

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
		is intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Sections 12 and 13, 15	<p>Except for certain claims, we and you must arbitrate all disputes in Lorain County, Ohio (subject to state law) before a single arbitrator with the American Arbitration Association.</p> <p>Except as we elect to enforce the Franchise Agreement or to seek temporary or permanent injunctive relief, before either party commences an arbitration, the parties agree that, as a condition precedent to the filing or commencement of any arbitration, they will attempt to resolve any dispute through internal mediation between the parties to be conducted in a mutually agreeable location, or if no such location is agreed upon within 10 days after a request for mediation, then at our corporate headquarters. 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.</p>
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 four main parts: (1) Gross Revenues for Qualifying Units, including a year over year comparison of 2024 vs. 2023; (2) 2024 Gross Profit (with Gross Revenues) for the Participating Franchisees; (3) 2024 Conversion Percentage and Patient Visit Average; and (4) Case Average and Average Visit Income. 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.

“Conversion Percentage” means the number of Patients divided by the number of people that attend only one or two visits and do not return for the third visit. 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 74 Participating Franchises for the 2024 fiscal year.

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

“Patient Visit Average” or “PVA” means the number of visits a Patient has divided by the number of Patients. This data is gathered from our HSWorx billing software.

“Qualifying Units” are Clinic franchise outlets that have opened and have reported revenues and patient statistics through the HSWorx billing software for the entire 2024 fiscal year, which requirement excludes eight Clinic franchises whose term expired, thirteen Clinic franchises that opened mid-year, one clinic franchise that was terminated and four Clinic franchises that ceased operations. There were 119 Qualifying Units for the 2024 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 - 2023 v. 2024.**

Of the 119 Qualifying Units for 2024, 113 also met the definition of Qualifying Units in 2023. We measured the Gross Revenues collected in 2023 vs. 2024 for the 113 Clinics that met the definition of Qualifying Units for both years. Of our 132 total units at the end of 2024, 13 units were excluded from the tables below because they were not operating for the entire calendar year.

### *Annual Gross Revenues.*

As shown in the table below, for those 113 Qualifying Units the average Gross Revenues increased by 8.5% from 2023 to 2024.

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
2024	\$ 571,990	\$ 490,766	49	43.4%	\$57,935 \$1,648,703
2023	\$ 527,119	\$ 449,266	45	39.8%	\$82,322- \$1,636,167

### *Gross Revenues by Quartile.*

Quartile/Year	Total Sample Size	2023	2024	Percentage Increase from 2023 to 2024
1	29	\$977,102	\$1,052,217	7.7%
2	28	\$558,178	\$632,797	13.4%
3	28	\$ 368,989	\$391,532	6.1%
4	28	\$ 188,136	\$ 194,263	3.3%

## 2. **Gross Profit for 2024.**

### 2024 Annual Gross Profit.

The Gross Profit information presented below is derived from the 74 Participating Franchisees for 2024. The financial data submitted by the 74 Participating Franchisees showed the following expenses on average across all such units: 6.0% of Gross Revenues for monthly royalty; 1.9% of Gross Revenues for Ad Fund contribution; 9.8% of Gross Revenues on average for rent and utilities; 29.3% 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
\$369,432	\$324,739	30	40.5%	\$81,110-\$1,070,202

### 2024 Gross Profit by Quartile.

Quartile	Total Sample Size	Gross Profit
1	19	\$671,259
2	19	\$393,698
3	18	\$254,795
4	18	\$139,861

The average revenue for the 74 Participating Franchisees was \$698,724 and ranged from \$244,788 to \$1,643,703. Of the 74 Participating Franchisees 31 Franchisees (41.9%) exceeded the average.

### **3. 2024 Conversion Percentage (Conversion %) and Patient Visit Average (PVA).**

*Conversion % and PVA for 2024.*

*We measured the Conversion Percentage and Patient Visit Average for the 119 Clinics that met the definition of Qualifying Units for 2024.*

Conversion Percentage (Conversion %)		Patient Visit Average (PVA)	
Average	Median	Average	Median
69%	70%	40	37

Of the 119 total Qualifying Units, 55 clinics, or 46.2%, attained or surpassed the average annual Conversion % figure. Of the 119 total Qualifying Units, 53 clinics, or 44.5%, attained or surpassed the PVA figure. The range of Conversion % for 2024 was 39% - 93%, and the range of PVA for 2024 was 15-151 visits.

Conversion Percentage			Patient Visit Average (PVA)		
Quartile	Number of Clinics	Conversion %	Quartile	Number of Clinics	PVA
1	30	80%	1	30	59
2	30	73%	2	30	42
3	30	67%	3	30	33
4	29	54%	4	29	25

### **4. 2024 Case Average (CA) and Average Visit Income (AVI).**

*CA and AVI Averages for 2024.*

We measured the Case Average and Average Visit Income for the 119 Clinics that met the definition of Qualifying Units for 2024.

Case Average (CA)		Average Visit Income (AVI)	
Average	Median	Average	Median
\$2,866	\$2,838	\$74.44	\$73.62

Of the 119 total Qualifying Units, 58 clinics, or 48.7%, attained or surpassed the average annual CA figure. Of the 119 total Qualifying Units, 58 clinics, or 48.7%, attained or surpassed the average annual AVI figure. The range of Clinic CA for 2024 was \$874 – \$5,881, and the range of AVI for 2024 was \$32.65 – \$130.68.

#### 2024 CA and AVI by Quartile

The following table presents 2024 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	30	\$4,039	1	30	\$97.94
2	30	\$3,220	2	30	\$80.25
3	30	\$2,474	3	30	\$68.01
4	29	\$1,691	4	29	\$50.78

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 P.O. Box 770050 Lakewood, OH 44107, 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 2022 to 2024**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2022	144	138	-6
	2023	138	130	-8
	<b>2024</b>	<b>130</b>	<b>132</b>	<b>+2</b>
Company Owned	2022	0	0	0
	2023	0	0	0
	<b>2024</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Outlets</b>	2022	144	138	-6
	2023	138	130	-6
	<b>2024</b>	<b>130</b>	<b>132</b>	<b>+2</b>

**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 2024 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.**