOMF, dispute some facts that speak to the application of this common enterprise doctrine. (*Id.*) Defendant Detelich presents no response to this common enterprise argument. Regardless of Defendants’ partial concession on this issue (as to the FTC Act claims at least), the Court has an obligation to review the record to determine whether the Plaintiffs have established their claims on the merits. *See United States v. One Piece of Real Prop. Located at 5800 SW 74th Ave., Miami, Fla.*, 363 F.3d 1099, 1101–02 (11th Cir. 2004).

Upon conducting its review, the Court finds that *significant* unrebutted record evidence shows that the Corporate Defendants “made up a messy maze of interrelated business entities,” sufficient to constitute a common enterprise, based on the relevant common enterprise factors. *See E.M.A. Nationwide*, 767 F.3d at 637.

As to the first factor, the Corporate Defendants operated under common control since all three were 100% owned by Defendant Peyroux and Peyroux was a

corporate officer of all three companies. (PSOMF-Peyroux, Doc. 115-1 ¶¶ 138–39, 156–58, 184–86.) (all undisputed).

Second, the three entities shared office space: the principal place of business for both SCIA and Physicians Business was 151 West Main Street in Canton, Georgia. (*Id.* ¶¶ 9, 10.) And Superior conducted operations out of this office as well. (See Deposition of Steven Peyroux as 30(b)(6) for Superior (“Peyroux 30(b)(6)-Superior Dep.”), Doc. 73-7 p. 155 (“**All three of those companies, you know, were in one building.**”); see also Deposition of Brent Detelich (“Detelich Dep.”), Doc. 73-10 p. 243:3-9 (noting that Superior “administrative stuff” was handled at this office); see also Deposition of Steven Peyroux as 30(b)(6) for Physicians Business (“Peyroux 30(b)(6)-Physicians Business Dep.”), Doc. 73-5 p. 11:15-12:16 (explaining that “[s]ome of the administrative staff for Superior” also operated out of the same building, along with Physicians Business and SCIA); Deposition of Amy Tully (“Tully Dep.”), Doc. 73-9 p. 21:7-22:1 (testifying that she worked for Superior at the office on Main Street in Canton, and that it was a shared office suite for Superior, Physicians Business, and SCIA)).¹²

Additionally, the three entities shared employees. (See Tully Dep., Doc. 73-9 p. 16:8-18 (testifying that she worked as marketing director for both Superior and Physicians Business); Deposition of Julie Thorne (“Thorne Dep.”), Doc. 73-16 p. 17:16-19:23 (testifying that she, as a nurse practitioner, worked for Superior

¹² There is an abundance of additional record evidence regarding shared office space. Defendants present no contrary evidence.

from 2011 to 2018 and for Physicians Business from 2011 to 2019); see Superior ROG responses, Doc. 79-14 ¶¶ 17–18 (listing 9 employees that worked for, and received compensation from, both Superior and Physicians Business in same calendar year and 2 employees that worked for both Superior and SCIA in same years)).¹³

The Corporate Defendants also coordinated their advertising. Many ads for stem cell therapy or lectures were co-branded. For example, one ad for a seminar by SCIA includes *Superior's* logo:



¹³ In their Statement of Material Facts, Plaintiffs detail the *many* employees who worked for (and were paid by) two or three of the Corporate Defendants at the same time, either as employees or independent contractors. Plaintiffs support these facts with *significant* record evidence — tax records, interrogatory responses, and deposition testimony. (See PSOMF-Peyroux, Doc. 115-1 ¶¶ 20–55) (asserting, e.g., that there were 19 individuals who were on the payroll of one company but were also an employee or independent contractor of one or more of the other corporate Defendants at the same time). The Peyroux Defendants dispute some facts as unsupported by the provided citation. However, the Court has reviewed the relevant cited evidence and finds that it *overwhelmingly* supports Plaintiffs' cited facts, which show that multiple individuals worked for two or three of the companies at the same time. The Peyroux Defendants provide no contrary record citations to dispute this evidence.

(Stop the Pain Ad, Doc. 75-11) (highlight added) (and, the email attaching ad was *sent by* a Physicians Business email address). Emails sent to clients of *Physicians Business* advertised trainings put on by SCIA. (See, e.g., “Dear **PBS** Clients” Email, Doc. 83-11 (“**[SCIA]** is having a training on Friday, April 8, 2016 at 9:00 a.m. at the PBS training . . .”) (emphasis added)). Training seminars were jointly advertised:



(SCIA/PBS Conference Email Ad, Doc. 81-22) (highlight added). A schedule of Physicians Business and SCIA advertising and training events for 2018 demonstrates the coordinated advertising between the companies. (2018 SCIA/PBS Schedule of Events, Doc. 86-5) (listing, e.g., “SCIA & PBS Training” for a “Cruise [in] Miami, FL” from April 14-20.) While these are just some examples, Plaintiffs have proffered *many* other instances of coordinated and co-branded advertising in the record. Defendants have failed to produce or point to any evidence that contradicts this record.

Based on the above evidence — of common control, shared office space, shared employees, and coordinated advertising — Plaintiffs have established that the Corporate Defendants acted as a common enterprise sufficient to be held responsible for each other’s acts for purposes of the FTC Act claims. *See On Point*, 17 F.4th at 1081; *FTC v. Nat’l Urological Grp., Inc.*, 645 F. Supp. 2d 1167, 1184

(N.D. Ga. 2008), *aff'd*, 356 F. App'x 358 (11th Cir. 2009) (finding existence of common enterprise where companies were controlled by the same parties, all used/shared advertising generated by the controlling individuals, and all worked together to share profitability, even though companies maintained separate banks and accounts and filed taxes separately).¹⁴

2. The Corporate Defendants Are Liable as to the FTC Act Claims (Counts I–III)

Having determined that the Corporate Defendants can be held responsible for each other's actions, the Court now assesses Counts I-III as to those Defendants. To refresh, in Count I, Plaintiffs allege that Defendants made false or unsubstantiated efficacy claims about stem cell therapy. In Count II, Plaintiffs allege that Defendants made false claims of FDA and FTC approval of stem cell therapy programs. In Count III, Plaintiffs allege that Defendants supplied their client clinics with false/unsubstantiated ads and so provided clients with the means and instrumentalities to commit further deceptive acts and practices.

In response to the FTC's request for summary judgment on these claims, the Peyroux Defendants do not argue that the ads were not deceptive or false, or that they did not supply the means for client clinics to violate the act. Thus, these Defendants appear to concede liability on Counts I–III. Defendant Detelich,

¹⁴ Under the common enterprise doctrine, Plaintiffs “need not ‘prove any particular number of entity connections’ or ‘any specific connection.’” *FTC v. Pointbreak Media, LLC*, 376 F.Supp.3d 1257, 1269 (S.D. Fla. 2019) (quoting *FTC v. Kennedy*, 574 F.Supp.2d 714, 722 (S.D. Tex. 2008)). The Court therefore need not assess whether the entities comingled funds, since the remaining evidence overwhelmingly demonstrates the existence of a common enterprise, especially since Defendants have not argued that this doctrine does not apply to the FTC Act claims.

however, does present some argument that the ads were not misleading. Regardless of whether Defendants dispute liability on these claims, the Court has a duty to review the record to determine whether the moving party has established that there are no genuine issues of material fact and that it has proven its claims on the merits. *See One Piece of Real Property*, 363 F.3d at 1101–02.

a. Standard for Liability Under Sections 5 and 12 of the FTC Act

Counts I and II are brought under Sections 5 and 12 of the FTC Act. Count III is brought under Section 5 of the Act only.

Section 5(a) of the FTC Act broadly prohibits “unfair or deceptive acts or practices in or affecting commerce.” 15 U.S.C. § 45(a)(1). Section 12 of the FTC Act specifically addresses the dissemination of false advertisements likely to induce “the purchase of food, drug, devices, services, or cosmetics.” 15 U.S.C. § 52. For purposes of Section 12, “false advertisement” means an advertisement that is “misleading in a material respect.” *Id.* § 55. In determining whether an ad is “misleading in a material respect,” courts should consider “not only representations made or suggested” but also “the extent to which the advertisement *fails to reveal facts* material in the light of such representations.” *Id.* (emphasis added). A violation of Section 12 necessarily constitutes a violation of Section 5(a). *Id.* § 52(b) (stating that dissemination of any false ad under this section constitutes an unfair or deceptive act within the meaning of Section 5(a)).

To establish liability under Sections 5 *and/or* 12 based on a particular representation, the FTC “must show that (1) there was a representation; (2) the

representation was likely to mislead customers acting reasonably under the circumstances; and (3) the representation was material.” *FTC v. On Point Cap. Partners, LLC*, 17 F.4th 1066, 1079 (11th Cir. 2021); *Nat’l Urological Grp.*, 645 F. Supp. 2d at 1188–89 (discussing both Sections 5 and 12).

In assessing the particular representation at issue under the first element, the Court must determine what claims the ad makes. “When assessing the meaning and representations conveyed by an advertisement, a court must look to the advertisement’s overall, ‘net impression’ rather than the literal truth or falsity of the words of the advertisement.” *Nat’l Urological Grp., Inc.*, 645 F. Supp. 2d 1167, 1189 (N.D. Ga. 2008). If an advertisement either (1) expressly states or (2) clearly and conspicuously implies a claim, “the court need not look to extrinsic evidence to ascertain whether the advertisement made the claim.” *Id.* (internal citations omitted). Yet if an ad “faintly implies a claim,” the court may require extrinsic evidence of consumer perception to determine the net impression of the ad. *Id.*

On the second element — whether a representation was likely to mislead customers acting reasonably — the FTC may pursue a “falsity theory,” a “reasonable basis theory,” or both (as Plaintiffs do here). *Id.* at 1190. If the FTC proceeds under a falsity theory, it must “demonstrate either that the express or implied message conveyed by the ad is false.” *Id.* If the FTC proceeds under a reasonable basis theory, it must demonstrate that “the advertiser lacked a reasonable basis—or adequate substantiation—for asserting that the message was true.” *Id.* “In the case of health-related claims or claims concerning the efficacy or

safety of dietary supplements” or other health-related products, “this reasonable basis must, at minimum, consist of *competent and reliable scientific evidence*.” *Id.* (internal citation omitted) (emphasis added).

On this second element (likelihood of deception), the FTC need not prove that customers were actually deceived; *instead*, the FTC must only establish that the representation had a “tendency to deceive” customers. *See FTC v. Figgie Int’l, Inc.*, 994 F.2d 595, 605–06 (9th Cir. 1993).¹⁵ And the FTC need not show that the defendants *intended* to deceive consumers, as intent is not an element of the claim. *See USA Fin.*, 415 F. App’x at 974, n.2 (explaining that “a defendant cannot avoid liability under section 5 of the [FTC Act] by showing that he acted in good faith because the statute does not require an intent to deceive”).¹⁶ And in evaluating whether an advertisement had a tendency to deceive, “deception is evaluated from the perspective of . . . a reasonable consumer in the audience targeted by the advertisement.” *Wash. Data*, 856 F. Supp. 2d at 1272 (“The standard for ‘deception’ has been the ‘average’ or ‘ordinary’ person in the audience addressed by the ad, taking into account that many who may be misled are unsophisticated and unwary.”) (citation omitted). Finally, there is no “extravagance defense” — that

¹⁵ *See also Thompson Med. Co., Inc. v. FTC*, 791 F.2d 189, 193 (D.C. Cir. 1986); *FTC v. Lanier Law, LLC*, 194 F. Supp. 3d 1238, 1273–74 (M.D. Fla. 2016) (“Moreover, a ‘tendency to deceive’ is all that is required, such that proof of actual consumer deception is unnecessary.”); *FTC v. Wash. Data Res.*, 856 F. Supp. 2d 1247, 1273 (M.D. Fla. 2012), *aff’d*, 704 F.3d 1323 (11th Cir. 2013).

¹⁶ *See also Primary Grp. Inc.*, 2016 WL 4056206, at *10 (N.D. Ga. May 19, 2016) (Cohen, J.) (explaining that purpose of Section 5 is to protect the consuming public, thus, intent to deceive is not an element of a Section 5 violation) (citing *FTC v. Freecom Commc’ns, Inc.*, 401 F.3d 1192, 1202 (10th Cir. 2005)); *FTC v. Cap. Choice Consumer Credit, Inc.*, 2004 WL 5149998, at *33 (S.D. Fla. Feb. 20, 2004), *aff’d*, 157 F. App’x 248 (11th Cir. 2005).

is, defendants cannot escape liability by claiming that advertisements were so unreasonable that they could not be believed. *Tashman*, 318 F.3d at 1277 (11th Cir. 2003) (“*Caveat emptor* is simply not the law”).

As to the third element, materiality, “[a] representation or omission is material if it is the kind usually relied on by a reasonably prudent person.” *Nat’l Urological Grp., Inc.*, 645 F. Supp. 2d at 1190 (“A claim is considered material if it involves information that is important to consumers and, hence, likely to affect their choice of, or conduct regarding, a product.”) (citation omitted). Express or clearly implied messages “used to induce the purchase of a particular product or service are presumptively material.” *Id.*; see also *On Point*, 17 F.4th at 1080 (11th Cir. 2021) (finding that misrepresentations were material since they either induced consumers to make purchases or to surrender sensitive personal information). On this front, courts have found that ads that “significantly involve health” or safety are presumptively material. *Nat’l Urological Grp.*, 645 F. Supp. 2d at 1190. (citing *QT, Inc.*, 448 F. Supp.2d at 960, 965–66).

b. Count I: False or Unsubstantiated Efficacy Claims

Here, Plaintiffs assert that Corporate Defendants made false, misleading, and/or unsubstantiated claims that stem cell therapy (1) cures, treats, or mitigates various orthopedic conditions (including osteoarthritis, arthritis, neuropathy, plantar fasciitis, joint pain, and more) and (2) is comparable or superior to surgery, steroid injections, and painkillers in curing, treating, or mitigating those same conditions.

Under the test for liability outlined above, the Court first determines the net impression of the ads. *Nat'l Urological Grp.*, 645 F. Supp. 2d at 1189. One emblematic ad in the record is provided below:

Do you suffer from...

- Knee Pain
- Low Back Pain
- Shoulder Pain
- Joint Pain
- Plantar Fasciitis
- Neck Pain
- Tennis Elbow
- Osteoarthritis of the Knee
- Neuropathy

Learn How
STEM CELL THERAPY
Can Change Your Life
FREE Seminar
 by the **Stem Cell Institute of America**

STOP the Pain! **Get Relief without costly and painful surgery!**
 You and a guest are invited to attend a 1-hour educational seminar to hear about the latest medical breakthrough in pain relief. You must be over 18 to attend.

Regenerative medicine is now available locally and can effectively reduce and even eliminate your pain without surgery or addictive medications.
 Regenerative medicine uses stem cells to regenerate and repair tissues in your body that are damaged due to age, disease and defects. Stem cells have the power to go to these damaged areas and generate new cells and rebuild the area.

SUPERIOR HEALTHCARE
 Our Healthcare Team gets results because we treat the whole person/all under one roof.
 • Medical Doctors • Nurse Practitioners • Athletic Trainers • Chiropractors • Nutritionists

Call 678-293-9959 Today! **First 20 Callers will receive 10% off any Stem Cell Service.**

(Stop the Pain Ad, Doc. 75-11.) This ad, and the many others like it, clearly and conspicuously imply the message that stem cell therapy can effectively treat or mitigate (or “eliminate”) the listed conditions (knee pain, back pain, neuropathy, etc.), and also that this therapy is a better alternative to surgery (“Get Relief without costly and painful surgery!”). The record contains a plethora of other ads — newspaper, magazine, postcard, website, email, radio, and TV — that make the same or highly similar claims. (See, e.g., You Can Benefit Postcard Ad, Doc. 75-23; Email Blast Ad, Doc. 97-16 (stating and implying that stem cell therapy is superior to steroid injections and surgery); Live Pain Free Website Ad, Doc. 77-15 (“Learn

How This Cutting Edge Therapy Can Give You Lasting Pain Relief In As Little As One Treatment Without Costly and Painful Surgery”); Superior Infomercial TV Ad, Pls. Ex. 627 (“in most cases, it only takes one treatment to reduce or eliminate your pain”); *see also* Blog Post, Doc. 80-23; Magazine Ad, Doc. 75-24; Email Blast SCIA, Doc. 96-18; SCIA TV Ad, Pls. Ex. 623; SCIA YouTube Show, Pls. Ex. 516.)) In short, the “net impression” of these ads is clearly that stem cell therapy can cure, treat, or mitigate the listed conditions, and is superior to surgery, steroid injections, or pain relievers.

At the second step, the Court assesses whether these ads were likely to mislead. On Count I, Plaintiffs largely pursue a reasonable basis theory. *Nat’l Urological Grp.*, 645 F. Supp. 2d at 1189 (noting that, under the reasonable basis theory, the FTC must demonstrate that “the advertiser lacked a reasonable basis—or adequate substantiation—for asserting that the message was true,” and explaining that adequate substantiation means, “at minimum competent and reliable scientific evidence.”). In support of their reasonable basis theory, Plaintiffs rely on the testimony of their expert, Dr. Sean Morrison.

Dr. Morrison is an expert in stem cell biology and regenerative medicine with considerable experience evaluating and interpreting results from the clinical testing of regenerative medicine products.¹⁷ For this case, Dr. Morrison reviewed

¹⁷ Dr. Morrison is, among other things, an investigator of the Howard Hughes Medical Institute and a professor of Pediatrics at University of Texas Southwestern Medical Center. He has a PhD in immunology from Stanford and a postdoctoral fellowship in neurobiology from CalTech. From 1999-2011, he was the Director of the University of Michigan’s Center for Stem Cell Biology. His

the various stem cell products administered by Defendants, documents about the products produced by Defendants (or the companies from which Defendants sourced the products), and also performed more independent searches for published clinical studies evaluating each of the products. (Morrison Report, Doc. 78-22 ¶¶ 11–15.) Based on his experience and expertise in the field, as well as his review of relevant materials, Dr. Morrison concluded that:

there is no competent and reliable scientific evidence that stem cell therapy: 1) cures, treats, or mitigates orthopedic conditions, including osteoarthritis, arthritis, neuropathy, plantar fasciitis, joint pain, and pain resulting from injuries or aging; **or 2) is comparable or superior to surgery, steroid injections, and painkillers in curing, treating, or mitigating orthopedic conditions** including osteoarthritis, arthritis, neuropathy, plantar fasciitis, joint pain, and pain resulting from injuries or aging.

(*Id.* ¶ 19) (emphases added). He also concluded, among other things, that Defendants provided no competent and reliable scientific evidence that the stem cell, growth factor, or exosome products Defendants administered to patients and/or recommended to client clinics would be, or has proven to be, effective for treatment of any orthopedic condition in controlled clinical trials. (*Id.* ¶ 20.) As such, he determined that Defendants made “scientifically incorrect statements related to stem cells, growth factors/cytokines, exosomes, and regenerative

lab at UT continues to study the cellular and molecular mechanisms that regulate stem cell function and tissue regeneration. He has published more than 140 articles in peer-reviewed scientific journals and has served on the editorial boards of nine scientific journals, including *Cell Stem Cell*, the *Journal of Experimental Medicine*, and *Stem Cell Reports*. He has received numerous accolades for his research related to stem cells and regenerative medicine, including being elected President of the International Society for Stem Cell Research in 2015 and has testified before Congress on the topic of stem cell research. He also serves on scientific advisory boards for various universities’ stem cell research centers. (See Morrison Report, Doc. 78-22 ¶¶ 1-7.)

medicine.” (*Id.*) In briefing, Defendants do not challenge Dr. Morrison’s opinions, offer any contrary evidence, or rely on any clinical studies. As a result, the undisputed record demonstrates that Defendants present no “competent and reliable scientific evidence,” and therefore fail to present “adequate substantiation,” for the health-based claims made in their ads. *Nat’l Urological Grp.*, 645 F. Supp. 2d at 1189. Plaintiffs have therefore shown that the unsubstantiated ads were likely to mislead customers acting reasonably under the circumstances. *Id.*

As to the third element — materiality — the Court concludes that the representations were used to induce the purchase of the injections (at approximately \$5,000 a shot). *Nat’l Urological Grp., Inc.*, 645 F. Supp. 2d at 1190. The ads also involved health-related products. *Id.* (citing *QT, Inc.*, 448 F. Supp.2d at 960, 965–66) (“claims that significantly involve health, safety . . . [are] presumptively material”); *FTC v. Romeo*, 658 F. Supp. 3d 1129, 1142 (M.D. Fla. Feb. 27, 2023) (same). Therefore, the materiality element is satisfied.

Considering all of this evidence, Plaintiffs have shown that Corporate Defendants’ stem cell treatment ads made representations that were likely to mislead customers and were material. Summary judgment is thus **GRANTED** to the FTC on Count I.

c. Count II: False FDA/FTC Approval Claim

In assessing Count II, the Court considers the same elements to determine whether Defendants made false and misleading representations that the offered treatments and programs were FDA and FTC approved.

The Court must first determine the net impression of the ads. One example is an ad from Physicians Business, posted on Facebook:



(FDA Approved Facebook Ad, Doc. 87-3.) An email blast sent to customers advertising a SCIA/Superior lecture stated that “Superior Healthcare is now offering painless, FDA approved ‘Regenerative Injection Therapy’ for arthritic and/or degenerative conditions.” (SCIA Sample Email for Clinics II, Doc. 76-23.) Magazine ads made similar claims. (Wellness Institute of Illinois Newspaper Ad, Doc. 75-24 (noting that the clinic, along with SCIA, was “now offering painless, FDA approved stem cell injections for arthritic and/or degenerative conditions.”) Based on this evidence, the net impression of the ads is clearly that the stem cell injection procedures and programs are approved by the FDA.

As to the second element, Plaintiffs proceed on a falsity theory. Plaintiffs present a letter and affidavit from the FDA stating it has never reviewed or approved the Physicians Business regenerative medicine compliance training or treatment program. (FDA letter, Doc. 87-6; *see also* FTC Declaration, Doc. 78-15 (noting that the FTC also does not approve compliance programs related to regenerative medicine)). Defendants do not dispute this element or present any evidence that the FDA or FTC in fact approved their treatment or compliance training programs.

As to materiality, the representations concern health and were explicitly stated to induce customers to purchase the stem cell therapy shots. Therefore, the FDA approval representations were material. *Nat'l Urological Grp., Inc.*, 645 F. Supp. 2d at 1190.

The FTC has thus established its claim on false statements about FDA/FTC approval. Summary judgment is **GRANTED** to the FTC on Count II.

d. Count III: Provision of Means and Instrumentalities Claim

Section 5(a) of the FTC Act broadly prohibits “unfair or deceptive acts or practices in or affecting commerce.” 15 U.S.C. § 45(a). Long ago, the Supreme Court held that a person who “furnishes another with the means of consummating a fraud” is in violation of the FTC Act. *See FTC v. Winsted Hosiery Co.*, 258 U.S. 483, 494 (1922). *See also Waltham Watch Co. v. FTC*, 318 F.2d 28, 32 (7th Cir. 1963) (“Those who put into the hands of others the means by which they may mislead the public are themselves guilty of a violation of Section 5 of the [FTC]

Act.”); *FTC v. Neovi, Inc.*, 604 F.3d 1150, 1156 (9th Cir. 2010); *FTC v. LabMD, Inc.*, 2012 WL 13104826, at *3 (N.D. Ga. Nov. 26, 2012).

Here, the FTC has presented ample evidence that the Corporate Defendants “put into the hands” of their client clinics the “means by which” those clinics could “mislead the public.” *Waltham Watch*, 318 F.2d at 32. The most significant example is the SCIA Manual (Doc. 78-2) which includes sample postcard, newspaper, magazine ads; sample patient forms; sample sales agreements; information about stem cell products and how to administer them; and more. Corporate Defendants also conducted trainings with sample presentations and coaching on how to deliver lectures to the public. (*See, e.g.*, Pls. Exs. 466, 471, filed manually.) The ads and presentations Defendants provided to client clinics include the same false and misleading representations that form the bases of Counts I and II. Defendants do not address Count III in their briefs, present any argument, or raise factual disputes. Based on the undisputed record evidence, the Corporate Defendants furnished client clinics with the means and instrumentalities to violate the act by providing them with false and misleading ads that had a tendency to deceive the public and were material. Summary judgment is therefore **GRANTED** in the FTC’s favor as to Count III. *See FTC v. SPM Thermo-Shield, Inc.*, 2022 WL 833644, at *4 (M.D. Fla. Mar. 21, 2022) (granting summary judgment to FTC on means and instrumentalities claim); *FTC v. Cyberspy Software, LLC*, 2008 WL 5157718, at *2 (M.D. Fla. Nov. 25, 2008) (finding substantial likelihood that the FTC would establish that Defendants provided others with the means and

instrumentalities to engage in deceptive and unfair acts in violation of the FTC Act, and granting preliminary injunction).¹⁸

3. The Individual Defendants Are Liable as to Counts I-III

Having determined that the Corporate Defendants are liable on Counts I-III, the Court next considers whether individual Defendants Peyroux and Detelich can be held liable for the Corporate Defendants' acts.

An individual is liable for a corporation's violations of the FTC Act if the FTC demonstrates that (1) "the individual either 'participated directly in the practice or acts or had the authority to control them,'" and (2) "the individual had 'some knowledge of the practices.'" *On Point*, 17 F.4th at 1083 (11th Cir. 2021) (quoting *FTC v. Gem Merch. Corp.*, 87 F.3d 466, 470 (11th Cir. 1996)); see 15 U.S.C. § 53(b).

On the first prong, Plaintiffs must show either direct participation or authority to control. *Id.* Authority to control "may be established by active involvement in business affairs and the making of corporate policy." *IAB Mktg.*, 746 F.3d at 1233 (11th Cir. 2014) (internal quotation marks omitted). Where a defendant is a corporate officer of a small, closely-held corporation, "the individual's status gives rise to a presumption of ability to control the corporation." *Nat'l Urological Grp.*, F. Supp. 2d at 1207.

¹⁸ See also *FTC v. Noland*, 2021 WL 4127292, at *26 (D. Ariz. Sept. 9, 2021) (same), reconsideration denied, 2021 WL 4950348 (D. Ariz. Oct. 25, 2021), motion to certify appeal denied, 2021 WL 5138280 (D. Ariz. Nov. 4, 2021), motion for relief from judgment denied, 2022 WL 901386 (D. Ariz. Mar. 28, 2022).

On the second prong, an individual's knowledge of practices that violate the FTC Act may be established by demonstrating that the individual had "actual knowledge of the [unlawful] conduct, was recklessly indifferent to its [unlawfulness], or had an awareness of a high probability of [unlawfulness] and intentionally avoided learning of the truth." *FTC v. Primary Grp., Inc.*, 713 F. App'x 805, 807 (11th Cir. 2017) (quoting *FTC v. Ross*, 743 F.3d 886, 892 (4th Cir. 2014)). Furthermore, "[a]n individual's degree of participation in the business is probative of knowledge." *FTC v. Partners in Health Care Ass'n, Inc.*, 189 F. Supp. 3d 1356, 1367 (S.D. Fla. 2016).

The Court first assesses whether Defendant Peyroux can be held individually liable. On the first prong, the evidence demonstrates that Defendant Peyroux directly participated in the unlawful acts and advertising *and also* had the authority to control the Corporate Defendants' acts. As to participation, Peyroux personally delivered stem cell lectures and thus delivered misleading representations to client clinics and the public. (*See, e.g.*, Full Stem Cell Lecture Video, Pls. Ex. 471 (presenting stem cell treatment as better alternative to surgery or other options, among many other representations); Nov. 2017 Seminar Agenda, Doc. 93-24 (listing "*Dr. Peyroux*" as designated speaker from 9:00 a.m. to 3:00 p.m. on topic of "How to sell \$10,000 Regenerative Medicine Care Plan – Logistics, Training & Selling")). Next, numerous employees involved in marketing testified that Peyroux himself created or directed the creation of advertising materials. (*See, e.g.*, Deposition of Elliot Bernard ("Bernard Dep."), Doc. 73-11 p. 43–44 (stating

that Peyroux and Detelich created Physicians Business advertisements and that Peyroux and Detelich would direct him as to “what ads we would run . . . where we were advertising[,] magazines”); *id.* p. 235–236 (stating that Peyroux created the PowerPoint content for the stem cell lectures and the scripts for client clinics); Huey Dep., Doc. 73-14 p. 71 (stating that Peyroux would explain what type of marketing and ads he wanted at outset and then would approve the final product that was created)). Plaintiffs present emails proving Peyroux’s direct involvement in the advertising decisions of the companies. (*See, e.g.*, Peyroux Email, Doc. 75-9 (confirming order of 40,000 inserts for StemCell trifold.) On top of direct participation, Peyroux had authority to control the Corporate Defendants, as he fully owned all companies and was a corporate officer for each. *Nat’l Urological Grp.*, Doc. 645 F. Supp. 2d at 1207.

As to the second prong — knowledge — Peyroux was directly involved in the misrepresentations, as he approved the ads and provided the lectures to the public and client clinics. Without a doubt, he had actual knowledge of the misleading representations at issue.

Similar evidence supports a finding for liability against Defendant Detelich. On the first prong, Detelich was a corporate officer of SCIA, and thus a presumption arises that he had authority to control the company. *Nat’l Urological Grp.*, F. Supp. 2d at 1207. He also participated in the acts and advertising in question. At his deposition, Detelich explained that he would at times “handwrite an example” ad and have another individual create the ad based on his idea.

(Detelich Dep., Doc. 73-10 p. 96–97.) On occasions when clients would create their own advertisements, he asked the client to share the ad with him “so I could share it with other clients.” (*Id.* p. 96.) Detelich also testified that he would coach client clinics’ employees on how to market the seminars and stem cell treatments to particular groups, like churches or clubs, and on how to deliver the seminars. (*Id.* pp. 95, 119–20.) He himself delivered seminars to the public on behalf of SCIA clients. (*Id.* p. 122 -23; *see also* Pls. Ex. 625, filed manually (video in which Detelich discusses “FDA-approved” treatment program)). Plaintiffs also introduce emails where Detelich approved ad content, or was involved in the creation of the ad content. (*See, e.g.*, Detelich Email Approval, Doc. 84-3 (approving content of ad); Detelich Ad Building Email, Doc. 94-16 (in which Detelich emails ad to Peyroux touting “FDA approved” stem cell therapy treatment and says: “Here is a rough template that I can build from once you look at this and have ideas of what you want change[d] . . .”)).

As to knowledge, based on Detelich’s extensive participation in the businesses (and specifically the marketing and advertising aspects of the businesses), he no doubt had actual knowledge of the misleading advertising.

The examples provided above are a mere sliver of the voluminous evidence of direct participation by Peyroux and Detelich in the advertising scheme that the Corporate Defendants engaged in. The individual Defendants do not disclaim knowledge of the ads and, based on the plethora of evidence presented, they could not credibly do so. Under the relevant legal authority, the comprehensive record

supports a finding of individual liability against Defendants Peyroux and Detelich. Summary judgment is **GRANTED** in the FTC's favor and against the individuals on all FTC Act claims.

B. The GFBPA Claims (Counts IV and V)

Having determined that all Defendants are liable on the FTC Act claims (Counts I-III), the Court turns to assess the GFBPA claims (Counts IV and V).

The GFBPA outlaws “[u]nfair or deceptive acts or practices in the conduct of consumer transactions and consumer acts or practices in trade or commerce.” O.C.G.A. § 10-1-393(a). The GFBPA further provides a non-exclusive¹⁹ list of examples of such unfair or deceptive acts and practices, including: “[r]epresenting that goods or services have sponsorship, *approval*, characteristics, ingredients, uses, *benefits*, or quantities that they do not have.” *Id.* § 10-1-393(b)(5) (emphases added). The GFBPA also separately makes it unlawful for a person to use “a computer or computer network” to “[e]ngage in any act, practice, or course or business that operates . . . as a fraud or deceit upon a person.” *Id.* § 10-1-393.5. Especially relevant here, the legislative intent and interpretation provision of the GFBPA makes clear that the Act should be interpreted broadly to end deceptive practices, *and* that the Act should be interpreted *as coterminous with the FTC Act*. The statute says:

- (a) The purpose of this part shall be to protect consumers and legitimate business enterprises from unfair or deceptive

¹⁹ The text of the GFBPA makes clear that the examples are non-exclusive by stating: “By way of illustration only and without limiting the scope of [the prohibition on unfair or deceptive acts in commerce], the following practices are declared unlawful.” *Id.* § 10-1-393(b).

practices in the conduct of any trade or commerce in part or wholly in the state. It is the intent of the General Assembly that such practices be swiftly stopped, and **this part [the GFBPA] shall be liberally construed** and applied to promote its underlying purposes and policies.

- (b) It is the intent of the General Assembly that [the GFBPA] be interpreted and construed consistently with interpretations given by the Federal Trade Commission in the federal courts pursuant to Section 5(a)(1) of the Federal Trade Commission Act (15 U.S.C. Section 45(a)(1)), as from time to time amended.**

O.C.G.A. § 10-1-391 (emphases added).

To refresh, in Count IV, the State of Georgia alleges that Defendants made false or misleading statements about the efficacy of stem cell therapy in violation of the GFBPA (and so Count IV mirrors Count I, which was brought under the FTC Act). In Count V, the State alleges that Defendants used a computer or computer network to disseminate false or misleading information in violation of the GFBPA, O.C.G.A. § 10-1-393.5.

Responding, the Peyroux Defendants argue that the GFBPA should not be interpreted consistently with the FTC Act. (Peyroux Resp., Doc. 110 at 13–15.) In particular, the Peyroux Defendants challenge the application of the common enterprise doctrine to the GFBPA claims. (*Id.* at 17–19) (“Absent some clear indication from Georgia’s highest court that it wishes to expand the application of the federally conceived ‘common enterprise’ doctrine to the arena of GFBPA liability, this Court should decline to do so.”). Similarly, the Peyroux Defendants challenge the application of the FTC Act’s test for individual liability to the GFBPA

claims. (*Id.* at 21–23.) Instead, Defendants argue that the entities and individuals may only be jointly liable for each other’s actions if Plaintiffs put forth evidence to support piercing the corporate veil under Georgia law. (*Id.*)

As noted above, the statutory text of the GFBPA states that the Act should be “interpreted and construed consistently” with “interpretations given by the [FTC] in the federal courts” under Section 5 of the FTC Act. *See* O.C.G.A. § 10-1-391. The Georgia Supreme Court has explained that, when it comes to the GFBPA, “the comparable federal law, the Federal Trade Commission Act, 15 U.S.C. Section 45, is *expressly made the appropriate standard* by which the purpose and intent of the Georgia Act is to be effectuated, implemented, and construed.” *Zeeman v. Black*, 273 S.E.2d 910, 913 (Ga. 1980) (emphasis added). The Georgia Supreme Court reaffirmed this statement in a later case where it found that the GFBPA — like the FTC Act — applies to commercial aspects of the medical profession. *See Henderson v. Gandy*, 623 S.E.2d 465, 468–69 (Ga. 2005) (“Our ruling is further buttressed by our Legislature’s stated intent that the [GFBPA] ‘be interpreted and construed consistently with interpretations given by the Federal Trade Commission in the federal courts pursuant to Section 5’” of the FTC Act). *See also Agnew v. Great Atl. & Pacific Tea Co.*, 502 S.E.2d 735, 737 (Ga. Ct. App. 1998).

Although the Georgia Supreme Court and the Georgia Court of Appeals have reiterated the principle that the GFBPA should be interpreted consistently with the FTC Act, neither court has addressed the particular issues here: whether the common enterprise doctrine or standards for individual liability under the FTC Act

apply to GFBPA claims. That said, courts in other states have assessed this question and have applied these doctrines and standards to their state consumer protection laws.

For example, multiple federal district courts in Florida have held that “common enterprise liability presents a plausible means by which the State may state a claim against Defendants under FDUTPA [Florida Deceptive and Unfair Trade Practices Act].” *Consumer Fin. Prot. Bureau v. Ocwen Fin. Corp.*, 2019 WL 13203852, at *9–10 (S.D. Fla. Sept. 30, 2019). *See also Fed. Trade Comm’n v. Life Mgmt. Servs. of Orange Cty., LLC*, 350 F. Supp. 3d 1246, 1259–60 (M.D. Fla. 2018); *Office of Att’y Gen. Dep’t of Legal Affairs v. Moving & Storage Acct. Inc.*, 2019 WL 2255575, at *9 (S.D. Fla. Mar. 22, 2019), *report and recommendation adopted sub nom. Office of Att’y Gen. v. Moving & Storage Acct. Inc.*, 2019 WL 3429123 (S.D. Fla. May 1, 2019). In support, these courts recognized that Florida’s consumer protection statute (like Georgia’s) instructs that it should be interpreted consistently with the FTC Act. *See Fla. Stat. Section 501.204* (“It is the intent of the Legislature that, in construing subsection (1), due consideration and great weight shall be given to the interpretations of the Federal Trade Commission and the federal courts relating to § 5(a)(1) of the Federal Trade Commission Act”).

Similarly, a New Mexico district court has applied the FTC Act’s common enterprise doctrine and the standard for individual liability to the New Mexico Unfair Practices Act. *See New Mexico ex rel. Balderas v. Real Est. L. Ctr., P.C.*, 430 F. Supp. 3d 761, 872 (D.N.M. 2019). There, the district court explained:

As the New Mexico Unfair Practices Act, N.M. Stat. Ann. §§ 57-12-1 to -26 (“NMUPA”), directs New Mexico courts to look to the FTC for guidance in interpreting the NMUPA, *see* N.M. Stat. Ann. § 57-12-4, as the MFCFPA is a specific form of NMUPA violation, *see* N.M. Stat. Ann. § 47-15-7(A), and as the Supreme Court of New Mexico has previously looked to federal statutes similar to New Mexico statutes to interpret the New Mexico law, *see Featherstone v. Bureau of Revenue*, 1954-NMSC-080, ¶ 6, 58 N.M. 557, 273 P.2d 752, 753; *Lopez v. Singh*, 1949-NMSC-022, ¶ 7, 53 N.M. 245, 205 P.2d 492, 493, the Court predicts that the Supreme Court of New Mexico would also look to federal caselaw to interpret MFCFPA violations. **Liability for MFCFPA violations can, therefore, be shown through evidence of a common enterprise, *see F.T.C. v. PayDay Fin. LLC*, 989 F. Supp. 2d at 808-09, or through evidence that satisfies the FTCA test for individual liability, *see F.T.C. v. Freecom Commc'ns, Inc.*, 401 F.3d at 1203.**

Id. (emphases added). As with Georgia’s and Florida’s consumer protection statutes, the New Mexico statute instructs that “[i]t is the intent of the legislature that in construing Section 3 of the Unfair Practices Act the courts to the extent possible will be guided by the interpretations given by the federal trade commission and the federal courts.” N.M. Stat. Ann. § 57-12-4.

Likewise, a New York district court has also applied the common enterprise doctrine in a case involving violations of New York’s consumer protection laws brought by New York’s attorney general. *People v. Debt Resolve, Inc.*, 387 F. Supp. 3d 358, 361, 363–64 (S.D.N.Y. 2019).

Taken together, this authority shows that other jurisdictions around the country have applied the common enterprise doctrine and test for individual liability under the FTC Act to their state consumer protection laws. These decisions bolster Plaintiffs’ statutory interpretation and support Plaintiffs’ argument that the

Court should apply these doctrines to the GFBPA claims. The Georgia Supreme Court has looked to other states courts' interpretations of their own consumer protection laws for guidance when evaluating the contours of the GFBPA. *See Henderson*, 623 S.E.2d at 97–98 (discussing decisions from courts in other states evaluating whether state consumer protection laws apply to medical professionals and stating: “[w]e find the foregoing authority persuasive and we conclude that their reasoning is equally applicable to claims under the Georgia FBPA”).

In arguing that the common enterprise doctrine and standards for individual liability under the FTC Act should not apply to the GFBPA claims, Defendants cite no portion of the statutory text that would limit the legislature's clear directive that the GFBPA be construed “consistently with interpretations given by the [FTC] in the federal courts.” O.C.G.A. § 10-1-391. Nor do Defendants cite any case in which any court has declined to apply the common enterprise doctrine or standards for individual liability to state consumer protection claims under similar circumstances.

Instead, Defendants rely primarily on dicta in one Georgia Supreme Court case, *State ex rel. Doyle v. Frederick J. Hanna & Associates, P.C.*, 695 S.E.2d 612 (Ga. 2010). There, the Georgia Supreme Court assessed whether the GFBPA applies to the practice of law.²⁰ In a 4-3 decision, the *Doyle* Court, reasoned that,

²⁰ Specifically, the Administrator of the GFBPA issued an investigative demand to a law firm that collected debts on behalf of its clients. *Id.* at 613–14. While the *Doyle* decision in 2010 involved enforcement of the GFBPA by the Administrator of the GFBPA (an agency head within the Governor's Office), the Georgia General Assembly in 2015 reassigned the administration and

while business aspects of the legal profession might fall within the bounds of the GFBPA, the noncommercial aspects of lawyering are excepted from the GFBPA for public policy reasons. *Id.* at 614–15 (quoting and adopting the rationale of *Haynes v. Yale-New Haven Hosp.*, 699 A.2d 964, 973 (Conn. 1997)). The *Doyle* Court relied in large part on the rationale that only the Georgia Supreme Court has the inherent power to govern the practice of law in Georgia. *Id.* at 615 (“[a]bsent a clear indication by the legislature, we will not conclude that the legislature intended to regulate attorney-client relationships through the [FBPA]”) (quoting and adopting the rationale of *Cripe v. Leiter*, 703 N.E.2d 100, 105 (Ill. 1998)).

In providing its rationale, the *Doyle* Court acknowledged that attorneys engaging in debt collection would be subject to suit by the FTC under the Fair Debt Collection Practices Act (“FDCPA”). Even so, the *Doyle* Court stated:

Contrary to the dissent, O.C.G.A. § 10-1-391(b) does not constitute a “legislative mandate” for consistent interpretation of the FBPA and the Federal Trade Commission Act (FTCA) *such that an attorney who violates the FTCA has also violated the [G]FBPA*. Consistent construction of these federal and state laws must take into account the differences between the statutory schemes. *Agnew v. Great Atlantic & Pacific Tea Co.*, 502 S.E.2d 735 (Ga. Ct. App. 1998) (causation and injury are required elements under the FBPA, but not under the FTCA).²¹ *The application of the FTCA to attorneys collecting*

enforcement of the GFBPA to the Georgia Attorney General. *See* Ga. L. 2015, p. 1088, § 2. *See also Financial Educ. Services, Inc. v. State ex rel. Sours*, 785 S.E.2d 544, 545 n.1 (Ga. Ct. App. 2016).

²¹ The Court notes that causation and injury are certainly required elements for a *private party* suing under the GFBPA. *See Tiismann v. Linda Martin Homes Corp.*, 637 S.E.2d 14, 17 (Ga. Ct. App. 2006) (“A private FBPA claim has three elements: a violation of the Act, causation, and injury.”). That said, the GFBPA may be enforced through governmental and/or private action. *See Quattrocchi v. State*, 850 S.E.2d 432, 435–36 (Ga. Ct. App. 2020) (detailing the parallel enforcement scheme). And, unlike a private action, the state enforcement scheme allows the Attorney General to seek administrative remedies (as the State does here) “whether or not any person has actually been misled,” i.e., for a violation of the Act alone – absent causation or injury.

consumer debts is by way of the FDCPA, a separate act which expressly addresses debt collection and applies to attorneys only because of the repeal of a prior exemption for them. Heintz v. Jenkins, 115 S.Ct. 1489. Moreover, Congress obviously acts in different governmental context than does the General Assembly. As already noted, if the state's legislature had intended to regulate the conduct of attorneys in relation to their clients *notwithstanding this Court's unique role with respect thereto*, one would expect to find a clear and specific provision like the regulation of false advertising of legal services in OCGA § 10-1-427.

Id. at 616. Thus, ultimately, the *Doyle* Court (over vociferous dissent) found that the GFBPA did not cover certain debt collection practices by attorneys, even though such conduct would be subject to suit by the FTC *under the FDCPA* (not Section 5 of the FTC Act).

Defendants read this decision to support their argument that the GFBPA and the FTC Act should not be interpreted consistently when it comes to the common enterprise doctrine and standards for individual liability. In reading the dicta in this way, Defendants stretch *Doyle* far beyond its holding. *Doyle's* holding — that certain debt collection practices by attorneys are outside the bounds of the GFBPA — was based largely on a public policy rationale related to the Georgia Supreme Court's exclusive authority to regulate the practice of law in the state. Moreover, the parallel enforcement scheme at issue involved FTC's authority under the FDCPA, not Section 5 of the FTC Act.

See O.C.G.A. § 10-1-397(b). *See also Moore-Davis Motors, Inc. v. Joyner*, 556 S.E.2d 137, 139 (Ga. Ct. App. 2001) (“*Although the FBPA provides administrative remedies for any violation of the Act, a private right of action is only available to a person ‘who suffers injury or damage as a result of a violation.’*”) (emphasis added).

While the *Doyle* Court expressed concern about consistent interpretation of the GFBPA and the FTC Act, it did so only in the context of the particular issue there — the regulation of attorney legal work — not in the broad manner Defendants suggest. To extend *Doyle*’s dicta to support Defendants’ argument that the GFBPA and FTC Act should not be interpreted consistently in the current context (involving the application of the common enterprise doctrine and standards for individual liability) would violate the plain and undisputed statutory text, as well as other Georgia Supreme Court authority. *Zeeman*, 273 S.E.2d at 913; *Henderson*, 623 S.E.2d at 468–69. Established rules of statutory construction under Georgia law provide that courts

must presume that the General Assembly meant what it said and said what it meant. To that end, [courts] must afford the statutory text its plain and ordinary meaning, [courts] must view the statutory text in the context in which it appears, and [courts] must read the statutory text in its most natural and reasonable way . . .

Quattrocchi v. State, 850 S.E.2d 432, 435 (Ga. Ct. App. 2020) (quoting *Johnson v. State*, 839 S.E.2d 521 (Ga. 2020)). The plain and ordinary meaning of the relevant text is that the GFBPA shall be construed as consistent with interpretations of Section 5 of the FTC Act given in federal courts. For these reasons, *Doyle* cannot be read to prohibit the application of the FTC Act’s common enterprise doctrine and standards for individual liability to the GFBPA claims. Defendants’ argument against application of these doctrines fails.

To summarize: first, the plain statutory text states that the GFBPA shall “be interpreted and construed consistently with interpretations given by the [FTC] in

the federal courts” under Section 5, and that the GFBPA be “liberally construed” to promote the goal of consumer protection, *see* O.C.G.A. § 10-1-391. Second, other courts around the country have applied the FTC Act’s common enterprise doctrine and standard for individual liability to their own state consumer protection statutes. For these two reasons, the Court concludes that the common enterprise doctrine and the standards for individual liability applied by federal courts to the FTC Act also apply to the GFBPA claims here.

As such, for the reasons addressed in Section III.A. of this Order, Plaintiffs have presented significant evidence that the Corporate Defendants engaged in a common enterprise through which they made false and misleading representations about the efficacy of stem cell therapy treatment. Plaintiffs have also shown that these representations constitute “unlawful acts and practices” prohibited under the GFBPA, O.C.G.A. § 10-1-393(a) & (b)(5) (outlawing “[r]epresenting that goods or services have sponsorship, *approval*, characteristics, ingredients, uses, *benefits*, or quantities that they do not have”) (emphases added). Further, consistent with “the interpretations given by the [FTC] in the federal courts pursuant to Section 5(a)(1) of the [FTC Act],” *see* O.C.G.A. § 10-1-391, the individual Defendants can be held individually liable for the actions of the Corporate Defendants, for the reasons detailed in Section III.A.3 of this Order. Summary judgment is thus **GRANTED** in the State of Georgia’s favor as to Count IV.

As to Count V, Plaintiffs have also provided undisputed evidence that Defendants used computers and computer networks to disseminate their deceptive stem cell therapy ads in violation of O.C.G.A. § 10-1-393.5 (prohibiting the use of a computer/computer network to “[e]ngage in any act, practice, or course of business that operates or would operate as a . . . deceit upon a person”). For example, Plaintiffs provide many emails in which the Corporate Defendants advertise to customers directly through emails, or where the individual Defendants created or approved ad content using a computer network, and more. (*See, e.g.*, Email Blast Ad, Doc. 97-16 (stating that stem cell therapy is superior to steroid injections and surgery); “Dear PBS Clients” Email, Doc. 83-11 (advertising SCIA training); SCIA Sample Email for Clinics II, Doc. 76-23; Peyroux Email, Doc. 75-9 (confirming order of 40,000 inserts for StemCell trifold); Detelich Ad Building Email, Doc. 94-16). Plaintiffs also cite to misleading advertisements on Defendants’ websites. (*See, e.g.*, Superior Website, Docs. 96-24, 126-2 at ECF 21.) Summary judgment is therefore **GRANTED** in the State of Georgia’s favor on Count V.

C. Requested Relief

1. Injunctive Relief

The FTC and the State of Georgia first request injunctive relief under the FTC Act and the GFBPA. The Peyroux Defendants do not address this request for injunctive relief at all in their response brief. Defendant Detelich, however, argues that Plaintiffs are not entitled to injunctive relief against him because there is no

risk that he will engage in similar conduct again. (Detelich Resp., Doc. 112 at 11–12.)

Under Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), the FTC may “seek, and after proper proof, the court may issue, a permanent injunction.” It is well-settled that “permanent injunctive relief is appropriate if ‘the defendant’s past conduct indicates that there is a reasonable likelihood of further violations in the future.’” *USA Fin., LLC*, 415 F. App’x at 975 (citing *SEC v. Caterinichia*, 613 F.2d 102, 105 (5th Cir. 1980²²)). The GFBPA also authorizes a court to enter various forms of relief, including a permanent injunction, where the Attorney General has shown that a person has violated the GFBPA. O.C.G.A. § 10-1-397(b)(2).

Under the FTC Act that, where a district court concludes that the evidence “indicates a reasonable likelihood of future violations,” permanent injunctive relief is appropriate. *USA Fin., LLC*, 415 F. App’x at 975 (affirming district court’s grant of permanent injunction to FTC, even though it was undisputed that defendant ceased its deceptive practices in 2007 and complaint was filed in 2008, but district court determined that there was reasonable likelihood of future violations). Thus, “[i]f the FTC is able to demonstrate that there is ‘some cognizable danger of recurrent violation, something more than a mere possibility,’ then the FTC is entitled to injunctive relief.” *Nat’l Urological Grp.*, 645 F. Supp. 2d at 1209 (citing *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953)). In determining

²² In *Bonner v. City of Pritchard*, 661 F.2d 1206, 1209 (11th Cir. 1981) (en banc), the Eleventh Circuit adopted as binding precedent all decisions of the former Fifth Circuit handed down before October 1, 1981.

whether there is “some cognizable danger of a recurrent violation,” courts consider these factors:

the egregiousness of the defendant’s actions; the isolated or recurrent nature of the actions; the degree of scienter involved; the sincerity of the defendant’s assurances against future violations; the defendant’s recognition of the wrongful nature of his conduct; and the likelihood that the defendant’s occupation will present opportunities for future violations. . . .

FTC v. Lanier Law, LLC, 194 F. Supp. 3d 1238, 1289 (M.D. Fla. 2016) (citing *FTC v. RCA Credit Servs.*, 2010 WL 2990068, at *5 (M.D. Fla. July 29, 2010) (quoting *Sec. Exch. Comm’n v. Carriba Air, Inc.*, 681 F.2d 1318, 1322 (11th Cir. 1982)).

Upon review of the evidence, the Court concludes that some form of injunctive relief is appropriate as to all existing Defendants. Considering the relevant factors, the evidence demonstrates that the Defendants engaged in a comprehensive campaign to develop and disseminate misleading advertisements about the efficacy and approval of stem cell therapy on a massive scale. Indeed, these advertisements were the main thrust of Defendants’ businesses — and Defendants profited massively from these efforts. *Nat’l Urological Grp.*, 645 F. Supp. 2d at 1209 (where violations were “numerous and grave,” permanent injunctive relief was warranted). The “degree of scienter involved” was high — Defendants Peyroux and Detelich were the force behind the whole operation and were fully immersed in the advertising campaign. Further, even though Superior and SCIA have filed for bankruptcy, Physicians Business remains operational. (PSOMF-Peyroux ¶¶ 3, 8.) And Defendants Peyroux and Detelich currently hold

interests in many other healthcare companies. (PSOMF-Peyroux, Doc. 115-1 ¶¶ 217, 218, 219, 229, 230, 234, 238, 241; PSOMF-Detelich, Doc. 117-1 ¶¶ 332, 334.) So the “likelihood that the defendant’s occupation will present opportunities for future violations,” is still high. *Lanier Law, LLC*, 194 F. Supp. 3d at 1289; *Windward Mktg.*, 1997 WL 33642380, at *15 (finding permanent injunction appropriate where defendants would continue to operate in telemarketing sector).

Accordingly, the Court finds that some form of permanent injunctive relief is appropriate. That said, the specific scope of the injunctive relief requires further consideration and presentation of evidence. The Court will therefore hold a hearing on the nature of the injunctive relief required as stated in the conclusion of this Order.

2. Monetary Relief Under the GFBPA

Along with injunctive relief, the State of Georgia seeks monetary relief in the form of civil penalties and restitution under the GFBPA for (1) violations of § 10-1-393’s prohibition on engaging in “[u]nfair or deceptive acts or practices in the conduct of consumer transactions” and (2) violations of § 10-1-393.5(b)’s prohibition on using a computer/computer network to engage in deceptive acts.

In requesting monetary relief for violations of these two sections of the GFBPA, the State relies on three statutory provisions that, together, outline the relief available under the GFBPA. These provisions are: O.C.G.A. § 10-1-397(b)(2) (“the Civil Penalty Provision”); O.C.G.A. § 10-1-393.5(d) (“Additional Computer Penalty Provision”); and O.C.G.A. § 10-1-851 (“the Unfair and Deceptive Practices

Towards the Elderly Act (UDPTEA)"). The Court outlines these relief provisions now.

First, the Civil Penalty Provision is the primary mechanism for the Attorney General to seek relief for violations of the GFBPA when the "proceedings would be in the public interest" and "*whether or not any person has actually been misled.*" O.C.G.A. § 10-1-397(b) (emphasis added). This Provision authorizes the Attorney General to seek various forms of relief for violations of the GFBPA:

(2) . . . upon a showing by the Attorney General in any superior court²³ of competent jurisdiction that a person²⁴ has violated or is about to violate [the GFBPA], or an order of the Attorney General, the court may enter or grant any or all of the following relief:

- (A) A temporary restraining order or temporary or permanent injunction;
- (B) **A civil penalty of up to a maximum of \$5,000.00 per violation of this part;**
- (C) A declaratory judgment;
- (D) **Restitution to any person or persons adversely affected by a defendant's actions in violation of this part;**
- (E) The appointment of a receiver, auditor, or conservator for the defendant or the defendant's assets; or
- (F) Other relief as the court deems just and equitable.

²³ Although the statute authorizes the Attorney General to seek relief "in any superior court," a provision was added to the statute in 2015 clarifying that "The Attorney General is authorized to initiate or intervene as a matter of right or otherwise appear *in any federal court* or administrative agency to implement the provisions of this article." O.C.G.A. § 10-1-397.1 (emphasis added).

²⁴ The GFBPA defines "person" as a "natural person, corporation, trust, partnership, incorporated or unincorporated association, or any other legal entity." O.C.G.A. § 10-1-392(24).

§ 10-1-397(b)(2) (emphases added). The statute does not specifically define “violation” or provide a method for assessing the specific number of violations.

Next, the Additional Computer Penalty Provision, through its reference to the Unfair and Deceptive Practices Towards the Elderly Act (“UDPTEA”), provides for additional penalties where a defendant has used a computer/computer network to engage in deceptive acts that intentionally target elderly or disabled individuals:

Any person who intentionally targets an elder²⁵ or disabled person²⁶, as defined in Article 31 of this chapter, in violation of subsection (b) of this Code section²⁷ shall be subject to an additional civil penalty, as provided in Code Section 10-1-851.

O.C.G.A. § 10-1-393.5(d).

In turn, “Code Section 10-1-851,” *id.*, otherwise known as UDPTEA (again the Unfair or Deceptive Practices Toward the Elderly Act), states that “[w]hen any person found to have conducted business in violation of [the GFBPA] is found to have committed said violation against elder or disabled persons,” then “the court may impose an additional civil penalty not to exceed \$10,000.00 for each violation” in addition to any civil penalty otherwise imposed.²⁸ In imposing these

²⁵ Under Article 31, an “elder person” is a person 60 years of age or older. O.C.G.A. § 10-1-850(2).

²⁶ A “disabled person” is an individual “who has a physical or mental impairment which substantially limits one or more of such person’s major life activities.” *Id.* § 10-1-850(1). The statute then provides a definition for “physical or mental impairment” that includes individuals who have “orthopedic” diseases. *Id.*

²⁷ Subsection (b) makes it unlawful to use a computer or computer network to engage in deceptive or fraudulent acts. O.C.G.A. § 10-1-393.5(b).

²⁸ See also *Brogdon ex rel. Cline v. Nat’l Healthcare Corp.*, 103 F. Supp. 2d 1322, 1336 (N.D. Ga. 2000) (“Under Georgia law, individuals who violate the FBPA are subject to additional civil penalties if the violation is committed against elder or disabled persons. § 10–1–851.”); *Horne v. Harbour Portfolio VI, LP*, 304 F. Supp. 3d 1332, 1344 (N.D. Ga. 2018) (same).

additional civil penalties for targeting an elder or disabled person, courts “shall consider the extent to which one or more of the following factors are present:”

- (1) Whether the defendant’s conduct was in disregard of the rights of the elder or disabled person;
- (2) Whether the defendant knew or should have known that the defendant’s conduct was directed to an elder person or disabled person;
- (3) Whether the elder or disabled person was more vulnerable to the defendant’s conduct because of age, poor health, infirmity, impaired understanding, restricted mobility, or disability than other persons and whether the elder or disabled person actually suffered substantial physical, emotional, or economic damage resulting from defendant’s conduct;
- (4) Whether the defendant’s conduct caused an elder or disabled person to suffer any of the following:
 - (A) Mental or emotional anguish;
 - (B) Loss of or encumbrance upon a primary residence of the elder or disabled person;
 - (C) Loss of or encumbrance upon the elder or disabled person’s principal employment or principal source of income;
 - (D) Loss of funds received under a pension or retirement plan or a government benefits program;
 - (E) Loss of property set aside for retirement or for personal or family care and maintenance; or
 - (F) Loss of assets essential to the health and welfare of the elder or disabled person; or
- (5) Any other factors the court deems appropriate.

O.C.G.A. § 10-1-852.

Under these relief provisions, the State of Georgia seeks the following monetary relief from Defendants Physicians Business, Peyroux, and Detelich, jointly and severally: (1) a \$5,000 civil penalty for each day false and misleading

representations were available on Superior's website (for at least 1330 days), for a total of \$6,650,000; (2) a \$10,000 civil penalty for each GFBPA violation against an elder or disabled person, including 59 online advertising campaigns, 161 brochures downloaded online, 148 seminars delivered, and 335 elderly consumer purchases of stem cell shots, for a total \$7,030,000; (3) a \$5,000 civil penalty for each individual consumer who purchased a stem cell shot who was not elderly, for a total of \$750,000; and (4) restitution from Defendants Peyroux and Detelich for the 485 customers who purchased stem cell injections from Defendant Superior in the amount of \$3,350,416 (the cost customers paid for shots, and the amount Defendants profited from selling the shots). In total, the State seeks \$14,430,000 in civil penalties from all three remaining Defendants and \$3,350,416 in restitution from Defendants Peyroux and Detelich. (MSJ, Doc. 73-1 at 33–34.)²⁹

Defendants present a slew of arguments against the imposition of such monetary relief, including that: the civil penalties can be obtained only from a Georgia superior court; the GFBPA's civil penalty provisions are unconstitutionally vague; a lack of clarity about the proper manner for calculating civil penalties requires this Court to certify questions to the Georgia Supreme Court; and more.

Upfront, the Court notes that it cannot evaluate the amount of civil penalties or restitution at this time. The scope, nature, and amount of any monetary relief requires significantly more consideration and the presentation of comprehensive

²⁹ As a reminder, the State claims that the common enterprise generated a combined \$18,403,116.14 in gross income from 2015 to 2022, and that Peyroux and Detelich jointly received at least \$2,796,861.19 in profit distributions during this time. (MSJ, Doc. 73-1 at 31.)

evidence at a hearing and likely with the aid of additional briefing. So the Court will not address any questions about the *amount* of monetary relief at this time or the appropriate way to calculate such relief. That said, the Court will address Defendants’ contention that monetary relief should not be issued at all, and that questions about the statute should be certified to the Georgia Supreme Court.

a. Civil Penalties Can be Obtained in a Federal Court

First, Defendant Detelich argues that civil penalties can be obtained only in a Georgia “superior court,” not a federal court, citing O.C.G.A. § 10-1-397(b)(2) (stating that a court may issue civil penalties and restitution “upon a showing by the Attorney General in any *superior court*” that a person or entity has violated the GFBPA) (emphasis added). But in 2015, a provision was added to the statute in 2015 clarifying that “The Attorney General is authorized to initiate . . . or otherwise appear in *any federal court* or administrative agency to implement the provisions of this article.” O.C.G.A. § 10-1-397.1 (emphasis added). Accordingly, Defendant Detelich’s position is incorrect.

b. The GFBPA’s Civil Penalty Provision is Not Unconstitutionally Vague

Second, the Peyroux Defendants argue that the Civil Penalty Provision of the GFBPA is unconstitutionally vague as applied here. (Peyroux Resp., Doc. 110 at 25–29) (arguing that the statute provides “no specific method for calculating the

number of violations,” “no factors for determining the size of the per violation penalty,” and “no definition of the remedy of restitution”).³⁰

“It has long been the law in Georgia that Acts of the Legislature are not only presumed to be constitutional, but that the authority of the Courts to declare them void, will never be resorted to, except in a clear and urgent case . . .” *Bartow Cty. Bank v. Bartow Cty. Bd. of Tax Assessors*, 312 S.E.2d 102, 104 (Ga. 1984) (internal citation and quotation omitted). Statutes should be construed as constitutional “whenever possible.” *Id.* This is because courts should “look diligently for the intention of the General Assembly” O.C.G.A. § 1-3-1(a), and the General Assembly is “presumed to intend all laws it enacts to be constitutional.” *Bartow Cty. Bank*, 312 S.E.2d at 104.

“To withstand an attack of vagueness or indefiniteness, a civil statute must provide fair notice to those to whom the statute is directed and its provisions must enable them to determine the legislative intent.” *Daniel v. Amicalola Elec. Membership Corp.*, 711 S.E.2d 709, 715 (Ga. 2011). Only where a law is “so vague that persons of common intelligence must necessarily guess at its meaning and differ as to its application” does it violate due process. *Rockdale Cty.*, 865 S.E.2d

³⁰ The Peyroux Defendants do not indicate whether they believe the Civil Penalty Provision is unconstitutionally vague under Georgia Constitution, the United States Constitution, or both. Georgia courts have addressed void-for-vagueness challenges as brought under both constitutions and have relied on United States Supreme Court decisions “interpreting the federal Constitution or Georgia decisions tracing back to such federal opinions.” See *Rockdale Cty. v. U.S. Enterprises, Inc.*, 865 S.E.2d 135, 143 n.10 (Ga. 2021) (noting that the due process guaranteed by the Georgia and federal constitutions *may* be identical but that the court need not further delve into this question to decide the case). Like the Court in *Rockdale Cty.*, the Court here will “proceed in [its] analysis in reliance on the existing federal and heavily-federally-influenced Georgia precedent.” *Id.*

135, 143 (Ga. 2021) (internal citation and quotation omitted); *see also* *Wollschlaeger v. Governor, Florida*, 848 F.3d 1293, 1319 (11th Cir. 2017) (noting that a law “can be impermissibly vague if it fails to provide people of ordinary intelligence a reasonable opportunity to understand what conduct it prohibits”). A law may also be impermissibly vague if it “authorizes or . . . encourages arbitrary and discriminatory enforcement.” *Id.*

With a vagueness challenge, “there is generally a greater tolerance of enactments with civil rather than criminal penalties because consequences of imprecision are qualitatively less severe.” *Rockdale Cty.*, 865 S.E.2d at 143 (citing *Daniel*, 711 S.E.2d at 715) (cleaned up); *see also* *Vill. of Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489, 498 (1982) (“economic regulation is subject to a less strict vagueness test”). Finally, “the burden of proving a due process violation is on the party raising the vagueness challenge.” *Rockdale Cty.*, 865 S.E.2d at 144. Where, as here, a vagueness challenge does not implicate the First Amendment, it must “be examined in the light of the facts of the case to be decided,” i.e., as applied to the particular situation at hand. *Id.*

Here, Defendants had notice of what conduct violates the GFBPA because the GFBPA defines what conduct is prohibited — unfair or deceptive acts or practices in the conduct of consumer transactions, § 10-1-393. The GFBPA further provides a non-exhaustive list of examples of such unfair or deceptive acts, including: “[r]epresenting that goods or services [e.g., stem cell therapies] have . . . approval [or] . . . benefits . . . that they do not have.” *Id.* § 10-1-393(b). The GFBPA

makes it a separate violation to use a computer/computer network to engage in such deceptive acts that operate as a “deceit upon a person.” § 10-1-393.5. Thus, Defendants were clearly on notice that their conduct — representing that stem cell therapy had approval or benefits that it did not have (and using a computer/computer network to make and disseminate such representations) — was unlawful.

Further, Defendants had notice of the consequences of violating the GFBPA because the statute’s Civil Penalty Provision defines the potential range of penalties that accompany noncompliance. *See* O.C.G.A. § 10-1-397(b)(2) (allowing, among other things, the Attorney General to seek civil penalties up to \$5,000 per violation and restitution to any person adversely affected by a defendant’s actions). Further, the Civil Penalty Provision, which allows for civil penalties of “up to \$5,000 per violation” does not encourage discriminatory enforcement but rather provides the adjudicating court with discretion within set bounds, as discussed below.

The Peyroux Defendants argue that the Civil Penalty Provision is unconstitutionally vague because it does not provide a method to calculate the number of violations of the GFBPA. But language in the GFBPA, including the “per violation” language, should not be “interpreted in isolation” and instead should be construed “to give a sensible and intelligent effect to” all provisions. *Quattrocchi*, 850 S.E.2d at 435. Thus, the language allowing a court to assess “up to \$5,000 per violation” must be read in the context of the GFBPA’s prohibition on any “unfair

or deceptive act[] or practice[] in the conduct of [a] consumer transaction,” O.C.G.A. § 10-1-393(a), and the prohibition on using a computer to engage “in any act, practice, or course of business” that operates as a deceit upon a person, § 10-1-393.5. Reading these provisions together suggests that each unfair or deceptive act or practice, or consumer transaction, serves as a separate violation of the statute.

Many other state consumer protection laws include similar language allowing the particular state’s attorney general to recover for penalties “per violation,” without explicitly defining “violation.” *See, e.g.*, Ariz. Rev. Stat. § 44-1531 (providing that the Arizona AG may recover from the defendant “on behalf of the state a civil penalty of not more than ten thousand dollars per violation” of Arizona’s Consumer Fraud Act); Idaho Code § 48-606 (allowing Idaho AG to recover civil penalties of “up to \$5,000 per violation” of Idaho’s Consumer Protection Act); Cal.Bus. & Prof. Code §§ 17206 & 17206.1 (providing for California AG to bring civil action and obtain civil penalty not to exceed \$2,500 for each violation and additional civil penalty of \$2,500 for each violation if acts are perpetrated against senior citizens or disabled persons).³¹

³¹ *See also State v. Going Places Travel Corp.*, 864 N.W.2d 885, 895 (Ct. App. Wisc. 2015) (explaining that “[t]he statute does not define the term violation”) (citing Wisc. Stat. § 100.171 (providing for civil penalties “not less than \$100 nor more than \$5000 for each violation” of Wisconsin law about required disclosures in prize notice advertisements)); Ark. Code § 4-88-113 (stating that, in proceeding brought by Arkansas Attorney General, a court may assess penalties “not to exceed” \$10,000 “per violation” under Arkansas Deceptive Trade Practices Act); Wash. Rev. Code § 19.86.140 (providing for “civil penalty of not more than \$7,500 for each violation” of Washington’s Unfair or Deceptive Practices Act); Haw. Rev. Code § 480.3.1 (allowing for civil penalty between \$500 and \$10,000 for each violation); Kan. Stat. § 50-636 (allowing for civil

Courts interpreting these statutes have assessed per violation penalties based on the number of ads published, transactions completed, consumer purchases, or a mix of these measures. *See, e.g., People ex rel. Kennedy v. Beaumont Inv., Ltd.*, 3 Cal. Rptr. 3d 429, 450–51 (Cal. Ct. App. 2003), *as modified on denial of reh'g* (Sept. 9, 2003) (affirming trial court's assessment of “per violation” penalties based on number of unlawful lease transactions *and also* number of consumers affected); *State v. R.J. Reynolds Tobacco Co.*, 2013 Vt. Super. LEXIS 15, *37–39 (Vt. Super. Ct. 2013) (finding that defendant violated Vermont's consumer protection act 6776 times based on 1642 days that ads were placed on the website, 1028 direct mailings, 4100 package inserts, and 6 national magazine ads received in Vermont); *United States v. Reader's Dig. Ass'n, Inc.*, 662 F.2d 955, 959–60 (3d Cir. 1981) (upholding finding that each of 17,940,521 mailings constituted a separate violation of consent order under FTC Act); *State v. Menard, Inc.*, 358 N.W.2d 813, 815 (Wis. Ct. App. 1984) (considering “each publication of an advertisement” in each newspaper or other medium a separate violation of Wisconsin consumer protection law).

These other state consumer protection statutes have been read to provide the court with some discretion to evaluate the appropriate manner of determining

penalty of not more than \$10,000 per violation of Kansas Consumer Protection Act); N.H. Rev. Stat. § 358-A:4 (allowing for civil penalty of up to \$10,000 for each violation of New Hampshire consumer protection act); 73 Pa. Stat. § 201-8 (allowing for up to \$1,000 per willful violation of Pennsylvania consumer protection statute and \$3,000 per willful violation where victim is age 60 or older). While these are just some examples, numerous other states also include per violation penalties without defining “violation” in the statute.

the number of violations based on the circumstances of the case. *See, e.g., Beaumont Inv.*, 3 Cal. Rptr. 3d at 450–51 (explaining that, where statute does not define violation, “determining what qualifies as a single violation” is “up to the courts” and depends on “the circumstances of the case”); *State v. Mandatory Poster Agency, Inc.*, 398 P.3d 1271, 1280 (Wash. Ct. App. 2017) (explaining that the trial court did not abuse its discretion since state consumer protection action “vests the trial court with the power to assess a penalty for each violation”); *State ex rel. Corbin v. United Energy Corp. of Am.*, 725 P.2d 752, 756 (Ariz. Ct. App. 1986) (emphasizing importance of allowing courts flexibility in imposing civil penalties under Arizona Consumer Protection Act to “give effect to legislative intent behind the statute”). Ultimately, Defendants’ argument that the GFBPA’s Civil Penalty Provision is unconstitutionally vague because it does not explicitly define “violation” ignores the other provisions of the statute and conflicts with common practice in courts across the country implementing the terms of comparable state consumer protection statutes.

The Peyroux Defendants next argue that the Civil Penalty Provision is unconstitutionally vague because there are no factors to determine the size of per violation penalties. In a different but analogous context, the Eleventh Circuit rejected a similar argument that the Fair Credit Reporting Act (“FCRA”) was unconstitutionally vague because it provides for a range of statutory damages³²

³² While *Harris* involved a statutory damage scheme rather than an administrative penalty scheme, the thrust of Defendants’ vagueness challenge here is similar to the challenge in *Harris*.

without specifying criteria for the court or jury to assess the appropriate amount within the range. *See Harris v. Mexican Specialty Foods, Inc.*, 564 F.3d 1301, 1310–11 (11th Cir. 2009) (holding that the FCRA gives potential violations notice that they will be subject to a range of penalties per violation, thereby satisfying due process) (“In order to be unconstitutionally vague, a statute must go beyond simply granting some discretion to courts or juries to act within a range”).³³

Finally, the Peyroux Defendants argue that the Civil Penalty Provision is unconstitutionally vague because it includes no instruction on how to calculate restitution or how to determine whether an individual has been “adversely affected” by their actions. This contention lacks merit. The statute’s plain text states that the Attorney General may seek and a court may grant relief in the form of “restitution to any person or persons adversely affected by a defendant’s actions in violation of [the GFBPA].” § 10-1-397(b). Under well-established rules of statutory construction, courts “afford the statutory text its plain and ordinary meaning” and read statutory text “in the most natural and reasonable way, as an ordinary speaker of the English language would.” *Quattrocchi*, 850 S.E.2d at 435 (explaining that “restitution” under the GFBPA is different from unliquidated damages). Assessing an earlier version of the GFBPA, the Georgia Court of Appeals characterized restitution as consisting of “the refund of the purchase price and the

³³ The *Harris* Court noted that statutory damage ranges exist in other statutes as well, including The Copyright Act, 17 U.S.C. § 101 (providing for statutory damage range of \$750 to \$30,000 per violation and \$150,000 where willful), and the Communications Act of 1934, 37 U.S.C. § 151 (providing for statutory damage range of \$1,000 to \$10,000 per violation, and \$100,000 where willful).

return to the status quo.” *Colonial Lincoln-Mercury Sales, Inc. v. Molina*, 262 S.E.2d 820, 822 (Ga. Ct. App. 1979). The dictionary definition of restitution includes “a restoration of something to its rightful owner” and “a legal action serving to cause restoration of a previous state.” *Restitution*, Merriam-Webster. The Cambridge Dictionary definition of “adversely affected” is “influenced or changed in a negative or harmful way.” *Adversely Affected*, Cambridge Dictionary. In short, a plain reading of the statute is specific enough to provide notice to Defendants that they would have to pay money back to individuals who had been harmed by their violations of the GFBPA.³⁴

In sum, Defendants have not carried their burden to overcome the presumption of constitutionality and show that the Civil Penalty Provision of the GFBPA is unconstitutionally vague because the Civil Penalty Provision put them on notice of the penalties that can be assessed against them for violating the GFBPA.

c. The UDPTEA is Not Unconstitutionally Vague

As with their challenge to the Civil Penalty Provision, the Peyroux Defendants argue that the UDPTEA is unconstitutionally vague because it does not specifically define a “violation.” § 10-1-851 (“When any person who is found to have conducted business in violation of [the GFBPA] is found to have committed said

³⁴ At the future evidentiary hearing of course, the State will be required to demonstrate that the restitution it seeks is on behalf of individuals who were “adversely affected” by Defendants’ violations of the GFBPA.

violation against elder or disabled persons, in addition to any civil penalty otherwise set forth or imposed, the court may impose an additional civil penalty not to exceed \$10,000 for each violation”).³⁵ For the same reasons articulated above, this contention lacks merit because a violation is tied to each deceptive act, practice, consumer transaction, or course of business, consistent with O.C.G.A. § 10-1-393 & § 10-1-393.5.

The Peyroux Defendants next argue that their advertising did not target the elderly. This issue is subject to the Court’s consideration at the evidentiary relief hearing. At the hearing, Defendants will be permitted to submit any contrary evidence that they did not target the elderly or disabled. All the same, there is no basis to find this provision unconstitutionally vague.

d. The Court Declines to Certify Questions to the Georgia Supreme Court

Finally, Defendants ask the Court to certify questions about the application of the GFBPA to the Georgia Supreme Court. While the Peyroux Defendants do not provide specific questions that they request be certified, they say that their proffered certification questions involve how the court should apply “per violation penalties” and restitution under the Civil Penalty Provision. (Peyroux Resp., Doc. 110 at 25.) Defendant Detelich, on the other hand, proposes three specific certification questions about the GFBPA’s Civil Penalty Provision: (1) How are the

³⁵ See also *Brogdon ex rel. Cline v. Nat’l Healthcare Corp.*, 103 F. Supp. 2d 1322, 1336 (N.D. Ga. 2000) (“Under Georgia law, individuals who violate the FBPA are subject to additional civil penalties if the violation is committed against elder or disabled persons. § 10–1–851.”); *Horne v. Harbour Portfolio VI, LP*, 304 F. Supp. 3d 1332, 1344 (N.D. Ga. 2018) (same).

number of violations calculated?; (2) What factors should be considered in determining whether to assess a civil penalty and in what amount?; and (3) How is restitution determined? (Detelich Resp., Doc. 112 at 24.)

“Where there is *substantial* doubt about the correct answer to a *dispositive* question of state law,” a court should certify the question to the state supreme court. *Government Employees Ins. Co. v. Glassco Inc.*, 85 F.4th 1136, 1147 (11th Cir. 2023) (emphasis added). Whether to certify a question of state law is within the court’s discretion, and certification should “never be automatic or unthinking.” *Escareno v. Noltina Crucible and Refractory Corp.*, 139 F.3d 1456, 1461 (11th Cir. 1998) (internal citation omitted). In evaluating whether to certify a question, courts consider “the closeness of the question,” the existence of sufficient sources of state law “to allow a principled rather than conjectural conclusion,” the degree to which comity is relevant, and “practical limitations of the certification process.” *Id.*

After review of the record and factors for certification of appeal to the Georgia Supreme Court, the Court concludes that it would not be appropriate to grant Defendants’ certification request. While there are few Georgia Supreme Court or Court of Appeals decisions explicitly interpreting the GFBPA Civil Penalty Provision, other provisions in the GFBPA and comparable provisions in other consumer protection laws provide sufficient guidance on how the GFBPA provisions at issue should be construed and implemented.³⁶

³⁶ See *supra* n.31.

As noted above, questions about how the number of violations should be calculated can be answered by looking at the substantive provisions of the GFBPA prohibiting “acts or practices” in “consumer transactions,” all of which can be quantified. The amount of each civil penalty is provided in the statute — up to \$5,000 per violation, or \$10,000 in the event a defendant has targeted an elderly or disabled person.³⁷ And courts are regularly tasked with determining the appropriate amount of restitution, by way of reference to relevant legal authority, dictionaries, record evidence, and other resources.³⁸ Moreover, the Georgia Supreme Court has looked to decisions interpreting other state’s consumer protection statutes when determining the bounds of the GFBPA. *See Henderson*, 623 S.E.2d at 97–98. Several decisions interpret the appropriate number and amount of civil penalties under highly similar language found in other states’ consumer protection statutes. These decisions provide helpful guidance for courts interpreting the GFBPA’s Civil Penalty Provision. Finally, when considering

³⁷ On the question of “whether [a court should] assess a civil penalty,” the State points out that, under Georgia law, while the word “may” ordinarily denotes permission and not command, “where the word as used concerns the public interest or affects the rights of third persons, [the word ‘may’] shall be construed to mean ‘must’ or ‘shall.’” O.C.G.A. § 1-3-3(10). Thus, where the Civil Penalty Provision states that a court “may” enter relief in the form of civil penalties, Georgia law suggests that the court “shall” grant such relief under the circumstances.

³⁸ For example, a Georgia Court of Appeals decision has characterized restitution under the GFBPA as “the refund of the purchase price and the return to the status quo.” *Colonial Lincoln-Mercury Sales, Inc. v. Molina*, 262 S.E.2d 820, 822 (Ga. Ct. App. 1979). More recently, the Georgia Court of Appeals has explained that “restitution” under the Civil Penalty Provision of the GFBPA does not mean the same thing as damages and is instead equitable relief. *Quattrocchi*, 850 S.E.2d at 435. The Eleventh Circuit has explained that “restitution in equity” involves situations where a plaintiff seeks restitution or money or property belonging in good conscience to the plaintiff (or here, members of the public the State is tasked with protecting) and which can “clearly be traced to particular funds or property in the defendant’s possession.” *AcryliCon USA, LLC v. Silikal GmbH*, 985 F.3d 1350, n.45 (11th Cir. 2021) (citing Restatement (Third) of Restitution and Unjust Enrichment § 4 cmt. d).

whether to certify a question to a state supreme court, courts should consider the “practical limitations” of the process. Here, Defendants’ proposed questions about the appropriate way to assess per violation penalties would likely require the Georgia Supreme Court to wade into (and evaluate) the facts and record evidence. The Georgia Supreme Court has hesitated to engage in such evidentiary evaluation on certification in the past. *See King v. King*, 888 S.E.2d 166, 170 (Ga. 2023) (declining to answer certified question where those questions sought guidance “about the scope of a fiduciary’s duties under factual circumstances particular to the case” and where it appeared these “fact-bound questions” could be “answered by reference to existing Georgia law”).

For all of these reasons — and in particular, the fact-intensive nature of the monetary relief issues — the Court declines to certify questions to the Georgia Supreme Court at this time.

For the above reasons, Defendants’ arguments that the State is entitled to no monetary relief under the GFBPA lack legal support. As shown above, civil penalties and restitution may be assessed in a federal court, and the relevant relief provisions are not unconstitutionally vague. Further, the Court does not believe it necessary to certify questions to the Georgia Supreme Court at this time. Accordingly, because the State has established that Defendants violated the GFBPA, it is entitled to recover some form of monetary relief from Defendants in the form of civil penalties and restitution, though the scope of such relief is still to

be determined. The specific amount of monetary relief and the manner of calculating the civil penalties and restitution requires further consideration and an evidentiary hearing, as discussed below.

IV. CONCLUSION

For all these reasons, Plaintiffs' summary judgment motion [Doc. 73] is **GRANTED**. Summary judgment is **GRANTED** in the FTC's favor as to liability on Counts I–III. Summary judgment is **GRANTED** in the State of Georgia's favor as to liability on Counts IV and V.

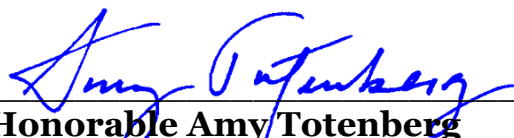
The Court will evaluate the appropriate contours of injunctive relief (under the FTC Act and the GFBPA) and the appropriate measure and amounts of monetary relief (due to the State under the GFBPA) at a relief hearing. At the hearing, Plaintiffs should be prepared to introduce testimony, documents, and evidence that address their request for monetary relief as well as evidence that speaks to the appropriate methodology for calculating such monetary relief. Plaintiffs are **DIRECTED** to file two proposed relief orders, one for injunctive relief and one (filed by the State) for monetary relief under the GFBPA. Plaintiffs are also **DIRECTED** to file a chart summarizing comparable penalties assessed in other cases under other states' consumer protection acts. This chart should include information about the particular defendant, the nature of the particular violation(s) and/or product, the number of violations found by the court, the amount per violation, the total penalty assessed, and the court's general rationale. Plaintiffs should also submit a notice of filing outlining and attaching any record

evidence supporting their specific monetary relief request calculations in this case. Defendants may file responses to Plaintiffs' proposed orders, chart, and evidentiary support of calculations.

Plaintiffs' proposed orders, chart, and evidentiary support of calculations shall be **due 21 days after the date of this Order**. Defendants may file responses, which shall be **due 21 days after they are filed**. Plaintiffs may file any replies **14 days after Defendants' responses are filed**. After the Court has received the parties' filings, it may send the parties other questions to answer, or request additional documentation, before the relief hearing. In addition, on or before **June 3, 2024**, the parties are **DIRECTED** to file notices identifying the witnesses whom they intend to call at the relief hearing.

The relief hearing is set for **10:30 a.m. on Monday June 17, 2024** in Courtroom 2308.

IT IS SO ORDERED this 11th day of March 2024.


 Honorable Amy Totenberg
 United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

FEDERAL TRADE COMMISSION and
STATE OF GEORGIA

Plaintiffs,

v.

STEVEN D. PEYROUX, individually
and as an owner and officer of
REGENERATIVE MEDICINE
INSTITUTE OF AMERICA, LLC, also
d/b/a Stem Cell Institute of America,
LLC, PHYSICIANS BUSINESS
SOLUTIONS, LLC, and SUPERIOR
HEALTHCARE, LLC,

BRENT J. DETELICH, individually
and as an officer of REGENERATIVE
MEDICINE INSTITUTE OF
AMERICA, LLC, also d/b/a Stem Cell
Institute of America, LLC,

REGENERATIVE MEDICINE
INSTITUTE OF AMERICA, LLC, a
limited liability company, also d/b/a
Stem Cell Institute of America, LLC,

PHYSICIANS BUSINESS
SOLUTIONS, LLC, a limited liability
company, and

SUPERIOR HEALTHCARE, LLC, a
limited liability company,

Defendants.

CIVIL ACTION NO.
1:21-cv-3329-AT

ORDER GRANTING INJUNCTIVE RELIEF

In an 82-page Opinion and Order issued on March 11, 2024, the Court granted summary judgment to Plaintiffs, the Federal Trade Commission and the State of Georgia. (Summary Judgment Order, Doc. 132). In its Opinion, the Court found that both the FTC and the State of Georgia are entitled to permanent injunctive relief. (*Id.* at 60-63). On June 17, 2025, the Court held a hearing to address the appropriate scope of relief. The parties were also permitted to file post-hearing evidence. Having considered the parties arguments and evidence in light of the relevant legal authority, the Court issues this Order, granting Plaintiffs appropriate injunctive relief. The Court has issued a separate order granting monetary relief to the State of Georgia and on behalf of affected citizens.

I. THE PARTIES

Plaintiffs are the Federal Trade Commission (“FTC”) and the State of Georgia. The FTC enforces the FTC Act, which prohibits unfair or deceptive acts or practices in or affecting commerce — including false advertising for drugs or services. 15 U.S.C. §§ 45(a) and 52. The State of Georgia, through its Attorney General, enforces the Georgia Fair Business Practices Act (“GFPBA”), which also prohibits unfair or deceptive acts or practices in or affecting commerce. O.C.G.A. §§ 10-1-390—10-1-408.

There are five Defendants: three Corporate Defendants and two Individual Defendants, as shown below:

Corporate Defendants	Individual Defendants
• Superior Healthcare, LLC (“Superior”) • Physicians Business Solutions, LLC (“Physicians Business”) • Regenerative Medicine Institute of America, LLC d/b/a Stem Cell Institute of America LLC (“SCIA”)	• Steven Peyroux • Brent Detelich

Two of the Corporate Defendants (Superior and SCIA) have been through bankruptcy proceedings. (Summary Judgment Order, Doc. 132 at 9).¹ Physicians Business remains operational. Individual Defendants Peyroux and Detelich currently hold interests in several other healthcare companies. (*Id.*)

II. RELEVANT FINDINGS

1. This Court has jurisdiction over the subject matter of this case pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and has jurisdiction over all the parties hereto.
2. This Court has supplemental jurisdiction over the State of Georgia’s claims for violations of the GFBPA under 28 U.S.C. § 1367(a) because those claims are so related to the claims brought under federal law that they form part of the same case or controversy, and because those claims arise out of the same transactions or occurrences as the claims brought under 15 U.S.C. §§ 45(a), 52, and 53(b).

¹ The Summary Judgment Order contains significantly more detail about the Defendants and the nature of their businesses.

3. Venue in this district is proper under 28 U.S.C. § 1391(b)(1), (b)(2), (b)(3), (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b).
4. At all times relevant to this Complaint, Defendants have maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44 and O.C.G.A. § 10-1-392(a)(28).
5. This is an action instituted by the FTC and the State of Georgia. The Complaint charges that Defendants engaged in deceptive acts or practices in violation of Sections 5(a) and 12 of the FTC Act, 15 U.S.C. §§ 45(a), 52, and O.C.G.A. §§ 393(a), 393(b)(5), and 393.5(b) in the advertising, marketing, and sale of stem cell therapy. The Complaint seeks permanent injunctive relief, restitution, civil penalties, and other equitable relief for the Defendants’ deceptive and unfair acts or practices as alleged.

As the Court found in its Summary Judgment Order (Doc. 132):

6. Defendants violated the FTC Act and the GFBPA by making false or unsubstantiated claims that stem cell therapy (Counts I and IV):
 - a. Cures, treats, or mitigates various orthopedic conditions, including osteoarthritis, arthritis, neuropathy, plantar fasciitis, joint pain, and pain resulting from injuries or aging; and
 - b. Is comparable or superior to surgery, steroid injections, and painkillers in curing, treating, or mitigating various orthopedic conditions, including osteoarthritis, arthritis, neuropathy, plantar fasciitis, joint pain, and pain resulting from injuries or aging.

7. Defendants violated the FTC Act by falsely claiming that Defendant Physicians Business' regenerative medicine compliance programs were FTC- and FDA-approved (Count II).
8. Defendants violated the FTC Act by providing their clients with advertising, marketing, and promotional materials and training containing false and unsubstantiated representations (Count III).
9. Defendants violated the GFBPA by disseminating false or misleading representations through the use of a computer or computer network, and while engaging in these acts or practices, Defendants sold their products to a large number of elderly and disabled consumers (Count V).
10. Defendants SCIA, Superior, and Physicians Business (collectively, the "Corporate Defendants") acted and operated as a common enterprise and can thus be held liable for each other's actions.
11. At all times material to the Complaint, both Defendants Peyroux and Detelich (1) had the authority to control the Corporate Defendants' acts and (2) directly participated in the unlawful acts and practices set forth above. In addition, both Defendants Peyroux and Detelich had actual knowledge of the acts and practices set forth above, as they were the force behind the entire operation and were fully immersed in the Corporate Defendants' advertising campaigns.
12. Defendants' comprehensive campaign to develop and disseminate misleading advertisements about the efficacy and approval of stem cell therapy

was the main thrust of Defendants' businesses, and Defendants profited massively from these efforts.

13. As Defendant Physicians Business remains operational, and Defendants Peyroux and Detelich currently hold interests in many other healthcare companies, the likelihood that their occupation will present opportunities for future violations is high.

14. The FTC has the authority under the FTC Act to seek permanent injunctive relief. 15 U.S.C. § 53(b).

15. The State of Georgia has authority under the GFBPA to seek permanent injunctive relief. O.C.G.A. § 10-1- 397(b)(2).

16. Defendants are likely to continue to engage in the practices alleged in the Complaint or otherwise violate Sections 5 and 12 of the FTC Act, and O.C.G.A. §§ 393(a), 393(b)(5), and 393.5(b), unless they are prohibited from doing so by order of the Court.

17. The danger of future violations by Defendants justifies the issuance of permanent injunctive relief, including banning Defendants from advertising, marketing, or selling stem cell therapy and other regenerative medicine treatments.

18. Entry of this Order is in the public interest.

III. DEFINITIONS

For the purposes of this Order, the following definitions apply:

- **“Corporate Defendants”** means Regenerative Medicine Institute of America, LLC d/b/a Stem Cell Institute of America, LLC, Physicians Business Solutions, LLC, Superior Healthcare, LLC, and their successors and assigns.
- **“Defendants”** means all of the Individual Defendants and the Corporate Defendants, individually, collectively, or in any combination.
- **“Individual Defendants”** means Steven D. Peyroux and Brent J. Detelich.
- **“Regenerative Medicine Treatment”** means any product, therapy or treatment that either: (1) falls under the definition of Stem Cell Therapy; or (2) involves or is claimed to involve the use of (i) cryopreserved or dehydrated amniotic fluid, tissues, or allografts; (ii) cryopreserved or dehydrated umbilical cord, Wharton’s Jelly, or placental tissues or allografts; or (iii) exosomes.
- **“Stem Cell Therapy”** means any product, therapy, or treatment that involves or is claimed to involve the use of stem cells derived from amniotic tissue or fluid, the placenta, Wharton’s jelly, umbilical cord blood, adipose tissue, or bone marrow.²

IV. ORDERS

A. BAN ON THE ADVERTISING, MARKETING, PROMOTION, OFFERING FOR SALE, OR SALE OF REGENERATIVE MEDICINE TREATMENT

IT IS ORDERED that Defendants, whether acting directly or through an intermediary — including by consulting, planning, participating, facilitating, or

² The Court acknowledges that Plaintiffs requested that the Court include a definition for “Covered Products” that included dietary supplements, food, drugs, and devices and that Plaintiffs requested that Defendants be enjoined from making certain representations related to these “Covered Products.” This case, however, did not involve any dietary supplements, food, or devices — it involved Regenerative Medicine Treatment. The Court finds that it would be too broad to bar Defendants from making health-related representations for products not at issue in this litigation.

advising — are permanently restrained and enjoined from the: (1) advertising, (2) marketing, (3) promotion, (4) offering for sale, or (5) sale of any Regenerative Medicine Treatment, through any means, including through the use of a computer or computer network.

B. PROHIBITED MISREPRESENTATIONS: “FTC-APPROVED” AND “FDA-APPROVED” CLAIMS

IT IS FURTHER ORDERED that Defendants are permanently restrained and enjoined from misrepresenting (or assisting others in misrepresenting), either expressly or by implication, that any Defendant’s regenerative medicine compliance training program is approved by the FTC or the Food and Drug Administration (“FDA”).

C. MEANS AND INSTRUMENTALITIES

IT IS FURTHER ORDERED that Defendants are hereby permanently restrained and enjoined from providing the means and instrumentalities³ with which to make, expressly or by implication, any false or misleading statement of material fact about Regenerative Medicine Treatment, including, but not limited to, the representations prohibited in Sections IV.A. and IV.B above.

D. CUSTOMER INFORMATION

IT IS FURTHER ORDERED that Defendants, Defendants’ officers, agents, and employees, and attorneys — and all other persons in active concert or

³ For purposes of this Section, “means and instrumentalities” shall mean any information, including, but not limited to, any advertising, labeling, promotional, or purported substantiation materials, for use by healthcare clinics or other entities or individuals offering any Regenerative Medicine Treatment.

participation with any of them, who receive actual notice of this Order — are prohibited from directly or indirectly:

- a. Failing to provide sufficient customer information to enable the State of Georgia to efficiently administer restitution. If a representative of the State of Georgia requests in writing any information related to restitution, Defendants must provide it, in the form prescribed by the State of Georgia, within 21 days;
- b. Disclosing, using, or benefitting from customer information — including the name, address, telephone number, email address, social security number, other identifying information, or any data that enables access to a customer's account (including a credit card, bank account, or other financial account) — that any Defendant obtained prior to entry of this Order in connection with the offering of any Regenerative Medicine Treatment; and
- c. Failing to destroy such customer information in all forms in their possession, custody, or control within 30 days after receipt of written direction to do so from representatives of the State of Georgia.

The relief provided in this section is subject to the caveat that customer information need not be disposed of, and may be disclosed, to the extent requested by a government agency or required by law, regulation, or court order.

E. NOTICE TO SUPERIOR CUSTOMERS

IT IS FURTHER ORDERED that, within 30 days of the entry of this Order, Defendant Peyroux shall send by first-class mail an exact copy of the notice

attached as **Attachment A**, showing the date of the mailing, to any consumer who, as of the date of entry of this Order:

- a. Was a patient of Defendant Superior, and received Regenerative Medicine Treatment; or
- b. Expressed an interest in scheduling a Regenerative Medicine Treatment by contacting Superior Healthcare, LLC — in writing, by voicemail, by signing up for a seminar, or other identifiable means — for possible Regenerative Medicine Treatment. Defendants shall make a good-faith effort to identify these consumers.

The notice required by this Section shall not include any other document or enclosure.

F. NOTICE TO SCIA AND PHYSICIAN'S BUSINESS CLIENTS

IT IS FURTHER ORDERED that, within 30 days of the entry of this Order, Defendants Physicians Business, Peyroux, and Detelich shall send by first-class mail an exact copy of the notice attached as **Attachment B**, showing the date of the mailing, to any entity or individual who, as of the date of entry of this Order, is or has been a client of Defendants Physicians Business or SCIA. The notice required by this Section shall not include any other document or enclosure.

G. NOTICE TO SUPERIOR AFFILIATES

IT IS FURTHER ORDERED that, within 30 days of the entry of this Order, Defendant Peyroux shall send by first-class mail an exact copy of the notice attached as **Attachment C**, showing the date of the mailing, to any entity or

individual who, as of the date of entry of this Order, is or has contracted or otherwise agreed with Defendant Superior to administer Regenerative Medicine Treatment in exchange for any compensation or fee.

H. ORDER ACKNOWLEDGMENTS

IT IS FURTHER ORDERED that Defendants obtain acknowledgments of receipt of this Order as follows:

- a. Each Defendant, within 7 days of entry of this Order, must submit to the FTC and the State of Georgia an acknowledgment of receipt of this Order sworn under penalty of perjury.
- b. For 7 years⁴ after entry of this Order, each Individual Defendant for any business that such Defendant, individually or collectively with any other Defendants, owns a majority of or controls directly or indirectly, and each Corporate Defendant, must deliver a copy of this Order to: (1) all principals, officers, directors, and LLC managers and members; (2) all employees having managerial responsibilities for the manufacturing, labeling, advertising, promoting, offering for sale, sale, or distribution of any healthcare treatments or services⁵ and all agents and representatives who

⁴ Plaintiffs requested that this provision should apply for 20 years. The Court finds that such a lengthy time period would be overly punitive and therefore orders a shorter timeframe of 7 years. That said, if there is any evidence of noncompliance, the Court may extend the time period, as related to this section and others.

⁵ For purposes of this section, “healthcare treatments or services” means any health-related dietary supplement, food, drug, device, or treatment, as well as any health-related service, program, or therapy.

participate in the manufacturing, labeling, advertising, promoting, offering for sale, sale, or distribution of any healthcare treatments or services; and (3) any business entity resulting from any change in structure as set forth in the Section of this Order titled Compliance Reporting. Delivery must occur within 21 days of entry of this Order for current personnel. For all others who this section becomes applicable to later within the 7-year period, delivery must occur before they assume their responsibilities.

- c. From each individual or entity to which a Defendant delivered a copy of this Order, that Defendant must obtain, within 30 days, a signed and dated acknowledgment of receipt of this Order and transmit a copy of this acknowledgment to Plaintiffs' counsel.

I. COMPLIANCE REPORTING

IT IS FURTHER ORDERED that Defendants make timely submissions to the FTC and the State of Georgia as follows:

- a. One year after entry of this Order, each Defendant must submit a compliance report, sworn under penalty of perjury:
 - i. Each Defendant must: (1) identify their primary physical, postal, and email address and telephone number, which representatives of the FTC and the State of Georgia may use to communicate with Defendant; (2) identify all of that Defendant's businesses by all of their names, telephone numbers, and physical, postal, email, and Internet addresses;

(3) describe the activities of each business, including the goods and services offered, the means of advertising, marketing, and sales, and the involvement of any other Defendant (which Individual Defendants must describe if they know or should know due to their own involvement); (4) describe in detail whether and how that Defendant is in compliance with each Section of this Order; and (5) provide a copy of each Order Acknowledgment obtained pursuant to this Order, unless previously submitted to the FTC and the State of Georgia.

- ii. Additionally, each Individual Defendant must: (1) identify all business activities, including any business for which such Individual Defendant performs services whether as an employee or otherwise and any entity in which such Defendant has any ownership interest; and (2) describe in detail such Defendant's involvement in each such business, including title, role, responsibilities, participation, authority, control, and any ownership.

- b. For 7 years⁶ after entry of this Order, each Defendant must submit a compliance notice, sworn under penalty of perjury, within 21 days of any change in the following:

⁶ Again, Plaintiffs request that this provision apply for 20 years. The Court finds a 7-year period to be a sufficient but not too lengthy period of time. Again, this period may be extended if Plaintiffs present evidence of Defendants' noncompliance.

- i. Each Defendant must report any change in: (1) any designated point of primary contact; or (2) the structure of any Corporate Defendant or any entity that Defendant has any ownership interest in or controls directly or indirectly that may affect compliance obligations arising under this Order, including: creation, merger, sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order.
 - ii. Additionally, each Individual Defendant must report any change in: (1) name, including aliases or fictitious name, or residence address; or (2) title or role in any business activity, including any business for which such Defendant performs services whether as an employee or otherwise and any entity in which such Defendant has any ownership interest, and identify the name, physical address, and any Internet address of the business or entity.
- c. Each Defendant must submit to the FTC and the State of Georgia notice of the filing of any bankruptcy petition, insolvency proceeding, or similar proceeding by or against such Defendant within 21 days of its filing.
- d. Any submission to the FTC or the State of Georgia required by this Order to be sworn under penalty of perjury must be true and accurate and comply with 28 U.S.C. § 1746, such as by concluding: “I declare under penalty of

perjury under the laws of the United States of America that the foregoing is true and correct. Executed on: _____” and supplying the date, signatory’s full name, title (if applicable), and signature.

- e. Unless otherwise directed by an FTC representative in writing, all submissions to the FTC pursuant to this Order must be emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin: *FTC, et al. v. Steven D. Peyroux, et al.*
- f. Unless otherwise directed by a State of Georgia representative in writing, all submissions to the State of Georgia pursuant to this Order must be sent by overnight courier to Jacquelyn L. Kneidel, Assistant Attorney General, Office of the Attorney General Chris Carr, Consumer Protection Division, 2 Martin Luther King, Jr. Drive, SE, Suite 356, Atlanta, Georgia 30334.

J. RECORDKEEPING

IT IS FURTHER ORDERED that Defendants must create certain records for 10 years after entry of the Order and retain each such record for 5 years after creation. Specifically, each Defendant, for any business that such Defendant, individually or collectively with any other Defendants, owns a majority of or controls directly or indirectly, must create and retain the following records:

- a. A copy of each unique advertisement or other marketing material;
- b. Accounting records showing the revenues from all goods or services sold;

- c. Personnel records showing, for each person providing services, whether as an employee or otherwise, that person's: name; addresses; telephone numbers; job title or position; dates of service; and (if applicable) the reason for termination;
- d. Records of all consumer complaints and refund requests, whether received directly or indirectly, such as through a third party, and any response; and
- e. All records necessary to demonstrate full compliance with each provision of this Order, including all submissions to the FTC and the State of Georgia.

K. COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring Defendants' compliance with this Order:

- a. Within 21 days of receipt of a written request from a representative of the FTC or the State of Georgia, each Defendant must: submit additional compliance reports or other requested information, which must be sworn under penalty of perjury; appear for depositions; and produce documents for inspection and copying. The FTC and the State of Georgia are also authorized to obtain discovery, without further leave of court, using any of the procedures prescribed by Federal Rules of Civil Procedure 29, 30 (including telephonic depositions), 31, 33, 34, 36, 45, and 69.
- b. For matters concerning this Order, Plaintiffs are authorized to communicate directly with each Defendant. Each Defendant must permit Plaintiffs' representatives to interview any employee or other person affiliated with any

such Defendant who has agreed to such an interview. The person interviewed may have counsel present.

- c. Plaintiffs may use all other lawful means, including posing, through its representatives, as consumers, suppliers, or other individuals or entities, to Defendants or any individual or entity affiliated with Defendants, without the necessity of identification or prior notice. Nothing in this Order limits the FTC's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1. Nothing in this Order limits the State of Georgia's lawful use of compulsory process, pursuant to O.C.G.A. § 10-1-405.
- d. Upon written request from a representative of the Commission or the State of Georgia, any consumer reporting agency must furnish consumer reports concerning Individual Defendants, pursuant to Section 604(1) of the Fair Credit Reporting Act, 15 U.S.C. § 1681b(a)(1).

L. RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Order.

IT IS SO ORDERED this 26th day of December 2024.



United States District Judge

IN THE IOWA DISTRICT COURT FOR POLK COUNTY

STATE OF IOWA ex rel. BRENNA BIRD, ATTORNEY GENERAL OF IOWA, Plaintiff, vs. TRAVIS BROUGHTON, REGENERATIVE MEDICINE AND ANTI-AGING INSTITUTES OF OMAHA, LLC. AND OMAHA STEM CELLS, LLC, Defendants.	Case No. EQCE086086 RULING AND JUDGMENT

I. Introduction

The Iowa Attorney General on behalf of the State of Iowa sued Defendants pursuant to the Iowa Consumer Fraud Act, Iowa Code § 714.16 (also referred to herein as “Act” or “CFA”). The Attorney General alleged Defendants violated the Act by engaging in false, misleading, and deceptive conduct and unfair practices in the advertising and sale of so-called “regenerative medicine” and/or “stem cell therapy” treatments. The Attorney General alleged the Defendants’ advertising claimed, without a reasonable basis, that the treatments provided relief and, in some cases, effectively cured various types of physical ailments and medical conditions, including knee pain, back pain, osteoarthritis, joint pain, neuropathy, and COPD, among others. The Attorney General seeks a permanent

injunction preventing Defendants from continuing to engage in the alleged conduct, requests the court to impose civil penalties, including enhanced civil penalties for targeting older Iowans under Iowa Code § 714.16A, order reimbursement of money Iowa consumers paid for the treatments, and order Defendants to pay attorney fees and costs.

The matter was tried to the court on January 21-24, 2025. The parties were allowed until February 24, 2025, to submit post-trial briefs. The court took the matter under advisement and now issues this Ruling and Judgment.

II. Facts

Defendant Travis Broughton, f/k/a Travis Autor (“Broughton”) is one of the founders of a chain of businesses that advertised and sold what it broadly referred to as “regenerative medicine” and/or “stem cell therapy.” Broughton owns or owned a company known as Regenerative Medical Supply, LLC. Regenerative Medical Supply LLC and Broughton’s ex-wife Emily Autor were founders and co-owners of an entity known as Stem Cell Centers, LLC (“Stem Cell Centers”), an Alaska Corporation.¹ Stem Cell Centers established offices, or “clinics,” in multiple cities throughout the United States, including Defendants Omaha Stem Cells, LLC (“OSC”) and Regenerative Medicine and Anti-Aging Institutes of Omaha, LLC (“RMAI-Omaha”). Each clinic was set up as a separate legal entity, but Stem Cell Centers was the sole member or owner of the entity.

¹ The Attorney General sued Emily Autor and Stem Cell Centers, LLC, but the court dismissed those defendants because the court lacked personal jurisdiction over them. (D0050).

Broughton identified his title as “CEO.” He did not identify the entity for which he was CEO, but the court infers from his testimony that he was CEO of Stem Cell Centers. In that role he was responsible for management of the enterprise that included OSC and RMAI-Omaha.

Broughton obtained a doctorate in chiropractic from Life University in Georgia and worked as a practicing chiropractor until 2008. Broughton surrendered his chiropractor license in 2008 in connection with allegations of professional misconduct. He moved to Idaho, and even though he no longer had a license to practice chiropractic, opened a chiropractic and physical therapy clinic there. He employed two physical therapists, a chiropractor, and a medical doctor.

Broughton first learned about stem cell therapy at a professional seminar. Soon thereafter, in approximately 2012, Broughton and his now ex-wife founded Stem Cell Centers, eventually opening multiple clinics. In March 2018, OSC opened in Omaha, Nebraska. On June 1, 2019, RMAI-Omaha assumed OSC’s operations.

The business of Stem Cell Centers was to promote and sell regenerative medicine therapies through its network of clinics.² The therapies involved the injection or infusion of stem cells and/or exosomes into a person’s body, which purported to relieve symptoms and even cure conditions that resulted in chronic pain and disability, including osteoarthritis, neuropathy, and Chronic

² Although Stem Cell Centers is not a defendant in this case, the evidence showed that Stem Cell Centers, under the direction of Broughton, was responsible for producing the advertising and marketing materials that were used to solicit customers for OSC and RMAI-Omaha.

Obstructive Pulmonary Disease (COPD), among others. Stem Cell Centers described stem cells as “natural healing cells found in your body that can change into any type of tissue,” which it claimed could regenerate and repair damaged tissue. Exosomes, according to Broughton, are a healing chemical that stem cells secrete.

The target market of Stem Cell Centers consisted primarily of elderly persons suffering from chronic pain or disease that other forms of medical treatment had been unable to relieve. Stem Cell Centers promoted regenerative therapies as a means by which its users could enhance their quality of life during their elder years. OSC and RMAI-Omaha solicited customers in Iowa primarily through informational seminars it hosted throughout the state. Prospective customers were invited to the seminars using direct mail, television commercials, and newspaper advertisements. Company representatives gave a presentation at the seminars that included slides, videos, and distribution of folders with information about the available therapies.³ Seminar attendees were provided coupons that gave discounts on therapies if they made an appointment at the seminar.

The printed ads and television commercials represented that stem cell therapy is “the most significant medical breakthrough in natural medicine this century.” A typical advertisement represented that Stem Cell Centers was “a

³ The evidence did not disclose whether the presenters were employees of Stem Cell Centers or OSC/RMAI-Omaha. The materials and information they presented to potential customers was developed by Stem Cell Centers but OSC/RMAI-Omaha were the entities where the customers were referred for the therapy.

national leader in stem cell therapy” and claimed, “we have successfully treated tens of thousands of patients suffering from chronic pain and other conditions.” It offered potential patients who suffer from ailments such as knee pain, back pain, osteoarthritis, neuropathy, joint pain, and COPD to “discover a life free of pain.” A typical advertisement contained one-or-two sentence testimonials of people who claimed the treatment relieved their symptoms caused by these various conditions.

Direct mail flyers sent to prospective customers contained more information about the therapies than the commercials or newspaper advertisements. The following is a representative sample of claims made in the direct mailer about regenerative medicine:

Regenerative medicine is the practice of using the body’s fundamental natural systems for repair and healing. Stem cells are the body’s essential regenerative building blocks of life. They divide, multiply, renew and regenerate – all of which can potentially help heal and repair damaged tissue throughout your body. Treating the root cause of your condition in this way can reduce pain and inflammation, which could provide you with a higher quality of life.

Seminar attendees were given a folder with information about the company and treatments it provided. Examples of claims Stem Cell Centers made in these documents included the following:

- “Stem cells are natural healing cells found in your body that can change into any type of tissue. Their job is to help regenerate and repair damaged tissue.”
- “Stem cells do not just cover up the problem, they may have the ability to help your body heal naturally so that your pain decreases, and functionality improves.”

- “When we introduce new stem cells to a patient’s body, these new stem cells ‘wake up’ your body’s own stem cells. They can make them act like they are young again, consequently healing your body with their own cells.”
- A stem cell “secretes chemicals called exosomes into your bloodstream, which positively affect the surrounding microenvironment.”
- Stem cells are “excellent at breaking down scar tissue which significantly improves range of motion.”

The seminar presenter used a PowerPoint presentation, which included slides and video testimonials. Statements in the slides included claims about how stem cell therapy worked on various types of health conditions. For example:

- Concerning COPD, Stem Cell Centers claimed, among other things, that “stem cells can heal damaged lung tissue;” “Stem cells can grow new blood vessels;” “Stem cell therapy can reverse and repair the damage caused by COPD whether you know you have it or not.”
- Concerning neuropathy, a slide represented that, “stem cells can grow new blood vessels;” and “stem cells can grow new peripheral nerves and reverse this process.”
- One slide asked the question, “anyone wish they could turn back the hands of time?” The answer was, “[r]egenerative medicine can do just that.” It also stated, “treated groups had remarkable improvements in physical performance measures and inflammatory biomarkers, as well as pulmonary function all of which characterize the aging process.”
- With respect to knee pain caused by osteoarthritis, a slide stated, “It does not matter what level of knee degeneration you have for this treatment. The results are the same!”

- One slide stated, “stem cell treatment improves brain function in Alzheimer’s patients.”

Most if not all the advertisements, direct mail solicitations, and information provided at a seminar contained disclaimers to the effect that stem cell therapy is still considered experimental by the FDA and that it does not work for every person. At the same time, however, Stem Cell Centers represented that, “the results we have had using stem cell therapy are extremely successful;” and “a high enough percentage of patients respond favorably and are satisfied with the results, that we feel that this is a very viable treatment option for conditions we treat.”

OSC and RMAI-Omaha was managed by a nurse practitioner, who was also the primary care provider at the clinic. The nurse practitioner was responsible for consulting with patients, developing treatment plans, and administering treatment. There were two physicians that provided oversight, one worked at the corporate headquarters in another state, and the other was local. No physician was involved in direct patient care, evaluation, or administration of the therapy. There were also one or two employees involved in sales.

OSC and RMAI-Omaha claimed to administer several different types of treatment, including stem cells obtained from umbilical cord blood, platelet-rich plasma, exosomes, or Wharton’s jelly, which supposedly contained both stem cells and exosomes. Intravenous (IV) administration of the product was typically used, supposedly for the “overall wellness of the patient.” Stem Cell Centers claimed in its marketing materials that IV treatment was effective because the

stem cells after entering the body migrate to the areas where they are needed. In some patients, the stem cell containing product would be injected into a joint or muscle where the patient was experiencing symptoms. In patients with COPD, the product was administered using IV and/or breathing treatment. In one of the slides presented to seminar attendees Stem Cell Centers claimed the most effective treatment administration included both an injection to the specific body area and an IV infusion.

Other slides presented to seminar attendees represented that the more doses of stem cells or exosomes a person receives, the more effective the treatment will be in relieving symptoms or even curing the condition that is treated. Stem Cell Centers acknowledged that more doses costs more but represented the trade-off for the additional expense was the probability of better and more permanent relief. For example, with COPD, a slide claimed that one dose may provide only temporary symptom relief, but six doses “will give you the greatest chance at restoring your lung function by ‘turning off’ or substantially slowing the debilitating progression.” Similar claims were made concerning osteoarthritis and neuropathy.

At OSC/RMAI-Omaha, each patient received and signed an informed consent form, which reviewed the possible benefits and possible risks of the treatments. The form contained a disclaimer the patient acknowledged by signing, which stated that the company made no guarantee or assurance concerning the outcomes of the treatment, and that once treatment was started, no refunds would be issued.

In 2019, Stem Cell Centers, LLC started using the trade name Regenerative Medicine and Anti-Aging Institute in response to the Federal Food and Drug Administration (FDA) issuing warnings about misrepresenting the efficacy of stem cell treatments. About the same time, the company changed its marketing to emphasize that “exosomes” rather than “stem cells” were the healing agent in its products. RMAI-Omaha records show that most patients who treated there received exosomes and not stem cells.

Broughton did not identify any scientific or clinical studies that supported the representations about the effectiveness of stem cells and/or exosomes treating or curing various health conditions, as represented in Stem Cell Center’s advertising and marketing materials sent and presented to Iowa consumers. Broughton confirmed that Stem Cell Centers itself conducted no formal scientific research to support the claims made in its advertising. Broughton claimed that he monitored his patients post treatment to conduct research on whether the treatments were effective but did not produce data from such monitoring. He testified that the data in question was lost when one of his clinics was taken over by a rival and the computers on which the data supposedly resided were disposed.

Despite the lack of independent research, no research of its own, and an absence of clinical data with evidence supporting the marketing claims of Stem Cell Centers, Broughton testified that he honestly believed based upon his experience that the claims made about stem cell therapies were true and accurate. Part of the claimed basis of Broughton’s expertise is that he does

research on the internet to find the latest research and articles on the subject. But Broughton did not identify a single article he found on the internet that supported the claims in Stem Cell Center's advertising and marketing materials.

The Attorney General presented testimony from Sean Morrison, Ph.D. Dr. Morrison has a Ph.D. in Immunology from Stanford University, where his research focused on hematopoietic (blood-forming) stem cells. From 1999-2011 he held various faculty positions at the University of Michigan, where he also founded and directed the Center for Stem Cell Biology. Since 2011 Dr. Morrison has served in various faculty positions at the University of Texas Southwestern Medical Center, where he also serves as the Director of the Children's Research Institute.

In all his academic positions Dr. Morrison has been involved in clinical research involving stem cells. He serves as an advisor to the FDA on issues involving cell tissue and gene therapy, which includes examining clinical trial data submitted to the FDA by companies seeking approval for cell gene therapy products. Outside of his academic and government roles, Dr. Morrison has consulted with biotechnology companies, advising on the development of anticancer therapies and the development of new cell therapies and other kinds of regenerative medicine therapies. Dr. Morrison's lab has published more than 150 papers in peer-reviewed scientific journals over a 30-year period.

Dr. Morrison testified that stem cells are specialized cells in the body that have the unique ability to self-renew (make copies of themselves) and

differentiate into other types of cells (e.g., muscle, nerve, blood). They exist in various tissues and serve as the body's repair system. For example, blood-forming stem cells in bone marrow regenerate blood cells. Similarly, skin stem cells regenerate skin after injury. According to Dr. Morrison, stem cells are tissue specific. A stem cell from one tissue (e.g., skin) cannot regenerate cells in another (e.g., brain). There is no universal stem cell that can travel throughout the body and repair multiple organs.

Dr. Morrison testified that exosomes are tiny, bubble-like particles released by cells. Exosomes are not stem cells. Exosomes do not contain DNA or the ability to replicate. Exosomes may carry proteins or signaling molecules. They are part of how cells communicate, but their biological function is not fully understood. Dr. Morrison testified that exosomes cannot regenerate tissue and there is no scientific evidence that exosomes can treat disease.

Dr. Morrison opined that the advertising and marketing provided to Iowa consumers on behalf of OSC/RMAI-Omaha misrepresented the science of stem cells and exosomes. He testified there have been no clinical trials that would provide a scientific basis that stem cell and/or exosome treatment is effective to treat the conditions identified in the advertising and marketing literature Stem Cell Centers sent and presented to Iowa consumers. Dr. Morrison denied exosomes and stem cells are essentially the same things, as Stem Cell Centers marketing materials seemed to claim or at least imply. Dr. Morrison concluded that 95% of the Iowa patients who treated the Omaha clinic received exosomes

and not stem cells. Dr. Morrison believes that advertising on behalf of OSC/RMAI-Omaha exaggerated the efficacy of the treatments, omitted risk, and misrepresented the status of FDA testing and approvals of stem cell therapy.

Dr. Morrison testified the FDA has approved stem cell therapies for a limited number of conditions, including blood cancers (leukemia), bone marrow failure, and some immune disorders. He testified these treatments involved blood-forming stem cells and are administered in hospital settings with strict protocols. In contrast, he said there is no approved stem cell therapy for the various conditions OSC and RMAI-Omaha claimed to treat, including neuropathy, osteoarthritis, pain, aging, or COPD. Dr. Morrison testified that Stem Cell Centers did not conduct any clinical trials, provided no scientific evidence to support their advertising claims, and their products were not FDA approved.

Dr. Morrison was also critical of OSC/RMAI-Omaha because they had no standard operating procedures concerning identification of the product to use on a particular patient, the amount of the dose, or the location of the injection. The provider made all those decisions. Dr. Morrison noted that OSC and RMAI-Omaha could not possibly have data concerning the effectiveness of its treatments in the absence of standards governing type of product, dose, and injection site.

Four Attorney General exhibits admitted without objection (Exhibits 68, 145, 146, 148) are spreadsheets containing information about Iowa consumers

who attended an OSC/RMAI-Omaha sponsored seminar and those who purchased one or more treatments. The spreadsheets were provided by the Defendants as part of the discovery in the case, but the Attorney General did not present witness testimony that explained in detail what the spreadsheets purported to prove or the reasons there were differences in the data on each spreadsheet.

The court concludes from the data in these exhibits that more than 1,000 people attended a seminar at one of at least 17 different locations around Iowa. Most of the attendees responded to a direct mail solicitation, but others saw an advertisement on television or social media. In the range of 76-109 people received one or more treatments.⁴ The prices charged to patients varied from a low of \$1,400 to a high of \$27,890 for a single treatment. Some patients received multiple treatments, at a cost in the range of \$5,000-\$15,000 per treatment. OSC/RMAI-Omaha received in total over \$800,000 from Iowa consumers. It appears some of those payments were financed through a financing partner OSC/RMAI-Omaha used.

The Attorney General presented testimony from several Iowa consumers who attended a seminar in Iowa and subsequently underwent one or more treatments at OSC or RMAI-Omaha. Each of the consumers was elderly and suffered from a chronic and/or debilitating health condition. Most had undergone traditional medical treatments without relief. Some were desperate

⁴ Exhibit 68 contains names of 81 persons who received one or more treatments. Exhibit 145 has 34 names; Exhibit 146, 109 names, and Exhibit 148, 76 names. Many names are on more than one spreadsheet. The State relies principally on Exhibit 148.

to find a solution to their medical problem. All the testifying consumers were influenced to undergo the advertised therapy based upon the representations about its effectiveness. The patient testimonials were particularly effective. Had these consumers known about the scientific data, or lack thereof, supporting the effectiveness of the treatments, none of them would have purchased them.

III. Analysis

There are two ways in which a person may violate the Iowa Consumer Fraud Act, Iowa Code § 714.16. First, by the act, use, or employment of an unfair practice, deception, fraud, false pretense, false promise, or misrepresentation, with the intent that others rely upon it, regardless of whether or not a person has in fact been misled, deceived, or damaged. *Id.* § 714.16(2)(a). Second, through deceptive advertising. *Id.* It is deceptive advertising if a person represents in connection with the advertisement of any merchandise “that the advertised merchandise has certain performance characteristics, accessories, uses, or benefits...if, at the time of the representation, no reasonable basis for the claim existed.” *Id.* Iowa Code § 714.16(2)(a). “Merchandise” includes services. *Id.* § 714.16(1)(e).

It is important to distinguish unfair and/or deceptive conduct from deceptive advertising because there are different burdens of proof. With respect to unfair or deceptive conduct, the Attorney General must prove a violation of the Act by a preponderance of clear, satisfactory, and convincing evidence. *State ex rel. Miller v. Rahmani*, 472 N.W.2d 254, 257 (Iowa 1991) (citations omitted). With respect to deceptive advertising, however, the law imposes on

the person making the representation to demonstrate that a reasonable basis for the claim existed. Iowa Code § 714.16(2)(a); *State ex rel. Miller v. New Womyn, Inc.*, 679 N.W.2d 593, 596 (Iowa 2004).

A. Deceptive Advertising

The term “*advertisement*” includes the attempt by publication, dissemination, solicitation, or circulation to induce directly or indirectly any person to enter into any obligation or acquire any title or interest in any merchandise. Stem Cell Centers’ newspaper advertisements, television commercials, and direct mail flyers did not directly induce Iowa consumers to receive the therapies OSC/RMAI-Omaha was offering. But the purpose of these efforts was to induce consumers to attend a seminar, whose direct purpose was to persuade consumers to purchase the therapies using, among other things, additional publications, and slide presentations. The advertisements provided just enough information about the treatments and effectiveness thereof to induce a consumer to attend a seminar, where more detailed information was provided, and incentives offered, to schedule an appointment for treatment. The court finds all the published materials Stem Cell Centers, LLC provided to consumers on behalf of OSC/RMAI-Omaha, whether in the form of newspaper advertisements, television commercials, direct mailers, documents provided at a seminar, slides, and video testimonials qualify as an “advertisement” under the CFA.

Defendants have the burden of proving there was a reasonable basis for representations made in their advertisements concerning the effectiveness of

stem cells and/or exosomes to treat people suffering from certain chronic diseases such as osteoarthritis, neuropathy, and COPD. There is no Iowa Appellate Court precedent concerning what constitutes a reasonable basis for a claim that a product or service improves human health. The Attorney General suggests, based upon federal cases interpreting the Federal Trade Commission Act, that a reasonable basis for health-related claims must, at a minimum, consist of competent and reliable scientific evidence. Competent and reliable scientific evidence has been defined as “tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that have been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.” *Fed. Trade Comm’n v. Nat’l Urological Grp., Inc.*, 645 F. Supp. 2d 1167, 1186 (N.D. Ga. 2008); *See also, Fed. Trade Comm’n v. Roca Labs, Inc.*, 345 F. Supp. 3d 1375, 1387 (M.D. Fla. 2018)(to prove a weight-loss claim using competent and reliable scientific evidence requires “experts in the field of obesity treatment and weight loss would require well-designed and properly conducted clinical trials.”). Without adopting the specific test the Attorney General proposes here, the Iowa Supreme Court has nonetheless concluded that claims of product performance must at least be supported by expert evidence that the product in question was adequately tested or that other reliable scientific evidence exists that substantiate the seller’s claims. *See State v. New Womyn, Inc.*, 679 N.W.2d at 596 (holding advertising about the properties of a breast enlargement device violated the

Consumer Fraud Act, as the defendants “presented no credible expert evidence that the device was adequately tested or that reliable evidence would substantiate the claims made for it.”); *Cf., State ex rel. Miller v. Hydro Mag, Ltd.*, 436 N.W.2d 617, 618 (Iowa 1989)(seller of electromagnetic water softener materially misrepresented that device would improve water condition by preventing formation of chemicals that cause hard-water scale, rust, and corrosion when there was no scientific basis to support such claims).

The court does not need to adopt the federal test the Attorney General proposes to conclude that Broughton, OSC, and RMAI-Omaha failed to show there was reasonable basis to support advertised claims concerning the regenerative medicine and stem cell treatments they advertised. The claims that had no reasonable basis included claims concerning the properties of stem cells and exosomes; how stem cells and exosomes act in the human body to heal or cure certain health ailments; that pain and disability resulting from osteoarthritis, neuropathy, COPD, and other conditions would likely improve or be cured with their treatments; that a larger number of doses of the product was more effective in treating a condition than fewer doses; and that a high enough percentage of patients responded favorably and were satisfied with the treatments to allow OSC and RMAI-Omaha to recommended them. The Defendants presented no scientific or expert evidence whatsoever to support such claims, whether in the form of independent scientific studies, studies of their own patients, or otherwise. Broughton’s claim that he possessed data concerning Stem Cell Center’s own patients, but that such data has been lost,

is not credible. No enterprise engaging in legitimate clinical studies would treat its patient data as cavalierly as Broughton described. Nor does Broughton's reliance on articles he supposedly found on the internet provide a reasonable basis to support the advertised claims, because he did not produce such articles or even identify them.

In addition to the Defendants failing to show there was a reasonable basis for their advertised claims, Dr. Morrison's testimony was persuasive evidence the Defendants claims were unreasonable and, in some cases, outright false. Unlike Broughton, whose education concerning stem cells came from promotional seminars and undisclosed internet articles, Dr. Morrison has 30 years of experience studying the properties and effects of stem cells in treating medical conditions. There is evidence stem cells are a cutting edge and perhaps even promising treatment, but the scientific evidence shows there are a limited number of specific health conditions for which stem cells are safe and effective. Contrary to the claims of OSC and RMAI-Omaha, stem cells are tissue specific. There is no scientific evidence that stem cells are a cure-all that travel through the body, identifies defects, and repairs or cures them. Exosomes, the product OSC and RMAI-Omaha gave to most of their customers, are not stem cells, and there is no evidence they can regenerate tissue or treat disease.

B. Unfair and Deceptive Conduct

The Consumer Fraud Act defines deception as "an act or practice which has the tendency or capacity to mislead a substantial number of consumers as

to a material fact or facts.” Iowa Code § 714.16(1)(c). To ascertain whether a practice is likely to mislead in the consumer protection context, courts typically evaluate the overall or “net impression” created by the representation. *State ex rel. Miller v. Vertrue, Inc.*, 834 N.W.2d 12, 34 (Iowa 2013), citing, *FTC v. Cyberspace.Com LLC*, 453 F.3d 1196, 1200 (9th Cir.2006). “A solicitation may be likely to mislead by virtue of the net impression it creates even though the solicitation also contains truthful disclosures.” *Id.*, quoting, *Cyberspace.Com*, 453 F.3d at 1200. “A misleading impression created by a solicitation is material if it ‘involves information that is important to consumers and, hence, likely to affect their choice of, or conduct regarding, a product.’” *Id.* at 1201 (quoting *In re Cliffdale Assocs., Inc.*, 103 F.T.C. 110, 165 (1984)).

The Act defines unfair practice as “an act or practice which causes substantial, unavoidable injury to consumers that is not outweighed by any consumer or competitive benefits which the practice produces.” *Id.* § 714.16(1)(i). The Iowa Supreme Court recognized that many courts consider an unfair practice to be “nothing more than conduct ‘a court of equity would consider unfair.’” *Vertrue*, 834 N.W.2d at 34, quoting *State ex rel. Miller v. Cutty's Des Moines Camping Club Inc.*, 694 N.W.2d 518, 525 (quoting *S. Atl. P'ship of Tenn., L.P. v. Riese*, 284 F.3d 518, 535 (4th Cir.2002) (emphasis omitted)). Accordingly, “statutes that prohibit ‘unfair practices’ are designed to infuse flexible equitable principles into consumer protection law so that it may respond to the myriad of unscrupulous business practices modern consumers face.” *Id.*

“[D]eceptive and unfair practices are distinct lines of inquiry.... [W]hile a practice may be both deceptive and unfair, it may be unfair without being deceptive.” *Vertrue*, 834 N.W.2d at 33-34, quoting, *Cutty's*, 694 N.W.2d at 527 (quoting *Orkin Exterminating Co. v. FTC*, 849 F.2d 1354, 1367 (11th Cir.1988)). “Deception occurs primarily (though not exclusively) at the formation stage of a contract. Conversely, unfairness occurs primarily (though not exclusively) with respect to the substance or performance of a contract.” *Id.* (quoting Michael M. Greenfield, *Consumer Law: A Guide for Those Who Represent Sellers, Lenders, and Consumers* § 4. 1, at 161 (1995)).

The Attorney General proved by clear and convincing evidence the representations in the advertising disseminated in Iowa on behalf of OSC and RMAI-Omaha were intended, and had the tendency and capacity, to mislead the targeted customers, primarily the elderly with chronic and/or painful medical conditions for which they received little or no relief from traditional medical treatments. The evidence shows Stem Cell Centers, on behalf of OSC and RMAI-Omaha, unscrupulously exaggerated the functions and capabilities of stem cells to a vulnerable population, some of whom were desperate for relief from chronic medical conditions. A more discerning audience may have recognized the claims of Stem Cell Centers were unrealistic and too good to be true. But to the audience Stem Cell Centers targeted, representations that it had thousands of successful treatments and testimonials from former customers were persuasive. Evidence of past success was an important factor likely to influence the consumer contemplating the therapy. The significant

expense of the treatments, including encouraging consumers to purchase more doses, was a cynical means of portraying the treatments as exclusive and valuable.

The Attorney General similarly proved by clear and convincing evidence, that OSC and RMAI's conduct was unfair to those Iowa consumers that purchased one or more treatments. The consumers were harmed because of the high price for the therapy, some of which was financed. Many had to drive for hours to the OSC/RMAI-Omaha office from where they lived. They were injected with an IV needle and infused with a product and/or subjected to an injection of product into their body that had no reasonable probability of providing any benefit. At least one couple received treatment with product tainted by bacteria that led to life-threatening infections.

C. Defenses

The Defendants contend that, regardless of the representations to Iowa consumers concerning the stem cell treatments, they cannot be liable under the Consumer Fraud Act because the treatments were administered by a medical professional whose medical judgment determined whether the therapy was appropriate for the patient. In addition, the patient signed an informed consent form acknowledging that no guarantee or assurance was made by anyone concerning the experimental treatments being provided. Defendants contend the representations about stem cell treatments are mere puffery, akin to advertisements about pharmaceuticals directed to consumers. The ultimate

decision whether to receive the treatment, Defendant contends, was based upon informed medical advice given to each patient.

The court is not persuaded the medical professionals OSC/RMAI-Omaha employed provided informed or independent medical advice concerning the therapies provided to its customers. Defendants presented no evidence that the medical professionals who worked in its office were well informed about the scientific basis, or lack thereof, supporting the therapies they administered. It appears to the court the purpose of staffing the office with a medical professional was to provide a veneer of medical legitimacy to a treatment that had no medical basis, and perhaps because an IV and/or injection was needed to administer product.

Nor does the consumer's written acknowledgement that OSC/RMAI-Omaha does not guarantee any particular outcome remove liability for a Consumer Fraud Act violation. That the therapy was experimental and results not guaranteed was contained in the advertising. But the advertising also mitigated the effect of such disclaimer by stating that "a high enough percentage of patients respond favorably" to the treatments. Defendants presented no data concerning what percentage of its customers responded favorably to the treatment, or what it considered to be a "high enough" percentage. Even if some consumers were satisfied, that does not establish a defense to consumer fraud. *See State v. Hydro Mag, Ltd.*, 436 N.W.2d at 623 (establishing that there were satisfied customers is not a complete defense to this type of action).

D. Remedies

Remedies available under the Iowa Consumer Fraud Act include a permanent injunction prohibiting the person from continuing the practice or engaging in the practice; restitution; civil penalties; and attorney's fees and costs. See Iowa Code § 714.16(7); *State v. New Womyn, Inc.*, 679 N.W.2d at 597-98. The court may impose additional civil penalties if the violation is committed against an older individual. Iowa Code § 714.16A.

1. Civil Penalties

The attorney general may request the court impose a civil penalty not to exceed \$40,000 “per violation against a person found by the court to have engaged in a method, act, or practice declared unlawful.” *Id.* §714.16(7). But a “course of conduct shall not be considered to be separate and different violations merely because the conduct is repeated to more than one person.” *Id.*

There is little Iowa Appellate Court precedent concerning what constitutes a separate “violation” of the CFA warranting a civil penalty of up to \$40,000. In *State v. Vertrue, Inc.*, 834 N.W.2d at 39, the Court affirmed the district court’s assessment of \$2,820,000 in civil penalties for violations of the CFA and Iowa’s law governing the sale of Buying Club Memberships (BCL).⁵ The district court imposed a civil penalty for a total of 119 different violations, fifteen of which were CFA violations arising out of the sale of buying club memberships through telemarketing. *Id.* The CFA violations related to “risk

⁵ The Iowa Supreme Court also added on appeal civil penalties for violations of section 714.16A relating to consumer frauds against older Iowans that the district court did not impose.

free” representations, unintelligible telemarketing pitches, and a false claim that part of the transaction was intended as a “thank you.” *Id.* The district court imposed the maximum \$40,000 civil penalty for each of the 15 CFA violations, which the Iowa Supreme Court affirmed. *Id.*

In *State v. New Womyn, Inc.*, 679 N.W.2d at 597, the district court, affirmed by the Iowa Supreme Court, assessed a single \$40,000 civil penalty, presumably for a single violation of the Act. The court found a single violation even though the conduct that violated the CFA included three different representations without a reasonable basis on how the product would perform, and a fourth misrepresentation that claimed the product had been proven to be safe and effective. *Id.*

The Attorney General contends Defendants committed 20 CFA violations. Seventeen of the alleged violations are based upon deceptive advertising, that is, specific representations Defendants made about stem cell therapies for which there was no reasonable basis. Two are based upon conduct the State claims is deceptive and unfair, including “testimonial practices” and representations that consumers who purchased therapy were participating in a research study. The final claimed violation is that the Defendants’ representations that the therapy was “generally safe” was deceptive advertising, as well as deceptive and unfair.

However, the court is not persuaded that each different representation, in and of itself, constitutes a “method, act, or practice” that violates the Act. The method, act, or practice was Defendants’ entire marketing campaign,

starting first with targeting vulnerable, elderly consumers; second, piquing their interest with advertising and direct mail; and third presenting a professional quality seminar to persuade the consumers the treatments were legitimate. The fourth and final act was the unfair practices described herein inflicted on consumers who purchased the treatments, including the financial harm to consumers persuaded to spend thousands of dollars, travel long distances, and subject themselves to an infusion or injection of a product into their bodies that would likely have little or no effect on their health.

The court finds Defendants committed four violations of the CFA. The court further finds that the nature and extent of the conduct warrant the maximum penalty of \$40,000 per violation, or a total civil penalty of \$160,000.

2. Enhanced Civil Penalties for Older Iowans

The maximum penalty for a CFA violation against an older individual is \$5,000 per violation. Iowa Code § 714.16A(1)(a). In determining whether to impose such a penalty and the amount of the penalty, the court shall consider up to four factors, including the following: 1) whether the Defendants acted in willful disregard of the rights of the older individual; 2) whether the Defendants knew or should have known that the conduct was directed to an older individual; 3) whether the older individual was substantially more vulnerable because of age, poor health, infirmity, impaired understanding, restricted mobility, or disability; and 4) any other factor the court deems appropriate. *Id.* § 714.16A(2).

Defendants admittedly targeted older individuals in their marketing and advertising efforts. The target market was not based only on age, but specifically older individuals with chronic or disabling medical conditions who were desperate for relief because other treatments had not been effective. The evidence is persuasive that it was mostly older individuals who attended the seminars and who purchased the therapy. Under these circumstances, the court finds the maximum penalty of \$5,000 per violation is warranted, for a total additional penalty of \$20,000.

3. Reimbursement

The Attorney General relies on Exhibit 148 in proposing that the court order Defendants to reimburse a total of \$810,477 to 76 consumers who purchased treatments. The court finds that Exhibit 148 is sufficiently reliable evidence of money paid to OSC/RMAI-Omaha because of the Defendants' conduct that violated the CFA and will order Defendants to pay that amount to the Attorney General as reimbursement.

4. Liability of Broughton, Individually

Regardless of whether the court imposes penalties and other relief on the corporate entities, Broughton contends he cannot be held liable as an individual for the statutory violations of the corporate entities.⁶ Broughton is

⁶ Broughton moved for directed verdict at the close of evidence based, in part, on the claim the court lacks personal jurisdiction over him as an individual. Broughton's personal jurisdiction defense fails, however, because he did not raise lack of personal jurisdiction as a defense in his answer. See Iowa R. Civ. P. 1.421(1)(b). Regardless, there is precedent that an officer of an out-of-state corporation is subject to personal jurisdiction for consumer fraud claims in Iowa. See *State ex rel. Miller v. Grodzinsky*, 571 N.W.2d 1, 4 (Iowa 1997), *as amended on denial of reh'g* (Dec. 11, 1997)(the agent is still subject to personal jurisdiction of the court if the agent is a "primary participant[] in an alleged wrongdoing intentionally directed at [forum-state]

not correct that he is immune from individual liability in this case. A corporate officer is individually liable for torts which he commits while acting within as well as outside the scope of his employment. *Grefe v. Ross*, 231 N.W.2d 863, 868 (Iowa 1975); *See also, Briggs Transp. Co. v. Starr Sales Co.*, 262 N.W.2d 805, 808 (Iowa 1978) (corporate officer is individually liable for fraudulent corporate acts which he or she participated in or committed). Moreover, the evidence showed that, as CEO of Stem Cell Centers, Broughton was the decision-maker with respect to what representations to include as part of the advertising and marketing on behalf of OSC and RMAI-Omaha. There is no evidence that OSC and/or RMAI-Omaha employed people directly involved in the development of the marketing and advertising the court has found violated the Act. *See State ex rel. Miller v. Santa Rosa Sales & Mktg., Inc.*, 475 N.W.2d 210, 220 (Iowa 1991) (liability of corporate officer arose from his complete control of the defendant and his own personal acts in perpetrating consumer fraud).

5. Permanent Injunction

The court will grant a permanent injunction prohibiting Defendants from continuing the conduct in Iowa the court has found violated the CFA⁷, or engaging in such conduct in the the practice or doing an act in furtherance of

resident[s], and jurisdiction over [him] is proper on that basis.)(citations omitted).

⁷ The evidence shows OSC and RMAI-Omaha are no longer operating, and thus no longer engaging in the conduct the court found violates the CFA. Broughton also testified that Stem Cell Centers, LLC is no longer an operating entity, presumably including the ownership or operation of a local clinics like OSC or RMAI-Omaha.

the practice. The permanent injunction applies to OSC, RMAI-Omaha, and Travis Broughton, individually.

6. Attorney's Fees and Costs

The court will consider an award to the Attorney General for attorney's fees and costs. For such claim to be considered, the Attorney General must submit, within 15 days of the entry of this Ruling and Judgment, an attorney fee application.

IV. Disposition

IT IS HEREBY ORDERED that judgment is entered in favor of the Attorney General of Iowa, on behalf of the State of Iowa, and against the Defendants, Travis Broughton, Omaha Stem Cells, LLC, and Regenerative Medicine and Anti-Aging Institute of Omaha, LLC, jointly and severally, as follows:

1. \$160,000 for civil penalties under the Iowa Consumer Fraud Act, Iowa Code § 714.16;
2. \$20,000 for civil enhanced penalties under Iowa Code § 714.16A.
3. \$810,477 to reimburse consumers identified in Exhibit 148;

IT IS FURTHER ORDERED that the Defendants, Travis Broughton, Omaha Stem Cells, LLC, and Regenerative Medicine and Anti-Aging Institute of Omaha, LLC are permanently enjoined from engaging in the State of Iowa in the methods, acts, and/or practices that the court has determined herein violated the Iowa Consumer Fraud Act, and from doing an act in furtherance of such methods, acts, or practices.

IT IS FURTHER ORDERED that the court will consider the Attorney General's claim for attorney's fees and expenses associated with the prosecution of this matter, on the condition the Attorney General submits an attorney fee application within 15 days of the entry of this Ruling and Judgment.

IT IS FURTHER ORDERED that court costs are assessed to Defendants.



State of Iowa Courts

Case Number
EQCE086086

Case Title
STATE EX REL BRENNIA BIRD AG OF IA VS TRAVIS
BROUGHTON ET AL
Type: ORDER FOR JUDGMENT

So Ordered

A handwritten signature in black ink, appearing to read "Patrick D. Smith".

Patrick D. Smith, District Court Judge,
Fifth Judicial District of Iowa

Electronically signed on 2025-11-25 14:47:40

QC KINETIX

NON-SURGICAL REGENERATION

Sergio Estrada

VISIT 1

Plasma Therapy

Plasma contains growth factors and healing properties that help decrease inflammation in the body.
This is used to prepare the joint or soft tissue for all other treatments.

2 WEEKS LATER

VISIT 2

Alpha 2 Macroglobulin (A2M) Therapy

A2M is a protease inhibitor. A protease is an enzyme that breaks down cartilage and soft tissue.
A2M is designed to protect the treatment area and stop further breakdown.

4 WEEKS LATER

VISIT 3

Bone Marrow Aspirate Concentrate (BMAC) Therapy

BMAC is an autologous (from your body) source of stem cell. These cells create an environment that allows the treatment area to heal naturally and more rapidly, encouraging new growth.

2 WEEKS LATER

VISIT 4

Platelet Rich Plasma (PRP) Therapy

PRP decreases inflammation and acts as a cell-to-cell signaler. This is the "captain;" it tells the cells in your body where to go and how to communicate.

3 MONTHS LATER

VISIT 5

Plasma Therapy

Plasma therapy at three months keeps inflammation low and increases the release of growth factors.
The healing properties of plasma boosts the regeneration of cells in the treatment area.

*Class IV Deep Tissue Laser Therapy performed prior to each treatment

First treatment area: \$9,500

* \$4,700 for each additional
area treated at the same time

Proceed

DIAGNOSIS:

Left knee

TOTAL:

9,000

signature:

x S. Estrada

date:

08/08/25



Application Attestation

Date **08/08/2025**
 Loan Number **11037937**
 Location Name **QC Kinetix - Doral**
 Borrower Name **Sergio Estrada**
 Street Address **9586 SW 4th Ln
Miami , FL 33174**
 Mailing Address **9586 SW 4th Ln
Miami , FL 33174**
 Email **sergioestrada1938@gmail.co
m**
 SSN *****-**-4401**
 Birth Year **1938**
 Primary Phone **(305) 801-0974**
 Employer **Retired**
 Housing Type **none**

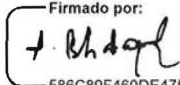
While your salary and wages may meet our income requirement, you should enter all of your income as we use a ratio of total income to total debt to help determine eligibility. You should enter only personal income, and NOT any business income.

- Examples of additional income include:
- interest and dividends
- retirement income
- alimony*
- child support*

*Alimony, child support, or separate maintenance income does not need to be revealed if you do not wish to have such income considered as a basis for repaying this loan.

Gross Annual Income **\$ 15,000 / year**
 Gross Additional Income **\$ 0 / year**
 Total Household Income **\$ 15,000 / year**
 Housing Payment **\$ 0 / month**

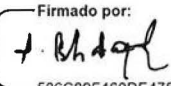
By signing below, I attest that the income and housing expense stated here are true and correct.

Firmado por:

 Signature: **586C89F460DE475...**

Is Borrower the **Yes**
Patient?

I authorize Proceed Finance, their lending partners, and their representatives, agents, and loan servicers to contact me regarding my loan or my loan request, including repayment of my loan, at the current and any future email addresses that I provide, and to contact me at the current and any future numbers that I provide for my cellular telephone or other wireless device using an automatic dialing system, prerecorded messages and/or SMS text messages, even if I will be charged by my service provider(s) for receiving such communications.

I certify under penalty of fraud that the foregoing is true and correct.

Firmado por:

586C89F460DE475...

Signature: _____ Date: 8/8/2025
 Sergio Estrada



Your **PROCEEDFINANCE** lender

Loan Number	Transaction Date (e)	Principal Amount	Maturity Date (e)	Interest Rate
11037937	August 12, 2025	\$9,000.00	August 11, 2031	9.99%

Creditor Information

Optum Bank, Inc.
12921 South Vista Station Blvd. Suite 200
Draper, UT 84020

Borrower Information

SERGIO ESTRADA
9586 SW 4TH LN
MIAMI FL 33174

Loan Purpose

Medical / Dental

Patient Information

SERGIO ESTRADA

LOAN AGREEMENT. This Consumer Loan Agreement will be referred to in this document as the "Agreement" or "Note" and includes any extensions, renewals, modifications, and substitutions of this Agreement. This Agreement governs the loan that we extend to you to finance goods and services for personal, family or household purposes.

LENDER. "Lender," "you" or "your" means Optum Bank, Inc. ("Optum Bank") and its successors and assigns.

BORROWER. "Borrower," "I," "my" or "me" means each person who signs this Note.

TRUTH IN LENDING DISCLOSURE

Annual Percentage Rate	Finance Charge (e)	Amount Financed (e)	Total of Payments (e)
The cost of my credit at a yearly rate is 9.99%	The dollar amount the credit will cost me is \$2,999.81	The amount of credit provided to me or on my behalf is \$9,000.00	The amount I will have paid after I have made all payments as scheduled is \$11,999.81

PAYMENT SCHEDULE (e). This loan will be paid according to the following schedule: 72 consecutive payments of principal and interest in the amount of **\$166.69** beginning on September 11, 2025.

LATE PAYMENT CHARGE. If any scheduled payment is more than 15 days late, Lender will assess a late payment fee equal to the lesser of 5.00% of the total amount past due or \$10.

PREPAYMENT. If I pay in full or in part early, I will not have to pay a penalty.

ADDITIONAL CONTRACT TERMS. See below for further information about the use of estimates, nonpayment, default, the right to accelerate the maturity of the obligation, and prepayment rebates and penalties.

Estimated Disclosures. All numerical disclosures are estimates.

CONSUMER LOAN AGREEMENT - CLOSED-END

The Itemization of Amount Financed is presented below as requested by me.

ITEMIZATION OF AMOUNT FINANCED (Estimated)	DOLLAR AMOUNT
Amounts Paid to Others on Borrower's Behalf (itemized below)	\$9,000.00
QC KINETIX - DORAL	\$9,000.00
Prepaid Finance Charges(e)	\$0.00
Total Amount Financed(e)	\$9,000.00

THIS AGREEMENT INCLUDES AN ARBITRATION PROVISION. UNLESS BORROWER PROPERLY REJECTS THE ARBITRATION PROVISION, IT WILL HAVE A SUBSTANTIAL EFFECT ON BORROWER'S RIGHTS IN THE EVENT OF A DISPUTE WITH LENDER. FOR EXAMPLE, IF LENDER ELECTS TO REQUIRE BORROWER TO ARBITRATE ANY CLAIM, BORROWER WILL NOT HAVE THE RIGHT TO A JURY TRIAL OR THE RIGHT TO PARTICIPATE IN A CLASS ACTION IN COURT OR IN ARBITRATION. THE ARBITRATION PROVISION DOES NOT APPLY IF, AS OF THE TRANSACTION DATE, BORROWER IS A MEMBER OF THE ARMED FORCES OR A DEPENDENT OF SUCH MEMBER COVERED BY THE FEDERAL MILITARY LENDING ACT.

USE OF ESTIMATES. Certain items in this Agreement are estimates only and are noted with an "(e)". All estimates are based on information provided by the Borrower or reasonably available to the Lender as of the date this Agreement is signed by the Borrower. The Lender uses estimates because certain items cannot be calculated fully until the Borrower executes a valid Agreement resulting in loan consummation.

PROMISE TO PAY. I promise to pay, according with the terms below, on or before the Maturity Date, the principal amount of \$9,000.00 and all interest and other amounts due under this Note unless I have properly exercised the right to rescind this Note by timely providing the Notice of Rescission described in the Right of Rescission provision immediately below.

RIGHT OF RESCISSION. Provided that no part of the underlying service for which I obtained this loan has been rendered, I may rescind this Note by delivering written notice to Lender postmarked on or before midnight of the third (3rd) calendar day following the Transaction Date set forth above ("Notice of Rescission") to the address specified below under "Notices". Upon proper and timely delivery of the Notice of Rescission, all of the loan amount that was paid to my provider will be refunded to Lender, and this Note will be rescinded.

CANCELLATION OF UNDERLYING SERVICE. If I choose to cancel the underlying service for which I obtained this loan, in whole or in part, I must contact my provider office to cancel the service ("Notice of Cancellation"). Upon Notice of Cancellation, all or a portion of the loan amount that was paid to my provider will be refunded to Lender, which will apply that amount to the principal balance of this loan. To the extent a principal balance remains outstanding on the Note, due to service rendered prior to Notice of Cancellation or other reasons, the new outstanding loan balance may be re-amortized and my repayment amount adjusted accordingly. Upon Notice of Cancellation, no additional fees, charges, or interest will accrue, except with respect to any outstanding balance remaining at the time of cancellation, which I will remain responsible for. Any prepaid fees or interest for unrendered services will be applied to the outstanding balance or refunded if no balance remains.

MAKING PAYMENTS. I shall pay such amounts to the order of Lender at such place as Lender may designate in writing. I will make all payments in lawful money of the United States of America. For further information regarding how to make a payment, or for any other inquiries regarding your loan payments, please visit <https://security1stbank.com/proceed-finance>

INTEREST RATE AND SCHEDULED PAYMENT CHANGES. Interest will begin to accrue on the date of this Note. The interest rate on this Note will be fixed at 9.99% per annum ("Interest Rate"). Periodic interest will accrue on unpaid principal balance until the full amount of principal has been repaid. Interest under this Note will accrue on the unpaid principal balance at a daily rate that equals the Interest Rate divided by 365. Because of the accrual of interest on any late payments and the effect of rounding, my final payment may be more (or less) than my regular payment. I acknowledge that, if I make my payments after the scheduled due date, this Note may not amortize as originally scheduled, which may result in a substantially higher final payment amount. Subject to applicable law, if judgment is entered in connection with

this Note, interest will continue to accrue after the date of judgment at Interest Rate. Upon maturity, whether scheduled or accelerated, interest will continue to accrue after such date at the interest rate described herein. Nothing contained herein shall be construed as to require the Borrower to pay interest at a greater rate than the maximum allowed by law.

LATE PAYMENT CHARGE. If any scheduled payment is more than 15 days late, Lender will assess a late payment fee equal to the lesser of 5.00% of the total amount past due or \$10.

PREPAYMENT PENALTY. This Note may be prepaid, in full or in part, at any time, without penalty. I understand that early payments will not relieve me of my obligation to continue to make payments under the payment schedule.

APPLICATION OF PAYMENTS. You may apply my payments to amounts owing in whatever order you choose unless a specific order is required by law.

SETOFF. To the extent permitted by law, I give you the right to setoff any of my money or property which may be in your possession against any amount owing under this Note. This right of setoff does not extend to any IRA, Keogh accounts or similar tax deferred deposit accounts that I may have with you. You will not be liable for the dishonor of any check when the dishonor occurs because you setoff a debt against my account. I agree to hold you harmless from any claim arising as a result of you exercising your right to setoff.

OTHER PROMISES. Reference is made to any related mortgage, trust deed, assignment, security agreement, pledge, or similar document for other promises which I make to you and terms and conditions governing my loan.

DEFAULT. Subject to applicable law, Lender may declare me in default under this Note if: (a) I do not successfully make any payment in full by its corresponding payment due date identified on the Payment Schedule; (b) I fail to perform or violate any material obligation of this Note; (c) any representation or warranty made by me in this Note or any statement made by me in my loan application proves to have been false or misleading in any material respect when made; (d) I become bankrupt or insolvent; or (e) I pass away.

ACCELERATION; DEFAULT REMEDIES. Subject to applicable law (including any notice, cure, and/or redemption rights provided by applicable law), upon any default Lender may: (a) declare immediately due and payable all amounts outstanding under this Note and any other amounts lawfully due hereunder; (b) initiate a collection action against me; (c) recover costs of collection efforts associated with my default, including but not limited to court costs and attorney's fees to the extent permitted by applicable law; or (d) exercise any other rights provided by this Note or applicable law.

ASSIGNABILITY. You may assign, pledge or transfer this Agreement or any of its rights and remedies without notice, with all or any of the obligations. The assignee shall have the same rights and remedies as if named herein in place of you. I may not assign this Agreement or any benefit accruing hereunder without your express written consent.

GENERAL WAIVERS. To the extent permitted by law, I severally waive any required notice of presentment, demand, acceleration, intent to accelerate, protest and any other notice and defense due to extensions of time or other indulgence by Lender. No failure or delay on the part of Lender, and no course of dealing between Borrower and Lender, shall operate as a waiver of such power or right, nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right.

CREDIT INQUIRIES, LOAN INFORMATION; INACCURATE INFORMATION. I authorize you to obtain a credit report on me for any legal purpose in connection with this Note, including any update, extension of credit, review, or collection of this loan. If I request, you will tell me whether any credit report was requested, and if so, the name and address of the credit bureau furnishing the report. If I believe that you have information about me that is inaccurate or that you have reported or may report inaccurate information about me to a credit bureau, I will notify you of the specific information that I believe is inaccurate by writing to: Security First Bank, 1300 Garret Ln, Lincoln, NE 68512. In doing so, I will identify the inaccurate information and tell you why I believe it is incorrect. If I have a copy of the credit report that includes the inaccurate information, I will send a copy of that report to you as well.

BORROWER COOPERATION. I agree to furnish all documents and information as may be required by Lender to comply with the USA PATRIOT Act of 2001 and the Bank Secrecy Act 31 U.S.C. § 5311 et seq. I agree to cooperate with Lender's reasonable requests in connection with the investigation of unusual or potentially fraudulent activity related to this Agreement or my loan application. Such cooperation shall include, but is not limited to, providing access to and delivering relevant documents and records, as well as executing any affidavits or certifications reasonably required by Lender to support its investigation.

NOTICES. Any written notices that I send you under this Note must be sent by express or overnight mail delivered by a nationally recognized air courier (delivery charges prepaid), or by registered or certified mail (postage prepaid, return receipt requested), in each case to Optum Bank, Inc., Attention: Proceed Finance Manager, 12921 South Vista Station Blvd, Suite 200 Draper, UT 84020 or, upon written notice to Borrower, to any address that is later designated by Lender ("Notice Address"). Any telephone calls that I make to you should be directed to (877) 462-5039 or upon written notice to Borrower, to any telephone number that is later designated by Lender. I will promptly notify you if my mailing address or legal name changes.

DISPUTED BALANCES. Any check or other payment I provide you for less than my total outstanding balance that is marked "payment in full" or with any similar language or that I otherwise tender as full satisfaction of a disputed amount must be sent to the Notice Address. You may deposit any such payment without such deposit effecting a satisfaction of the disputed amount.

AUTOMATIC REMINDERS. You may use automated telephone dialing, text messaging systems and electronic mail ("e-mail") to provide messages to me about scheduled payments, missed payments and other important information regarding this Note or my relationship with you. The telephone messages may be played by a machine automatically when the telephone is answered, whether answered by me or someone else. These messages may also be recorded by my answering machine. I give you permission to call or send a text message to any telephone number I have given you or I give to you in the future and to play pre-recorded messages or send text messages with information about the Agreement or my relationship with you over the phone. I also give you permission to communicate such information to me by e-mail. I understand that, when I receive such calls, texts, or e-mails, I may incur a charge from the company that provides me with telecommunications, wireless and/or internet services. I agree that you will not be liable to me for any fees, inconvenience, annoyance or loss of privacy in connection with such calls, texts, or e-mails. I understand that anyone with access to my telephone or e-mail account may listen to or read the messages, notwithstanding your efforts to communicate only with me. If telephone number(s) or email(s) I have provided to you changes, or if I cease to be the owner, subscriber or primary user of such telephone number(s) or email(s), I agree to immediately give you notice of such facts so that you may update your records. I agree that this authorization constitutes a bargained-for exchange. To the extent I have the right under applicable law to revoke this authorization, I agree that I may do so only by calling you at (877) 462-5039.

TELEPHONE RECORDING. I understand and agree that, subject to applicable law, you may monitor and/or record any of my phone conversations with any of your representatives for training, quality control, evidentiary, and any other purposes. However, Lender is not under any obligation to monitor, record, retain, or reproduce such recordings, unless required by applicable law.

PRIVACY NOTICE. Federal law requires Lender to tell Borrower how Lender collects, shares, and protects Borrower's personal information. I acknowledge that I have received a copy of your Privacy Notice and that your privacy policy has not changed. I may review your policy and practices with respect to my personal information at <https://www.optum.com/content/dam/optum4/resources/pdf/legal/045-0132-Privacy-Notice.pdf> and <https://security1stbank.com/privacy-policy/> or Lender will mail me a free copy upon request if I call you at Optum Bank (877) 462-5039 or Security First Bank (877) 339-1156.

TAX. I understand that you have not made any representation or warranty whatsoever regarding the tax consequences of entering into this Agreement, and I will consult my own tax advisors for guidance on this subject.

BANKRUPTCY. I promise that I have no current intent to make a bankruptcy filing and have not consulted with an attorney within the past 60 days regarding such a filing. Any communication with Lender that is required or permitted under the Federal Bankruptcy Code must be in writing, must include Borrower's name and the Transaction Date and must be sent to us at the Notice Address.

SEVERABILITY. If a court of competent jurisdiction determines any term or provision of this Agreement is invalid or prohibited by applicable law, that term or provision will be ineffective to the extent required. Any term or provision that has been determined to be invalid or prohibited will be severed from the rest of this Agreement without invalidating the remainder of either the affected provision or this Agreement.

HEADINGS. The headings preceding text in this Note are for my general convenience in identifying subject matter, but have no limiting impact on the text which follows any particular heading.

Covered Military Borrowers. If I am a "covered borrower," as defined under 32 C.F.R. § 232.3(g)(1) and the Military Lending Act, 10 U.S.C. § 987, as amended, I agree that (i) the provisions of the next section (Disputes; Mandatory Arbitration; Class Action Waiver); (ii) any waiver of right to legal recourse under any state or federal law, and (iii) any other

provision in this Note that is not enforceable against me under the Military Lending Act, do not apply to me.

DISPUTES; MANDATORY ARBITRATION; CLASS ACTION WAIVER.

NOTICE: THE MANDATORY ARBITRATION AND CLASS ACTION WAIVER PROVISIONS FOUND IN THIS SECTION DO NOT APPLY IF I AM A "COVERED BORROWER" UNDER THE MILITARY LENDING ACT, 10 U.S.C. § 987.

EXCEPT AS OTHERWISE NOTED BELOW, FOR ALL DISPUTES COVERED BY THE PROVISIONS IN THIS SECTION, LENDER AND I HAVE AGREED TO WAIVE OUR RIGHTS TO A TRIAL BY JURY, RIGHTS TO PARTICIPATE IN CLASS ACTIONS OR CLASS ARBITRATIONS, AND RIGHTS TO SEEK PUNITIVE AND/OR EXEMPLARY DAMAGES. EXCEPT FOR DISPUTES AND CLAIMS NOT SUBJECT TO THIS SECTION, ARBITRATION SHALL BE IN PLACE OF ANY CIVIL LITIGATION IN ANY COURT AND IN PLACE OF ANY TRIAL BY JURY.

THE TERMS OF THIS SECTION AFFECT MY LEGAL RIGHTS. IF I DO NOT UNDERSTAND ANY TERMS OF THIS SECTION THE COST, ADVANTAGES, OR DISADVANTAGES OF ARBITRATION, I UNDERSTAND I SHOULD SEEK INDEPENDENT LEGAL ADVICE BEFORE SIGNING THIS NOTE. BY SIGNING THIS NOTE, I ACKNOWLEDGE THAT I HAVE READ, UNDERSTAND, AND AGREE TO BE BOUND BY EACH OF THE PROVISIONS, COVENANTS, AND STIPULATIONS SET FORTH BELOW.

A. Governing Law: I acknowledge that the Note involves interstate commerce and that the provisions of this Section will be construed, applied, and governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., ("**FAA**"), as amended. The Arbitrator (defined below) shall apply applicable law and applicable statutes of limitation consistent with the FAA and shall honor all claims of privilege recognized at law.

B. Dispute: "**Dispute**" means any action, dispute, claim, or controversy of any kind arising out of, in connection with or in any way related, even indirectly, to the Note or the extension of credit set forth in the Note. For example, "Dispute" includes claims related to the following: any relationship resulting from, or activities connected to this Note; my application; information I have provided to Lender; information and disclosures Lender has provided to me; any prior agreements between Lender and me; extensions; renewals; refinancings; payment plans; underwriting; servicing; collections; privacy; and customer information. The term "Dispute" also includes (but is not limited to) the following: claims under federal or state consumer protection laws; claims in tort or contract; claims under statutes or common law; claims at law or in equity; other past, present, or future claims, counterclaims, cross-claims, third party claims, interpleaders or otherwise; and any claim relating to the interpretation, applicability, enforceability, or formation of this arbitration clause, including, any claim that all or any part of this arbitration clause, except Subsection G below, is void, voidable, or unconscionable.

C. Mandatory Arbitration: Unless otherwise stated in this arbitration clause, any Dispute between the parties shall, at Lender's or my election, or the election of any of our respective heirs, successors, assignees, or related third parties (including Optum Bank), or any other subsequent holder of my Note, and their affiliates, subsidiaries, and parents, (the "Parties"), be resolved by a neutral, binding arbitration, and not by a court of law.

This procedure shall, with the sole exception of the Parties' waiver of any right to bring a class action or to participate in a class action as provided for under Subsection G below (which shall be solely determined by the appropriate court, if necessary), include any Dispute over the interpretation, scope, or validity of this Note, this arbitration clause, or the arbitrability of any issue.

This arbitration clause applies to the Parties, including their respective employees or agents, as to all matters which arise out of or relate to this Note or are in any way connected with the extension of credit set forth in this Note, or any resulting transaction or relationship.

D. Facts About Arbitration: In arbitration, a neutral third party ("**Arbitrator**") resolves Disputes, instead of a judge or jury. I waive the right to go to court. The Arbitrator will conduct a hearing, which is private and less formal than a court trial. Each side will have the opportunity to present some evidence to the Arbitrator. The Arbitrator may limit the Parties' ability to conduct fact-finding, known as "discovery," prior to the hearing. Other rights that the Parties might have in court might not be available in arbitration. Following the hearing, the Arbitrator will make a determination and decide whether to issue an award. The Arbitrator's decision is final, and a court may then enforce the award like a court judgment. Courts rarely overturn an Arbitrator's award.

E. Pre-Arbitration Resolution: Prior to starting arbitration, I agree to contact Lender at Optum Bank, Inc., Attention: Proceed Finance Manager, 12921 South Vista Station Blvd, Suite 200 Draper, UT 84020 to attempt to resolve the Dispute. Lender will then make a reasonable effort to work with me to resolve the Dispute. If the Parties are unable to resolve the Dispute, either Lender or I may start arbitration. No party will disclose any settlement proposals, including settlement offers proposed prior to commencing arbitration, to the Arbitrator.

F. Rules and Procedures: Either Lender or I may start arbitration by mailing a notice of arbitration, even if a lawsuit has been filed. Such notice shall be given by certified mail, return receipt requested. Notice to me shall be sent to the email address I provided to Lender in my loan application, as updated. Notice to Lender, Lender's assignees, or related third parties shall be sent to Optum Bank, Inc., Attention: Proceed Finance Manager, 12921 South Vista Station Blvd, Suite 200 Draper UT 84020. The party initiating the arbitration shall set forth in the notice the nature and factual basis of the Dispute, the names and addresses of all other Parties, the amount involved, and the specific relief requested. The responding party must mail a response within forty-five (45) days of its receipt of such notice and may also set forth any counter-Disputes. The American Arbitration Association ("**AAA**") shall conduct any arbitration according to this arbitration clause. The AAA arbitration rules in effect when the claim is filed apply ("**AAA Rules**"), except where those rules conflict with this arbitration clause or any of my agreements with Lender. I can get copies of the AAA Rules at the AAA's website (www.adr.org) or by calling (800) 778-7879. Lender or I may choose to have a hearing, appear at any hearing by phone or other electronic means, and/or be represented by counsel.

G. Class Action Waiver: The Parties agree to waive any right they may have to bring a class action lawsuit or class arbitration, or to participate as a claimant in either. The Parties agree to give up any right to consolidate or join any arbitration proceeding with the arbitration of others. The Parties give up the right to serve as a private attorney general in any jurisdiction in which such procedure might be permitted. To the extent the Parties are permitted to file small claims under Subsection I below, the Parties agree that any small claim may only be brought on an individual basis and that no small claim may be brought on a class or representative basis. The Parties further agree that if a court or arbitrator decides this Subsection G is void or unenforceable, this arbitration clause shall be void and without effect.

H. Fees and Costs: If I request, Lender shall advance all of the Arbitrator's fees and expenses, as well as all administrative and filing fees, up to an amount of \$1,000. The Parties shall be responsible for their own attorneys' fees associated with any arbitration, unless otherwise allowed for under applicable substantive law and awarded by the Arbitrator. If the Arbitrator awards me funds, I will not have to reimburse any arbitration fees and expenses Lender has advanced. If the Arbitrator does not award me funds, I agree to reimburse Lender for any arbitration fees and expenses it has advanced to me. Any such reimbursement shall not exceed the filing fees and costs I would have incurred had I filed a lawsuit in court.

I. Exceptions: The Parties agree that this arbitration clause is not applicable to "small claims" meaning those claims that either Lender or I are entitled to file and maintain in an appropriate small claims court or any action where the total amount in controversy is no greater than \$11,000, including any claims for attorney's fees and non-monetary relief. The Parties agree that any small claim may only be brought on an individual basis and that no small claim may be brought on a class or representative basis. The Parties agree that any appeal from a judgment obtained pursuant to this Subsection I shall be appealable only by arbitration according to the procedures set forth in this arbitration clause.

J. Severability: If it is determined that any subsection or provision in this arbitration clause is illegal, invalid, or unenforceable, such illegality, invalidity, or unenforceability shall not affect the other subsections or provisions of this arbitration clause. The remainder of this arbitration clause shall continue in full force and effect as if the severed subsection or provision had not been included. Notwithstanding this severability provision, if a court of competent jurisdiction determines Subsection G to be void, illegal, invalid, or unenforceable, the Parties agree that Subsection G shall not be severed and that this arbitration clause shall be void in its entirety.

K. Right to Opt Out: If I do not want this arbitration clause to apply, I may reject it by mailing a written notice to Lender at Optum Bank Inc., Attention: Proceed Finance Manager, 12921 South Vista Station Blvd, Suite 200 Draper UT 84020 that lists my name, address, and account number and states that I am opting out of the arbitration clause. An opt-out notice is only effective if it is signed by me and the envelope in which the opt-out notice is sent is postmarked no more than thirty (30) calendar days after the date I sign this Note. If I opt out of this arbitration clause, it will not affect any other provisions of the Note or my obligations under the Note. If I do not properly opt out as set forth above, this arbitration clause will be effective as of the date of this Note. If I opt out of this arbitration clause, such election shall apply only to this Note, and not to any other past, present, or future agreements I have with Lender.

GOVERNING LAW. This Note is governed by federal law and, to the extent not preempted by federal law, the laws of the State of Utah (without regard to principles of conflict of laws that would require the application of the laws of any other

jurisdiction). I acknowledge and agree that this Note is made and accepted by you in the State of Utah and the laws of the State of Utah govern this Note.

ENTIRE AGREEMENT. The Optum Bank loan application and loan disclosures are incorporated into this Note by reference. This Note represents the entire agreement between Lender and me.

STATE-SPECIFIC DISCLOSURES Each of the following notices apply only to the residents of the states indicated. For purposes of this section only, "you" means the borrower and "us," "we," or "our" means Optum Bank.

ALL BORROWERS. Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt, including promises to extend or renew such debt, are not enforceable. To protect you and us from misunderstanding or disappointment, any agreements we and you reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between you and us, except as we and you may later agree in writing to modify. You give us and our agents, successors, and assigns permission to access your credit report in connection with any transaction, or extension of credit, and on an ongoing basis, for the purpose of reviewing this Agreement, taking collection action on this Agreement, or for any other legitimate purposes associated with this Agreement. Upon your request, you will be informed of whether a consumer credit report was ordered, and if it was, you will be given the name and address of the consumer reporting agency that furnished the report. As required by law, you are hereby notified that we may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report.

CALIFORNIA RESIDENTS: A married applicant may apply for a separate account. As required by law, you are hereby notified that a negative credit report reflecting on your credit record may be submitted to a credit reporting agency if you fail to fulfill the terms of your credit obligations.

FLORIDA RESIDENTS: Where applicable, Florida documentary stamp tax required by law will be paid to the Florida Department of Revenue. The Certificate of Registration number is 78-8019716760-8.

IOWA RESIDENTS: (when principal amount exceeds \$20,000): **IMPORTANT: READ BEFORE SIGNING.** The terms of this agreement should be read carefully because only those terms in writing are enforceable. No other terms or oral promises not contained in this written contract may be legally enforced. You may change the terms of this agreement only by another written agreement. **NOTICE TO CONSUMER: 1 Do not sign this paper before you read it. 2 You are entitled to a copy of this paper. 3 You may prepay the unpaid balance at any time without penalty and may be entitled to receive a refund of unearned charges in accordance with law.**

KANSAS RESIDENTS: **NOTICE TO CONSUMER:** 1. Do not sign this agreement before you read it. 2. You are entitled to a copy of this agreement. 3. You may prepay the unpaid balance at any time without penalty.

MARYLAND RESIDENTS: Lender elects to make this Note pursuant to the provisions of Subtitle 10 of Title 12 of the Maryland Commercial Law Article ("Subtitle 10") (Credit Grantor Closed End Credit provisions) only to the extent such provisions are not inconsistent with Lender's authority under federal law, including 12 U.S.C. § 1831d, and related regulations and interpretations, which authority Lender expressly reserves.

MASSACHUSETTS RESIDENTS: Massachusetts law prohibits discrimination based upon marital status, sexual orientation, or gender identity.

MISSOURI RESIDENTS: Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect you from misunderstanding or disappointment, any agreements you and Lender reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between you and Lender, except as you and Lender may later agree in writing to modify it.

NEBRASKA RESIDENTS: A credit agreement must be in writing to be enforceable under Nebraska law. To protect Borrower and Lender from any misunderstandings or disappointments, any contract, promise, undertaking, or offer to forebear repayment of money or to make any other financial accommodation in connection with this loan of money or grant or extension of credit, or any amendment of, cancellation of, waiver of, or substitution for any or all of the terms or provisions of any instrument or document executed in connection with this loan of money or grant or extension of credit, must be in writing to be effective.

NEW HAMPSHIRE RESIDENTS: This Note provides for reasonable attorneys' fees to be awarded to Lender in an action

against Borrower involving this Note. Reasonable attorney's fees will be awarded to Lender if Lender prevails in any action, suit, or proceeding brought by Lender or an action brought by Borrower. If Borrower successfully asserts a partial defense or set-off, recoupment, or counterclaim to an action brought by Lender the court may withhold from Lender the entire amount or such portion of the attorney fees as the court considers equitable.

NEW JERSEY RESIDENTS: The section headings of the Agreement are a table of contents and not contract terms. Portions of this Agreement with references to actions taken to the extent of applicable law apply to acts or practices that New Jersey law permits or requires. In this Agreement, acts or practices (i) by you or us which are or may be permitted by "applicable law" are permitted by New Jersey law, and (ii) that may or will be taken by you or us unless prohibited by "applicable law" are permitted by New Jersey law. Those provisions of this Agreement specifically applicable only to residents of another state do not apply to New Jersey residents, and any provisions referencing a right granted to the extent permitted by applicable law refer to New Jersey and federal law.

NEW YORK RESIDENTS: We may report information about Borrower's account to credit bureaus. Late payments, missed payments, or other defaults on Borrower's account may be included in Borrower's credit report. Additionally, a consumer credit report may be requested in connection with Borrower's loan application or in connection with updates, renewals, or extensions of any credit granted as a result of Borrower's loan application. Upon Borrower's request, Borrower will be informed whether or not such a report was requested and, if so, the name and address of the agency that furnished the report.

OHIO RESIDENTS: The Ohio laws against discrimination require that all creditors make credit equally available to all creditworthy customers, and that credit reporting agencies maintain separate credit histories on each individual upon request. The Ohio Civil Rights Commission administers compliance with this law.

RHODE ISLAND RESIDENTS: This Agreement is a Nonnegotiable Consumer Note.

TEXAS AND VIRGINIA RESIDENTS: This Agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

UTAH RESIDENTS: As required by Utah law, you are hereby notified that a negative credit report reflecting on your credit record may be submitted to a credit reporting agency if you fail to fulfill the terms of your credit obligations. **BY ENTERING INTO THIS AGREEMENT, YOU ARE WAIVING CERTAIN RIGHTS RELATED TO BRINGING A LAWSUIT OR SIMILAR PROCEEDING ON A CLASS, REPRESENTATIVE OR COLLECTIVE BASIS.** This Agreement is a final expression of the agreement between you and us. No evidence of any alleged oral agreement may contradict this Agreement.

WISCONSIN RESIDENTS: NOTICE TO CUSTOMER: (1) DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES; (2) YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU SIGN; (3) YOU HAVE THE RIGHT AT ANY TIME TO PAY IN ADVANCE THE UNPAID BALANCE DUE UNDER THIS AGREEMENT AND YOU MAY BE ENTITLED TO A PARTIAL REFUND OF THE FINANCE CHARGE.

MARRIED WISCONSIN RESIDENTS: If you are married: (1) you confirm that the loan is being incurred in the interest of your marriage or family. (2) No provision of any marital property agreement, unilateral statement, or court decree under Wisconsin's Marital Property Act will adversely affect a creditor's interest unless prior to the time credit is granted, the creditor is furnished a copy of that agreement, statement, or decree or has actual knowledge of the adverse provision when the obligation to the creditor is incurred. (3) You understand and agree Lender Bank will provide a copy of this Agreement to your spouse for his or her information. **If the loan for which you are applying is granted, you agree to notify Lender if you have a spouse who needs to receive notification that credit has been extended to you by sending your name, loan number and your spouse's name and address to Optum Bank Inc., Attention: Proceed Finance Manager, 12921 South Vista Station Blvd, Suite 200 Draper UT 84020.**

MILITARY LENDING ACT DISCLOSURE: Federal law provides important protections to members of the Armed Forces and their dependents relating to extensions of consumer credit. In general, the cost of consumer credit to a member of the Armed Forces and his or her dependent may not exceed an annual percentage rate of 36 percent. This rate must include, as applicable to the credit transaction or account: The costs associated with credit insurance premiums; fees for ancillary products sold in connection with the credit transaction; any application fee charged (other than certain application fees for specified credit transactions or accounts); and any participation fee charged (other than certain participation fees for a credit card account).

If you have any questions regarding this disclosure or need it presented verbally, please contact us at (877) 462-5039.

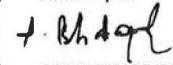
By signing this Note on the date shown below, I acknowledge reading, understanding, and agreeing to all its provisions, including the TILA Disclosures and the Arbitration Provision, and receiving a completely filled in copy of this Note.

NOTICE: ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

CAUTION – IT IS IMPORTANT THAT YOU THOROUGHLY READ THE CONTRACT BEFORE YOU SIGN IT.

NOTICE TO CONSUMERS:

- (1) Do not sign this if it contains any blank spaces;
- (2) You are entitled to an exact copy of any agreement you sign;
- (3) You have the right at any time to pay in advance the unpaid balance due under this agreement and you may be entitled to a partial refund of the finance charge.

Firmado por:

 586C89F460DE475...

8/8/2025

SERGIO ESTRADA

Date (month / day / year)

Optum Bank

08/08/2025

Lender

Date



Optum Bank c/o Proceed Finance
PO BOX 80238
Lincoln, NE 68501

Sergio Estrada
9586 SW 4th Ln
Miami, FL 33174

Notice of Servicing Transfer

Dear Sergio Estrada:

The servicing of your Proceed Finance loan originated by Optum Bank is being transferred effective immediately. This means our servicer, Security First Bank, will be collecting your payments. The transfer does not affect the terms and conditions of your loan.

Beginning immediately, payments should be sent directly to the servicer, Security First Bank.

If you have any questions for Security First Bank about your loan or this transfer, please contact them using the information below:

Correspondence:	Security First Bank 1300 Garret Lane Lincoln, NE 68512
Payments:	Security First Bank PO Box 6878 Carol Stream, IL 60197-6878
Online:	Security1stBank.com/proceed-finance
Phone:	844.565.7148

Thank You!

Optum Bank

**Optum Bank**
Member FDIC

08/08/2025

Dear Sergio,

Congratulations on the approval and acceptance of your Proceed Finance loan originated by Optum Bank! To complete your loan, please complete the following steps:

Step 1

Review and **retain** the following documents:

- Risk Based Pricing Notice
- Privacy Policy

Step 2

Please review and sign the application attestation page to ensure that all information submitted on your application is true and correct. In the event that any information contained therein is incorrect, please contact us at 1 (844) 272-7587.

Please review the loan documents and sign and date the last page. Please make sure the date is legible. Return the application attestation and all pages of your loan documentation to QC Kinetix - Doral.

Your provider will retain a copy of the original signed loan documents and send a copy to us. You will receive a Welcome Packet from us within a few days which will contain a complete copy of your signed loan documents as well as additional information about your loan.

Step 3 (Optional)

Setting up automatic payments is an easy way to make sure you never miss a payment. Automatic payments are safe, fast, and come at no cost to you. If you would like to take advantage of the convenience and peace of mind that come along with automatic payments, complete and sign the **ACH Payment Authorization** form and submit it along with your loan documents. For payment amount and due date, please reference the payment schedule on page 1 of your loan documents.

As an added benefit, you will receive an interest rate reduction of 0.25% while enrolled in automatic payments!*

*Account must be in good standing

Sincerely,

Proceed Finance

YOUR CREDIT SCORE AND THE PRICE YOU PAY FOR CREDIT

Your Credit Score

Your Credit Score **808**

Date: August 8, 2025

Source:

TransUnion
PO Box 1000
Chester PA 19016

1-800-916-8800

Understanding Your Credit Score

What you should know about your credit score	Your credit score is a number that reflects the information in your credit report.
	Your credit report is a record of your credit history. It includes information about whether you pay your bills on time and how much you owe to creditors
	Your credit score can change, depending on how your credit history changes.
How we use your credit score	Your credit score can affect whether you can get a loan and how much you will have to pay for that loan.
The range of scores	Scores range from a low of 300 to a high of 850.
	Generally, the higher your score, the more likely you are to be offered better credit terms.
How your score compares to the scores of other consumers	Your credit score ranks higher than 79 percent of US consumers.