

Provision	Section in Development Agreement	Summary
		In the event that no settlement or resolution between the parties can be reached through internal mediation within thirty (30) days following the date on which a written request for internal mediation is made by any party, such dispute may be submitted for arbitration. "Internal mediation" shall consist of, among other things, the parties having reasonable business discussions, whether by telephone or in person, concerning the dispute and means of resolving the dispute.
v. Choice of forum	Section 15	Lorain County, Ohio (subject to state law).
w. Choice of law	Section 11	Subject to applicable state law, the Franchise Agreement is to be interpreted and construed under Ohio law (without giving effect to any conflict of law) except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between us and you will not apply unless its jurisdictional requirements are met independently.

Additional Information

See Exhibit L for any state-specific disclosures required by your state.

Item 18

PUBLIC FIGURES

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

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.

Written substantiation of the data used in preparing the following financial performance representation will be made available to you upon reasonable request.

This historic financial representation is divided into three main parts: (1) Gross Revenues, including a year over year comparison of 2023 vs. 2022; (2) 2023 Gross Profit; and (3) 2023 Case Average and Average Visit Income statistics. The references to a fiscal year mean January 1 through December 31 of the indicated calendar year.

Some Clinic franchises have earned these amounts. Your individual results may

differ. There is no assurance that you will earn as much.

For purposes of the financial representation set forth below:

“Average Visit Income” or “AVI” means the average amount of money paid by each Patient for services and products provided by the Clinic franchise divided by the number of office visits for that Patient. This data is gathered from our HSWorx billing software.

“Case Average” or “CA” means the average amount of money paid by each Patient for services and products provided by the Clinic franchise over the Patient’s treatment plan. A Patient can have more than one treatment plan over time, either for different conditions or recurrences of the same condition. This data is gathered from our HSWorx billing software.

“Gross Profit” means Gross Revenues minus royalties paid to us, Ad Fund contributions, Technology Fees paid to us, wages paid to employees other than the franchise owner, rent, utilities and license fees for the HSWorx software. Gross Profit does not deduct for compensation paid to a franchise owner. Expense data used in this calculation is collected from franchisees that timely respond to our request for such information.

“Gross Revenues” means funds actually received and collected for the services/product provided to patients of the Qualifying Units. This data is gathered from our HSWorx billing software.

“Participating Franchisees” are the Qualifying Units that returned sufficient cost data to be used in the study. There were 67 Participating Franchises for the 2023 fiscal year.

“Patient” means a customer of a Clinic that converts to a treatment plan, which generally occurs after two initial visits.

“Qualifying Units” are Clinic franchise outlets that have opened and have reported revenues and patient statistics through the HSWorx billing software for the entire 2023 fiscal year, which requirement excludes eleven Clinic franchises whose term expired, six Clinic franchises that opened mid-year, and two Clinic franchises that ceased operations.

There were 124 Qualifying Units for the 2023 fiscal year.

“Quartile” means a specified $\frac{1}{4}$ (25%) of the Qualifying Units, determined based on the relative performance of the Clinic Franchises. Quartile 1 includes the highest performing Clinic franchises while Quartile 4 includes the lowest performing Clinic franchises as determined by the performance measures being presented.

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1. Gross Revenues: Year Over Year Comparison - 2022 v. 2023.

Of the 124 Qualifying Units for 2023, 118 also met the definition of Qualifying Units in 2022. We measured the Gross Revenues collected in 2022 vs. 2023 for the 118 Clinics that met the definition of Qualifying Units for both years.

Annual Gross Revenues.

As shown in the table below, for those 118 Qualifying Units the average Gross Revenues increased by 5.6% from 2022 to 2023.

Year	Average (mean) Gross Revenues	Median Gross Revenues	Number of Units Meeting or Exceeding Average	Percent of Units Meeting or Exceeding Average	Gross Revenues Range
2023	\$ 513,184	\$ 442,547	49	41.5%	\$67,647-\$1,636,167
2022	\$ 485,808	\$ 421,398	50	42.4%	\$56,201-\$1,680,372

Gross Revenues by Quartile.

Quartile/Year	Total Sample Size	2022	2023	Percentage Increase from 2022 to 2023
1	30	\$900,575	\$967,891	7.5%
2	30	\$528,550	\$550,604	4.2%
3	29	\$ 332,452	\$349,559	5.1%
4	29	\$ 165,881	\$ 167,712	1.1%

2. **Gross Profit for 2023.**

2023 Annual Gross Profit.

The Gross Profit information presented below is derived from the 67 Participating Units for 2023. The financial data submitted by the 67 Participating Franchisees showed the following expenses on average across all such units: 6.2% of Gross Revenues for monthly royalty; 1.9% of Gross Revenues for Ad Fund contribution; 9.4% of Gross Revenues on average for rent and utilities; 28.9% of Gross Revenues on average for non-owner wages; and \$9,600 per year for Technology Fee and mandatory software fees.

Average (mean) Gross Profit	Median Gross Profit	Number of Units Meeting or Exceeding Average	Percent of Units Meeting or Exceeding Average	Gross Profit Range
\$363,848	\$309,063	29	43.3%	\$61,458-\$1,045,697

2023 Gross Profit by Quartile.

Quartile	Total Sample Size	Gross Profit
1	17	\$646,677
2	17	\$401,615
3	17	\$250,779
4	16	\$143,350

3. **2023 Case Average (CA) and Average Visit Income (AVI).**

CA and AVI Averages for 2023.

We measured the Case Average and Average Visit Income for the 124 Clinics that met the definition of Qualifying Units for 2023.

Case Average (CA)		Average Visit Income (AVI)	
Average	Median	Average	Median
\$2,767	\$2,691	\$73.37	\$69.16

Of the 124 total Qualifying Units, 59 clinics, or 48%, attained or surpassed the average annual CA figure. Of the 124 total Qualifying Units, 50 clinics, or 40%, attained or surpassed the average annual AVI figure. The range of Clinic CA for 2023 was \$772 – \$4,953, and the range of AVI for 2023 was \$35.00 – \$270.20.

2023 CA and AVI by Quartile.

The following table presents 2023 CA and AVI statistics for the Qualifying Units, broken down by Quartile.

Case Average			Average Visit Income		
Quartile	Number of Clinics	Case Average	Quartile	Number of Clinics	AVI
1	31	\$4,025	1	31	101.94
2	31	\$3,086	2	31	\$75.60
3	31	\$2,364	3	31	\$65.54
4	31	\$1,592	4	31	\$50.40

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing

outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to us by contacting our Director of Sales & Development at 36901 American Way, Suite 7, Avon, OH 44011, PH. (440) 934-5858, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
System-wide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	150	144	-6
	2022	144	138	-6
	2023	138	130	-8
Company Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	150	144	-6
	2022	144	138	-6
	2023	138	130	-8

Our Clinic Franchisees

See Exhibit E for the name, address, and telephone number of each of our current and former HealthSource Chiropractic Clinic franchisees. Certain franchisees have signed confidentiality clauses during the last three fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the HealthSource Chiropractic System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

The name, city, state and telephone number for each Clinic Franchisee that was terminated, not renewed, canceled, voluntarily or involuntarily ceased to do business under the franchise agreement during the 2023 fiscal year, or who has not communicated to us within 10 weeks of the issuance date of this disclosure document, is set forth in Exhibit E. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**