

FRANCHISE DISCLOSURE DOCUMENT

KHealthSource_®

HealthSource Chiropractic, Inc. an Ohio corporation 36901 American Way, Suite 7 Avon, Ohio 44011 (440) 934-5858 Email:kwallace@healthsourcechiro.com www.HealthSourceChiro.com www.HealthSourceFranchise.com

HealthSource Chiropractic clinics are business-to-consumer franchises with an easy operating system that provide "progressive rehabilitation," by offering physical therapy and chiropractic services together as a comprehensive solution for pain relief, and other related services and products. We offer individual Clinic franchises for the right to develop and operate a single Clinic offering all of our franchised services and products in a designated area.

The total investment necessary to begin operation of a single, new start-up Clinic franchise ranges from \$146,741 to \$250,697 for the first Clinic purchased and from \$127,741 to \$231,697 for each additional Clinic franchise. This includes the initial franchise fee of \$39,997.00 for the first franchise purchased, and \$21,000 for each additional franchise. The total investment necessary to begin operation of an existing chiropractic clinic converted to a HealthSource Chiropractic Clinic franchise ranges from \$60,641 to \$246,697 for the first conversion Clinic, and from \$45,641 to \$231,697 for each additional conversion Clinic. This includes the initial franchise fee of \$36,000 for the first conversion Clinic, and \$21,000 for each additional conversion Clinic.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact HealthSource Chiropractic, Inc. at 36901 American Way, Suite 7, Avon, Ohio 44011, (440) 934-5858.

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



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

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

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STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering and selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, about other franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

- 1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN LORAIN COUNTY, OHIO. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN OHIO THAN IN YOUR OWN STATE.
- 2. THE FRANCHISE AGREEMENT STATES THAT OHIO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. SOME STATE FRANCHISE LAWS PROVIDE THAT CHOICE OF LAW PROVISIONS ARE VOID OR SUPERSEDED. YOU MIGHT WANT TO INVESTIGATE WHETHER YOU ARE PROTECTED BY A STATE FRANCHISE LAW. YOU SHOULD REVIEW ANY ADDENDA OR RIDERS ATTACHED TO THIS DISCLOSURE DOCUMENT FOR DISCLOSURES REGARDING STATE FRANCHISE LAWS.
- 3. YOU, AND/OR EACH OWNER/PARTNER/MEMBER, ETC. IF YOU ARE A LEGAL ENTITY, MUST SIGN A PERSONAL GUARANTY AND PERSONALLY GUARANTEE ALL OBLIGATIONS OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES AT RISK THE PERSONAL ASSETS OF YOU, THE OWNERS/PARTNERS/MEMBERS OF YOU IF YOU ARE A LEGAL ENTITY.
- 4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source is <u>our</u> agent and

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