# FRANCHISE DISCLOSURE DOCUMENT

**The Joint Corp.**
**16767 N. Perimeter Dr., Suite 110**
**Scottsdale, Arizona 85260**
**Telephone (480) 245-5960**
**Website: www.thejoint.com**
**Email: eric.simon@thejoint.com**

This disclosure document is for the right to own and operate a Regional Developer Business in which you will be responsible for promoting, establishing and supporting Location Franchises which operate and/or manage chiropractic clinics ("Clinic(s)") that specialize in providing chiropractic services to the general public at a specific location under the trademarks "The Joint®", "The Joint® Chiropractic™, and other marks we authorize. The term "Regional Developer" or "Regional Developers", mean a person or entity that operates one or several Regional Developer Businesses. Note that the term "Regional Developer(s)" as used in this document has the same definition and meaning as an "Area Representative(s)" under the new NASAA Multi-Unit Commentary adopted in September 2014. Each Location Franchise will report to and receive support directly and indirectly from you and/or our corporate headquarters. Location Franchises are offered under a separate disclosure document ("FDD for Location Franchises").

The estimated total initial investment necessary to begin operation of your Regional Developer Business will range from $166,225 to $550,550. This amount includes a Development Fee ranging from $150,000 to $500,000 that must be paid to the franchisor or an affiliate. Each Regional Developer Business must open at least one Location Franchise. The estimated total initial investment necessary to begin operations of a Location Franchise is contained in our FDD for Location Franchises.

This disclosure document ("Disclosure Document") summarizes certain provisions of your Regional Developer 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, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 Eric Simon, The Joint Corp., 16767 N. Perimeter Dr., Suite 110, Scottsdale, AZ 85260, (480) 245-5960.

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 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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information on franchising. 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: August 22, 2024 (amended October 24, 2024)

## How to Use this Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E. |
| **How much will I need to invest?** | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| **Does the franchisor have the financial ability to provide support to my business?** | Item 21 or Exhibit D 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 The Joint® Regional Developer Business in my area?** | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a troubled legal history?** | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| **What's it like to be a The Joint® Regional Developer Business franchisee?** | Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

## What You Need To Know About 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 term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

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

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

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

## Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of 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 regional developer agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Arizona. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Arizona 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.

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.

## REQUIRED BY THE STATE OF MICHIGAN

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

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

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives 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.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure each failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the 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.

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

(f) A provision requiring that mediation or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of mediation, to conduct mediation at a location outside this state.

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

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

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

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

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

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

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless a 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, 670 Law Building, 525 W. Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

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**EXHIBITS TO DISCLOSURE DOCUMENT:**

## ITEM 1

## THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, the following terms have the meanings given to them below:

"We" or "us" means The Joint Corp., the franchisor, but does not the franchisor's officers, directors, agents or employees.

"You" means the person who buys a Regional Developer franchise from us.

"Owners" means the principal shareholders, partners or members holding an ownership interest in you if you are a corporation, partnership, limited liability company, or other business entity.

"Regional Developer Business" or "Franchised Business" means the franchised business offered under this Disclosure Document that consists of promoting, establishing and supporting Location Franchises.

"Regional Developer" means a person or entity that owns and operates a Regional Developer Business. Note that the term "Regional Developer" as used in this document has the same definition and meaning as an "Area Representative(s)" under the NASAA Multi-Unit Commentary adopted in September 2014.

"Marks" means the trademarks "The Joint®", "The Joint Chiropractic®, "The Joint…the chiropractic place®" and any other marks we authorize for use by The Joint® chiropractic clinics or Regional Developers.

"Clinic" means any chiropractic clinic that operates under the Marks and specializes in providing chiropractic services and products to the general public through licensed chiropractic professionals, including clinics operated by us, our affiliates, you or our other franchisees.

"Location Franchise" means the franchised business offered under a separate Franchise Disclosure Document for the operation and/or management of a Clinic.

"Location Franchisee" or "Franchisee" means the owner or operator of a Location Franchise.

### Corporate Information

The Joint Corp. is a Delaware corporation that was incorporated on March 10, 2010. On November 14, 2014, The Joint Corp. became a publicly traded company on the NASDAQ exchange. Our principal business address is 16767 N. Perimeter Dr., Suite 110, Scottsdale, Arizona 85260. Our telephone number is (480) 245-5960. Our agents for service of process are disclosed in **Exhibit A**. We do not do business under any names other than our legal name "The Joint Corp." and the trade names "The Joint" and "The Joint Chiropractic".

### Predecessors, Parents and Affiliates

We do not have any predecessors or parent companies. We do not have any affiliates that: (a) offer (or have ever offered) franchises in this or any other line of business; or (b) provide products or services to our franchisees.

### Our Business History

We offer franchises for Clinics (i.e., Location Franchises) and Regional Developer Businesses. We have never offered franchises in any other line of business.

We have offered Clinic franchises since 2010. As of December 31, 2023, we have sold a total of 1,279 Clinic franchises. A more detailed description of a Clinic is provided later in this Item. Clinic franchises are offered under a separate Franchise Disclosure Document.

We have offered franchises for Regional Developer Businesses from: (a) 2011 to December 2013; and (b) November 2016 to present. We temporarily discontinued offering franchises for Regional Developer Businesses from December 2013 until November 2016. We no longer offer franchises for new Regional Developer Businesses. However, we continue to offer renewal rights to existing Regional Developers.

In addition to offering franchises and administering the franchise system, we have owned and operated (or in some cases managed) Clinics in various states since 2014. We acquired some of these Clinics from franchisees and developed others on our own. Some of these Clinics are owned, operated and managed by us. Others are owned and operated by third parties (i.e., chiropractic PCs) but managed by us in accordance with Management Agreements signed by us and the owners of the Clinics. We also operate Regional Developer Businesses in certain states. In most cases, these are previously franchised Regional Developer Businesses that we have reacquired.

We are not currently engaged in any line of business other than: (a) offering franchises for Clinics and Regional Developer Businesses; and (b) owning, operating and/or managing Clinics and Regional Developer Businesses as described above.

**Description of a Clinic**

Clinics are cash-basis, private-pay business that offers chiropractic services to the public using a membership model. We offer 2 distinct business models for a Location Franchise, which are discussed below.

*Franchised Clinic (Direct Ownership Model)*

A Clinic may be owned, operated and managed by the Franchisee (i.e., a Franchised Clinic) if either: (a) the Franchisee is either a licensed chiropractor operating as a sole proprietorship or a chiropractic PC that, under applicable state law, is authorized to provide chiropractic services and employ chiropractors; or (b) the Franchisee develops the Clinic in a state that allows a person who is not a licensed chiropractor or chiropractic PC to own and operate a chiropractic clinic and employ chiropractors.

*Managed Clinic (Managed Operation Model)*

A Franchisee who does not qualify for a Franchised Clinic must acquire a Managed Clinic. Under our Managed Clinic model, the Franchisee manages (but does not own or operate) the Clinic. As used in the context of a Managed Clinic, "ownership" and "operation" of the Clinic refers to ownership and operation of the chiropractic practice conducted from the Clinic. It does not refer to ownership of the premises or any of the furniture, fixtures, equipment or other assets located within or utilized at the Clinic.

The Franchise Clinic and Managed Clinic models are discussed in more detail in the Franchise Disclosure Document we are separately providing to you for a Location Franchise.

We offer Location Franchises to persons or legal entities that meet our qualifications, and are willing to undertake the investment and effort to own and operate Location Franchises that will own, operate and/or manage Clinics. Depending on the area, some Location Franchises may have a Regional Developer that assists us with support of the Location Franchises in their area. If a Location Franchise is located in an area where we have a Regional Developer, the Regional Developer provides, on our behalf, certain Sales Services, Site Services, and Support Services to the Location Franchises in that area.

The Franchise Agreement grants the Franchisee the right to establish and operate a Location Franchise using our Marks from a site that must be approved by us. The Franchisee must operate the Location Franchise in strict compliance with: (a) all of the terms and conditions of the Franchise Agreement; (b) all standards and procedures that we specify (the "System"); and (c) all mandatory provisions contained within our Manual for Location Franchises, which we may change from time to time (the "Manual for Location Franchises").

Currently, the Clinics associated with Location Franchises are typically located in highly trafficked strip malls or other similarly suitable locations, or other locations, such as medical or corporate centers where chiropractic clinics are typically located. However, in the future we may offer the right to operate a Location Franchises in a "Non-Traditional Site." For purposes of this Disclosure Document, a "Non-Traditional Site" means any site or channel that generates customer traffic flow that is independent from the general customer traffic flow of the surrounding area, including on or within the confines or premises of military bases, shopping malls or centers, stadiums, major industrial or office complexes, parking lots or structures, mobile vehicles, airports, hotels, resorts, school campuses, train stations, travel plazas, toll roads, casinos, hospitals, theme parks, and sports or entertainment venues. "Non-Traditional Sites" also may include the establishment and operation of a Clinic within a pre-existing business that does not operate under the Marks. For example, Clinics established within an urgent care center, retail store, or

medical spa would qualify as Non-Traditional Sites. We would expect to grant franchises for Non-Traditional Sites in self-contained locations such as college or university campuses, airports, hospitals, or sports arenas.

**Description of a Regional Developer Business**

The franchise offered under this Disclosure Document is for a Regional Developer Business. It does not include information about the costs or other requirements relating to the establishment or operation of a Location Franchise.

We offer qualified applicants the opportunity to sign a regional developer agreement (referred to as a "Regional Developer Agreement" or "RDA") for purposes of establishing and operating a Regional Developer Business, including the solicitation of potential purchasers of Location Franchises within a defined geographic development area ("Development Area"). If we grant you a franchise for a Regional Developer Business, you must sign a Regional Developer Agreement. Our current form of Regional Developer Agreement is attached to this Disclosure Document as **Exhibit B**.

As a Regional Developer, you will (a) solicit, recruit, screen and interview prospective Franchisees for us ("Sales Services"); (b) help us identify and secure sites for Location Franchises ("Site Services"); and (c) provide additional operational, training and field support to each Franchisee in your Development Area both before and after they open their Location Franchise ("Support Services"). You will share in a portion of some of the fees paid to us by the Franchisees in your Development Area in exchange for performing your duties under the RDA. You will receive 50% of the initial franchise fees (less referral fees and sales commissions, renewal fees and transfer fees paid by Franchisees) and 42.957% of royalty fees paid by Franchisees. If we provide Sales Services on your behalf (with your agreement) then your commission on initial franchise fees will be reduced to 25%.

Your right to promote Location Franchises in your Development Area is non-exclusive. Therefore, we may recruit prospective Franchisees and sell Location Franchises in your Development Area. However, you will still earn a portion of the initial franchise fee for Location Franchises that we sell in your Development Area as long as you comply with the requirements of your RDA. We will turn over to you all of the sales leads that we receive from prospects looking to acquire a Location Franchise in your Development Area so that you can pre-qualify the candidate.

While we rely on you to solicit, screen and interview Franchisee candidates and to present us with those applicants whom you pre-qualify using our criteria, we make the final decision on whether we will sell a franchise to the candidates you present. If we approve the candidate, we and the candidate will sign a Franchise Agreement. Our current form of Franchise Agreement is attached to our separate FDD for Location Franchises. You will not be a party to the Franchise Agreements we sign. However, you will provide a variety of Site Services and Support Services to the Franchisees in your Development Area.

If you are a business entity, the RDA requires you to designate the individuals who will be responsible for your Regional Developer Business. The Owner(s) of the Regional Developer Business, or others you designate to operate the Regional Developer Business, must meet our qualifications and must be approved by us. Your current and future Owners and their spouses must sign an Owner's Guaranty and Assumption of Obligations ("Guaranty") (see Exhibit 4 to the RDA) guaranteeing your performance and binding themselves individually to certain provisions of the RDA, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures.

As a Regional Developer, you must open at least 1 Location Franchise. You must sign our current form of Franchise Agreement and pay us our then-current initial franchise fee for Location Franchises at the same time that you execute your RDA. The estimated total initial investment necessary to begin operation of your required Location Franchise is contained in our FDD for Location Franchises. You will sign a separate Franchise Agreement for each Location Franchise that you establish under the RDA. Each Franchise Agreement shall be our then-current form of Franchise Agreement, the terms and conditions of which may vary materially and substantially from the terms and conditions of the Franchise Agreement you sign for your first Location Franchise.

We may periodically make changes to the systems and standards for your Regional Developer Business. All Regional Developer Businesses must be developed and operated in accordance with our specifications, standards, policies and procedures, which will be communicated to you via our confidential Manual for Regional Developer

Businesses ("Manual for RDs") or other written communications and directions from us.

**Market and Competition**

The target market for Clinic patients includes members of the general public in need of chiropractic services. The chiropractic industry is developed and competitive. Sales are not seasonal. Clinics compete with other businesses offering chiropractic or related services (e.g., pain relief, physical therapy, wellness, etc.). Competitors include chiropractic clinics, physical therapy specialists, hospitals and other medical facilities. Clinics may also face competition from businesses or professionals that operate multi-disciplinary medical and/or healthcare practices that offer chiropractic care along with other medical and/or health-related services. Some competitors are independently owned and operated businesses while others operate through regional or national chains. Some competitors operate under a franchise model.

Regional Developer Businesses compete with other franchisors, regional developers, sales brokers and others offering various types of franchise concepts and/or other business opportunities. Prior business management experience is generally very important for new Regional Developers, and prior business ownership experience is highly desirable.

**Laws and Regulations**

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Regional Developer Business. In all cases, you must also comply with laws that apply generally to all businesses. You should investigate these laws, and consult with a legal advisor about whether these and/or other requirements apply to your franchise. In addition to laws and regulations that apply to businesses generally, your Regional Developer Business may be subject to federal, state and local occupational safety and health regulations, Equal Employment Opportunity and Americans with Disabilities Act rules and regulations. As a Regional Developer, you must comply with all applicable federal and state franchise laws. You must comply with the disclosure requirements mandated by the FTC Franchise Disclosure Rule. Further, in the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin, we are required to register the Franchise Disclosure Document (or in some cases submit a notice filing) before the offer or sale of any franchise in that particular state. The states of New York and Washington will also require you to register as a franchise broker. You must comply with all state and federal data privacy and recordkeeping regulations and guidance. It is your responsibility to investigate and comply with all applicable laws.

We strongly encourage our Regional Developers to consult with independent legal counsel concerning the chiropractic laws of the state(s) in which your potential Development Area(s) will be located so that you are aware of the requirements that will apply to the Location Franchises within your Development Area. We are not obligated to provide assistance in determining which specific state laws apply to Regional Developer Businesses or Location Franchises in your Development Area.

## ITEM 2

## BUSINESS EXPERIENCE

**Sanjiv Razdan – President, Chief Executive Officer and Director**

Mr. Razdan has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | President, CEO and Director | Oct 2024 to present |
| International Coffee & Tea LLC | Los Angeles, CA | President CBTL Americas and India | Mar 2021 to May 2024 |
| Unemployed | Los Angeles, CA | Not applicable | Jul 2020 to Feb 2021 |
| Sweetgreen | Los Angeles, CA | Chief Operations Officer | Apr 2018 to Jun 2020 |

**Jake Singleton – Chief Financial Officer**

Mr. Singleton has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | CFO | Nov 2018 to present |
| | | Corporate Controller | Jun 2015 to Nov 2018 |

**Charles Nelles – Chief Technology Officer**

Mr. Nelles has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | Chief Technology Officer | Jan 2022 to present |
| American Express Global Business Travel | Scottsdale, AZ | VP, Global Infrastructure | Feb 2018 to Jan 2022 |

**Lori Abou Habib – Chief Marketing Officer**

Mrs. Abou Habib has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | Chief Marketing Officer | Aug 2023 to present |
| Sonic Industries | Oklahoma City, OK | Chief Marketing Officer | Dec 2007 to Aug 2023 |

**Eric Simon – SVP of Franchise Sales and Development**

Mr. Simon has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | SVP of Franchise Sales and Development | Dec 2023 to present |
| The Joint Corp. | Phoenix, AZ | VP of Franchise Sales and Development | Nov 2016 to Dec 2023 |

**Jorge Armenteros – SVP of Operations**

Mr. Armenteros has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | SVP of Operations | Sep 2021 to present |
| The Joint Corp. | Phoenix, AZ | VP of Operations | Jan 2017 to Sep 2021 |

**Dr. Steven Knauf – Vice President of Chiropractic and Compliance**

Dr. Knauf has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | VP of Chiropractic and Compliance | May 2022 to present |
| | | Executive Director of Chiropractic and Compliance | Aug 2020 to May 2022 |
| | | Director of Chiropractic and Compliance | Jan 2017 to Jul 2020 |
| | | Senior Doctor of Chiropractic | Jul 2015 to Jan 2017 |

**Matthew E. Rubel – Lead Director**

Mr. Rubel has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | Lead Director | Aug 2017 to present |
| | | Director | Jun 2017 to Aug 2017 |
| Holley Performance Products | Bowling Green, KY | Executive Chairman | Apr 2021 to present |
| MidOcean Private Equity Consumer Group | Dallas, TX | Chairman | Jul 2018 to present |
| KidKraft | Dallas, TX | Chairman | Jul 2018 to Jun 2023 |

**Ronald DaVella – Director**

Mr. DaVella has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | Director | Nov 2014 to present |
| Universal Health Group | Tampa, FL | Financial Advisor and Board Member | Jun 2022 to present |
| Multiomics | San Diego, CA | Financial Advisor | Jun 2022 to present |
| Industrial Succession Corp. | Anaheim, CA | Financial Advisor | Jul 2022 to present |
| Mobile Holding Properties, LLC | Atlanta, GA | Board Member and Director | Nov 2020 to present |
| Delta Dental of AZ | Phoenix, AZ | Board Member and Director | Aug 2020 to present |
| AURA Ventures | Las Vegas, NV | COO, CEO and Chairman of Strategic Advisory Board | Apr 2020 to present |
| NorthStar Security Holdings | Phoenix, AZ | Board Member and Director | Jan 2021 to Jan 2022 |
| The Alkaline Water Co. | Scottsdale, AZ | VP of Finance | Mar 2022 to Mar 2023 and Apr 2019 to Jan 2020 |

**Suzanne M. Decker – Director**

Ms. Decker has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | Director | May 2017 to present |
| Bond Vet | New York, NY | Consultant | Apr 2022 to present |
| Refresh Mental Health | Jacksonville, FL | Board Member | Jan 2021 to Feb 2022 |

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| Aspen Dental Management Inc. | Syracuse, NY | Executive Program Sponsor | Apr 2021 to Dec 2022 |
| | | Chief Human Resources Officer | Apr 2017 to Apr 2021 |
| | | Senior VP of Human Resources | Jun 2015 to Apr 2017 |

**Abe Hong – Director**

Mr. Hong has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | Director | Jun 2018 to present |
| Learning Care Group | Novi, MI | Executive VP & Chief Technology Officer | Sep 2021 to present |
| Technologent | Scottsdale, AZ | Executive VP & COO | Jun 2020 to Sep 2021 |
| Self Employed | Scottsdale, AZ | Consultant | Feb 2020 to present |
| Discount Tire | Scottsdale, AZ | Executive VP & Chief Information Officer | Aug 2017 to Feb 2020 |

**Jefferson Gramm - Director**

Mr. Gramm has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | Director | Jan 2024 to present |
| Bandera Partners, LLC | New York, NY | Managing Director / Portfolio Manager | Aug 2006 to present |

**Glenn Krevlin- Director**

Mr. Krevlin has held the following positions during the prior 5 years:

| Employer | Location | Title | Period of Time |
|---|---|---|---|
| The Joint Corp. | Phoenix, AZ | Director | May 2019 to present |
| GLENHILL Capital | New York, NY | Founder and Managing Partner | Jan 2001 to present |

## ITEM 3

## LITIGATION

***Carmel Mountain et al. v. The Joint* (Case No. 01-15-0004-1604)**

On July 7, 2015, a Demand for Arbitration was filed against us in California by the following former and/or current franchisees: Carmel Mountain The Joint Enterprises, Inc., Funny Bones, LLC, Global Family Enterprises, LLC, Menifee The Joint Enterprises, Inc., Poway The Joint Enterprises, Inc., R&D Management Solutions, LLC, Rancho Bernado The Joint Enterprises, Inc., Timothy Reed and Jamey Jacquemond, Santee The Joint Enterprises, Inc., SJD Corp., Solano Beach The Joint Enterprises, Inc. and Southern California The Joint Enterprises, Inc. ("Claimants"). The Claimants alleged breach of contract; breach of implied covenant of good faith and fair dealing; wrongful termination; fraud; promissory fraud; negligent misrepresentation; and claims under or arising out of violations of Section 31300, 31301, 31201 and 31202 of the California Franchise Investment Law. We vigorously denied liability for all of Claimants' claims and asserted counterclaims against each Claimant for breach of contract and breach of guaranty, among other claims, and sought a declaratory judgment that termination was proper because Claimants failed to adhere to the development schedules in their respective franchise agreements. Through our counterclaim, we sought damages for each unopened license in accordance with the terms of the parties' franchise agreements. On December 12, 2016, the parties entered into a settlement agreement whereby all parties disclaimed any liability or wrongdoing and mutually agreed that it was in their best interests to resolve their differences through settlement rather than arbitration. Under the terms of the settlement we agreed to: (a) pay Claimants the sum of $800,000, $600,000 of which was paid by our insurance carrier and $100,000 of which was paid through the issuance of $100,000 worth of shares of common stock in The Joint Corp. to Claimants and their counsel; and (b) waive, for a limited time, the transfer fees that would otherwise be due to us if the Claimants elect to sell any of their currently-operating franchises. The parties also agreed to exchange mutual general releases. The arbitration was subsequently dismissed with prejudice, based on the parties' stipulation, on December 20, 2016.

Except for the 1 action listed above, no litigation is required to be disclosed in this Item.

## ITEM 4

## BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## ITEM 5

## INITIAL FEES

**Development Fee**

You must pay us an initial Regional Developer development fee ("the Development Fee") upon signing your RDA. The fee will vary depending on a number of factors, including the size of the Development Area and the potential number of Location Franchises that the Development Area may contain, but we expect these fees to range from $150,000 to $500,000. We do not apply any part of this fee toward the initial franchise fees due for any Location Franchises you may own or operate.

As a Regional Developer, you must open at least one (1) Location Franchise. You will be required to sign our current form of Franchise Agreement and pay us our then-current initial franchise fee at the time you execute your RDA, the amount of which is set forth in the FDD for Location Franchises. The Development Fee and the initial franchise fee for your Location Franchise must be paid by wire transfer, cash or certified funds when you sign the RDA. The Development Fee is uniform for all Regional Developer Businesses we offer through this Disclosure Document. However, we reserve the right to modify the Development Fee in the future to reflect the changing costs of doing business and changes in the value of a Regional Developer Business. We may also discount the Development Fee: (i) if a Regional Developer purchases multiple Development Areas, depending on the number of Development Areas purchased and their geographic locations; (ii) if we are unable to locate a Regional Developer in a particular region we consider desirable; or (iii) based on other subjective factors we deem important to the System.

We incur significant administrative and other expenses in appointing you as a Regional Developer, including training costs, attorneys' fees for preparing your RDA, and expenses related to our lost or deferred opportunities to enfranchise others. As a result, the Development Fee is not refundable under any circumstances.

## ITEM 6

## OTHER FEES

| Fee (1) | Amount | Due Date | Remarks |
|---|---|---|---|
| Transfer Fee | $10,000 per transfer | Before Transfer | No fee if RDA is transferred to legal entity that you control. |
| Franchise Recruitment Advertising and Marketing Expenditures | Not less than $750 per month or $9,000 per year per Development Area (we may increase the required amount by up to 25% per year) | Monthly | If you fail to spend any portion of these required monies, we may deduct the unspent amount from your Royalty payments and spend these funds on your behalf for Location Franchise solicitation advertising, so long as we have notified you of your failure and provided you 30 days to cure it. |
| Technology Fee | Varies | Monthly or Annually (varies by fee) | See Note 2 for a description of the current fees. |
| Costs and Attorneys' Fees | Our actual costs. | As incurred | Payable if your default under your RDA results in us incurring legal expenses. |
| Indemnification | Our actual costs | As incurred | You must indemnify us and related parties for claims involving the operation of your business. |
| Training Fees and Expense Reimbursements | Varies | As incurred | See Note 3. |
| Insurance (4) | Amount of unpaid premiums and related costs | On demand | Payable only if you fail to maintain required insurance coverage and we pay premiums for you. |
| Model Defense Costs (5) | 50% of the incurred cost | As incurred | Payable to us and/or 3rd party |

**Explanatory Notes:**

1. All fees are non-refundable, imposed by and payable to us, unless otherwise indicated. Your payments to us are effectuated by the use of pre-authorized electronic transfers from your operating account that we will process when any payment is due. We also may deduct amounts you owe use from Royalty payments and commissions due under the RDA.

2. You must acquire and utilize all information and communication technology systems that we specify from time to time (the "Technology Systems"). Our required Technology Systems may include computer systems, webcam systems, telecommunications systems, security systems, disclosure systems, electronic signature systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems. Certain components of the Technology Systems must be purchased or licensed from third party suppliers. We

and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs, you agree to pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. We also reserve the right to enter into master agreements with third party suppliers relating to any components of the Technology Systems and then charge you for all amounts that we must pay to these suppliers based upon your use of the software, technology, equipment, or services provided by the suppliers. The "technology fee" includes all amounts that you must pay us or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts that we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based upon changes to the Technology Systems or the prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts that you directly pay to third party suppliers for any component of the Technology Systems. As of the issuance date of this Disclosure Document, we charge the following technology fees: (i) a monthly fee for access to our virtual private network ($50 per month); and (ii) a monthly licensing fee paid to FranConnect for your contact management system ($75 per month plus additional $25 per month per additional license). At this time, we do not retain any portion of any licensing fees that we collect and remit to third-party licensors, such as FranConnect.

3. We do not charge you any training fees, or require reimbursement of any of our expenses, for the pre-opening initial training program that we conduct. If we must train any of your replacement staff after completion the our pre-opening initial training program, we will not charge you any training fee as long as we have additional space available in a regularly scheduled training class. If we must arrange a specially scheduled session to train your replacement staff, we may charge you a training fee of up to $1,000 per person. Training for replacement staff will only be conducted for a general manager or key associate in the case of a Regional Developer Business.

   If you request our trainers to travel, or if they must travel to give you training (other than for on-site assistance that we may provide during the pre-opening and grand opening period as part of the services covered by your initial fees described in Item 5), then you must pay us the then-current per diem charges for those trainers and must reimburse us for the trainers' actual and reasonable travel, lodging and meal expenses.

   For all training sessions, seminars and conferences, you will bear the cost of salaries, benefits, travel, lodging, meals and other related expenses for all your attendees.

4. If you fail to pay the premiums for insurance required to operate your franchise, we may obtain insurance for you and you will be required to reimburse us within 10 days of receipt of a demand for reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within 10 days of our request for reimbursement.

5. You must pay us, on demand, 50% of documented Model Defense Costs (the "RD Expense Share"). "Model Defense Costs" means documented third-party expenses (including attorneys' fees and applicable court or expert witness costs) incurred by the Company to defend threats to The Joint business model in the Development Area arising from newly enacted or proposed, revised or otherwise amended restrictions, legislation, rules, ordinances, and other administrative, state, or governmental actions attempted to be put in place at the Federal, State, County, or local level governing all or a portion of the Development Area, including potential actions by the applicable state Chiropractic Board or similarly named entity that governs Chiropractic practice in all or a portion of the Development Area. The RD Expense Share shall be due upon demand from the Company, so long as the demand includes documentation of all third-party costs and expenses incurred and paid by the Company that comprise the Model Defense Costs (the "Expense Notice").

## ITEM 7

## ESTIMATED INITIAL INVESTMENT

| YOUR ESTIMATED INITIAL INVESTMENT | | | | | |
|---|---|---|---|---|---|
| **Type of Expenditure (1)** | **Amount** | | **Method of Payment** | **When Due** | **To Whom Payment is Made** |
| | **Low** | **High** | | | |
| Development Fee | $150,000 | $500,000 | Lump sum | Upon signing RDA | Us |
| Office Space (2) (1st 3 months) | $0 | $4,500 | As agreed | As incurred | Third Parties |
| Deposits (2) | $0 | $1,500 | As agreed | As incurred | Third Parties |
| Franchise Recruitment Advertising and Marketing (1st 3 months) | $2,250 | $2,250 | As agreed | As incurred | Third Parties |
| Travel and Related Expenses for Initial Training (3) | $600 | $1,900 | As agreed | As incurred | Third parties |
| Errors and Omissions Insurance (4) | $5,000 | $10,000 | As agreed | As incurred | Third Parties |
| Vehicle Lease (5) (1st 3 months) | $0 | $2,250 | As agreed | As incurred | Third Parties |
| Professional service fees (6) | $500 | $5,000 | As agreed | As incurred | Third Parties |
| Computer Equipment/Software/ Printer (7) | $0 | $2,000 | As agreed | As incurred | Third Parties |
| Technology Fees (7) | $375 | $650 | As agreed | Monthly | Us |
| Filing and registration costs for Regional Developer (8) | $2,500 | $5,500 | As agreed | As incurred | Third Parties |
| Additional funds (9) (1st 3 months) | $5,000 | $15,000 | As agreed | As incurred | Third Parties |
| **TOTAL ESTIMATED INITIAL INVESTMENT (10)(11)** | **$166,225** | **$550,550** | | | |

**Explanatory Notes**:

1. Unless otherwise stated in Item 5 or 6, or as otherwise negotiated with 3rd party suppliers, these expenses are non-refundable. We do not offer financing for any of these expenses.

2. This expense will vary depending on whether you utilize your home for your Regional Developer Business or you rent office space for your Area Developer business. It will also vary greatly on the amount of useable square feet you will require to operate Regional Area Developer Business and the office rent rates in your market area. Generally, the additional office space you will require initially is 1 to 2 offices. If you decide to operate from a leased premise, you may be required to pay deposits for utilities. The amount of these deposits will vary depending on the practices of the utility companies and whether any impact or hook-up fees are required.

3. This expense is a projected estimate of the travel expenses incurred by you and your employees to attend the Regional Developer training. It does not include any wages or salaries.

4. All Regional Developers are required to obtain Errors and Omissions insurance in the minimum amount of $1,000,000, which ranges in cost from $5,000 to $10,000.

5. You may be required to purchase or lease a vehicle to conduct franchise sales activities. If you decide not to utilize your own vehicle, we estimate it will cost you approximately $750 per month to cover the cost of your vehicle, tax, title, and licensing.

6. You may wish to retain the services of an attorney and other consultants to assist you in forming your business entity and in purchasing and establishing your Regional Developer Business. We encourage you to consult with independent legal counsel concerning the chiropractic laws of the state(s) in which your potential Development Area will be located so that you are aware of the requirements that will apply to the Location Franchises within your Development Area. The cost of these services will vary depending on the different services providers.

7. Although you are not required to purchase any particular computer system to operate your Regional Developer Business, you will need a computer and printer and have access to a broadband Internet connection in order to operate your Regional Developer Business. If you do not already have such equipment, we estimate that the cost of obtaining a computer and printer will be no more than $2,000; however, this cost may vary greatly depending on what type of computer and printer you purchase. During the first 3 months of operation, you must pay us the various technology fees discussed in Item 6, including: (i) FranConnect fees estimated to range from $225 to $450; and (ii) Virtual Private Network fees estimated to range from $150 to $200.

8. If the laws within your Development Area require you to be registered prior to undertaking your franchise development activities as required by the RDA, there will be certain costs associated with this registration, including registrations fees. Registration fees vary from state to state.

9. You may need these additional funds to operate your Regional Developer Business during the initial 3 months of operation. All expenses for a Regional Developer business will vary depending on the location of the business, the size of your Development Area, and your Minimum Development Obligations. We relied on our management team's experience in franchising other businesses and from experience with our current Regional Developers to develop the estimate of Additional Funds.

10. We encourage you to make a diligent investigation of the Regional Developer Business opportunity. You should contact the Regional Developers listed on **Exhibit E**, and consult appropriate business advisors, like attorneys or accounts who are qualified to assist you in carefully evaluating these figures, before you make any decision to purchase a Regional Developer Business from us.

11. We relied on our management team's experience in franchising other businesses and from experience with our current Regional Developers to develop these estimates. You should review these figures carefully with your business advisor(s), and should speak to our existing Regional Developers, before making any decision to purchase a Regional Developer Business. In addition to these costs, you must also develop and operate a minimum of 1 Location Franchise. Information about the initial investment to open a Location Franchise is found in our separate FDD for Location Franchises.

## ITEM 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Approved Suppliers**

You must purchase specified products and services relating to or for the operation of your Regional Developer Business solely from suppliers (including distributors, manufacturers, and other sources) who have been approved in writing by the Company. You are not allowed to purchase any of these products or services from an unapproved or alternate supplier. When selecting suppliers, we consider all relevant factors, including the quality of goods and services, service history, years in business, capacity of supplier, financial condition, terms and other requirements consistent with other supplier relationships. However, the Company does not have any specific written criteria for supplier selection and does not intend at this time to prepare one. Therefore, the Company will not furnish its criteria for supplier approval to you. We maintain written lists of required products (by brand name and/or by standards and specifications) and lists of approved suppliers for those items. All such products and approved vendors for our required products and services will be listed in the Manual for RDs, which must always be followed, even as modified and updated by the Company. Currently, we do not require our RDs to purchase any products, supplies or equipment from or through us other than: (i) the license to access our Virtual Private Network; and (ii) the FranConnect software that our Regional Developers must use. We reserve the right to periodically re-inspect the facilities and products of any approved supplier, and revoke our approval if the supplier does not continue to meet any of our criteria. If we revoke our approval of a supplier, we will notify you by email and the change will become effective immediately upon notice from us.

**Specifications and Standards**

You must purchase certain products, supplies and equipment under specifications and standards that we periodically establish either in the RDA, Manual for RDs, or other notices we send to you from time to time. These specifications are established to provide standards for performance, durability, design and appearance. We will notify you whenever we establish or revise any of our standards or specifications, or if we designate approved suppliers for products, equipment or services, in each case at least 30 days prior to the effective date of the change. We may notify you of these changes electronically or by email. Currently, we have a designated supplier (FranConnect) which Regional Developers must use for their contact management system for franchise leads. We currently require that you license the FranConnect software through us.

**Our Involvement with Suppliers**

While we and our affiliates currently have received no revenue or other consideration from suppliers in consideration for other goods or services that we require or advise you to obtain from approved suppliers, we reserve the right to do so in the future. No franchisor officer owns an interest in any supplier. We anticipate that any revenue or other consideration received would probably include promotional allowances, volume discounts, and other payments, and would probably be equal to 0% to 10% of the amount of the goods or services you purchase from the supplier. We expect that at least some of these arrangements will generally allow us to obtain discounts off standard pricing, and pass at least a portion of the savings on to you. There currently are no purchasing and distribution cooperatives. Our total revenue during the fiscal year ended December 31, 2023 was $117,696,356. During that year, we received $23,025 in revenue as a result of purchases or leases made by Regional Developers of goods and services from designated or approved suppliers (including purchases from us), which represents 0.02% of our total revenue for that year. The $23,025 in revenue consists of monthly fees for FranConnect that we collected from regional developers.

We may, but need not, negotiate purchase agreements with suppliers (including pricing) for certain equipment, supplies, and other items leased or purchased by Regional Developers. You may purchase such equipment or supplies from such designated suppliers or from any approved supplier on such terms as you negotiate. The Manual for RDs contains details relating to such purchases. Currently, we do not require you to purchase any particular equipment or supplies to operate a Regional Developer Business.

**Effects of Compliance and Noncompliance**

You must comply with our requirements to purchase or lease real estate, goods, and services according to our specifications and/or from approved suppliers. Failure to comply with these requirements may be a default allowing us to terminate your franchise. We do not provide any other benefits to you because of your use of designated or approved services and products, or suppliers.

**Insurance Specifications**

Before operating your Regional Developer Business, you must obtain Errors and Omissions insurance in the minimum amount of $1,000,000, naming the Company as an additional insured. We may increase these limits or have new types of coverage added at any time after giving you notice. You must maintain this insurance coverage, as required by your RDA, from a responsible carrier. Our current insurance requirements are summarized in the Manual for RDs. A certificate of insurance must be provided to us within 90 days of the execution date of the Regional Developer Agreement.

**Advertising Specifications**

You must obtain our approval before you use any advertising and promotional materials, signs, forms and stationary prior to their proposed use. We may require you to purchase certain advertising and promotional materials, brochures, fliers, forms, business cards and letterhead from approved vendors only. Further, you must not engage in any advertising of your Regional Developer Business unless we have previously approved the medium, content, method and provider.

**Records**

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to the requirements set forth in Sections 6.11 and 6.12 of the RDA, as well as those contained in our Manual for RDs.

**Computer-Related Equipment and Software**

You are not required to purchase any particular computer system, operating software (except as discussed below), or hardware to operate your Regional Developer Business. However, you will be required to use a computer and printer to operate you, and need to have access to a broadband Internet connection in order to operate your Regional Developer Business. You will be required to use our designated contact management system for managing franchise leads. We currently require that you use FranConnect for your lead management system. The cost associated with FranConnect is $75/month plus an additional $25 per month per additional license, which currently must be paid to us (we pay this fee to FranConnect and do not retain any portion).

**Disclosure Document for Location Franchises**

You must ensure that a copy of our FDD for a Location Franchise is disclosed (or re-disclosed, when there are updates or supplements) to each potential Franchisee. We will provide you with one copy of our FDD for a Location Franchises, although it is copyrighted, and you will not be licensed to reproduce it yourself without our prior written authorization.

## ITEM 9

## FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Regional Developer Agreement 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.**

| Obligations | Section in Regional Developer Agreement | Disclosure Document Item |
|---|---|---|
| (a) Site selection and acquisition/lease | Sections 2.2, 5.3 and 5.9 of RDA | Item 11 |
| (b) Pre-opening purchases/leases | Sections 6.5 and 7 of RDA | Items 5, 7 and 8 |
| (c) Site development and other pre-opening requirements | No provision of RDA | Items 7, 8, and 11 |
| (d) Initial and ongoing training | Sections 5.1 and 5.6 of RDA | Item 11 |
| (e) Opening | Section 2.2 of RDA | Item 11 |
| (f) Fees | Sections 2.1, 5.1, 5.2, 5.4, 5.9, 6.5, 6.7, 6.12, 6.13, 7, 11.3,15.2 and 15.15 of RDA | Items 5, 6 and 7 |
| (g) Compliance with standards and policies | Sections 5.2 and 6 of RDA | Items 11 and 16 |
| (h) Trademarks and proprietary information | Sections 9 and 10 of RDA; and Confidentiality Agreement (**Exhibit G-1**) | Items 13 and 14 |
| (i) Restrictions on products/services offered | Section 5.2(a) of RDA | Item 16 |
| (j) Warranty and Customer Service Requirements | Section 6.1 of RDA | None |
| (k) Territorial Development And Sales Quotas | Section 2.1 of RDA; Exhibit 2 of RDA | Item 12 |
| (l) On-going product/services purchases | Sections 5.4, 5.8, and 6.5 of RDA | Item 8 |
| (m) Maintenance, appearance and remodeling requirements | Section 5.6 of RDA | None |
| (n) Insurance | Sections 6.5 and 6.6 of RDA | Item 7 |
| (o) Advertising | Sections 2.1(k), 5.8, 6.7, 6.8, and 6.9 of RDA | Items 6, 7, and 11 |
| (p) Indemnification | Section 15.2 of RDA | Items 6, 13 and 17 |
| (q) Owners Participation management/staffing | Section 6.14 of RDA | Items 11, 15 and 16 |
| (r) Records/reports | Sections 2.1(d), 5.10, 6.10, 6.11 and 6.12 of RDA | Item 6 |
| (s) Inspections/audits | Section 5.7 of RDA | Item 6 |
| (t) Transfer | Section 11 of RDA | Items 6 and 17 |

| Obligations | Section in Regional Developer Agreement | Disclosure Document Item |
|---|---|---|
| (u) Renewal | Section 4 | Item 17 |
| (v) Post-termination obligations | Section 13.3 of RDA | Item 17 |
| (w) Non-competition covenants | Section 12 of RDA | Item 17 |
| (x) Dispute resolution | Sections 14, 15.7, and 15.8 of RDA | Item 17 |
| (y) Guaranty | Section 11.7 of RDA | Item 15 |

## ITEM 10

## FINANCING

We do not offer any financing for your initial investment. We do not guarantee your note, lease or other obligations.

## ITEM 11

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

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

Before your Regional Developer Business begins operations, we or our designee will:

1. We will provide the initial training program for Regional Developer Businesses for up to 3 attendees. Additional persons may attend initial Regional Developer training for no additional fee if space is available in an already scheduled training session. You must pay for all travel, entertainment, salaries, and benefits expenses of your staff. You must open your Regional Developer Business within 45 days after you receive your initial training from us, or 90 days after signing your Regional Developer Agreement, whichever occurs first. Some of the factors that may affect this time are completion of training, obtaining insurance and complying with local laws and regulations. (RDA – Section 5.1).

2. Lend to you one copy of our Manual for Regional Developers ("Manual for RDs"), which contains our mandatory and suggested specifications, standards and procedures for operating Regional Developer Businesses (RDA – Section 5.2). **Exhibit C** to this Disclosure Document sets forth the Table of Contents for our Manual for RDs, which is approximately 68 pages. We may modify the Manual for RDs periodically to reflect changes in System Standards, or as we deem appropriate. You may view our Manual for RDs at our corporate headquarters before purchasing your Regional Developer Business, but must first sign a Confidentiality/Non-Disclosure Agreement (**Exhibit G-1**) promising not to reveal any of the information contained in the Manual for RDs without our permission.

3. Prepare and/or register any disclosure documents or other documentation that must be prepared, amended, or registered for you to fulfill your responsibilities to solicit, recruit, and screen prospective Franchisees (RDA – Section 5.4). Federal and state franchise or business opportunity laws govern the sale and offering of Location Franchises, and may require the preparation, amendment, registration, or registration of all certain documentation and disclosures relating to the Location Franchises offered in your Development Area (the "Documentation") before you can solicit prospective Franchisees. While we will prepare and register all Documentation necessary for you to begin soliciting prospective Franchisees, you must provide us with any documentation or information we may need to prepare or register the Documentation, and will be responsible for all costs applicable to you. You must review and become fully familiar with all Documentation related to franchises sold in your Development Area. Before soliciting a prospective Franchisee, you must take reasonable steps to confirm that the information contained in the Documentation or other materials related to the offer or sale of Location Franchises is true, correct, and not misleading, or in violation of applicable state law related to registration of the Documentation.

4. Review and approve or disapprove your advertising, marketing, and promotional and/or website materials (RDA – Sections 6.8 and 6.9). See the remainder of this Item 11 for additional information about our advertising-related requirements and approval process.

**Post-Opening Obligations:**

After your Regional Developer franchise opens for business, we or our designee will:

1. Provide you with additional or refresher training programs (RDA – Section 5.1). You will be required to participate in periodic webinars and sales calls scheduled by us for Regional Developer Businesses. We will require you to attend up to 2 additional or refresher training courses each year at our corporate offices, or another location we designate. You may also be required to attend a national business meeting or convention of up to 3 days each year. We will determine the location, frequency, and instructors of these training programs. We may

charge a training fee of up to $1,000 per person if we specifically arrange a training session for your replacement staff after opening (no fee is charged for replacement staff training if there is room available in an already scheduled training session). You must also pay for all travel, lodging, meal, and personal expenses related to your attendance and the attendance of your personnel.

2. Continue lending to you a copy of our Manual for RDs (RDA – Sections 5.2).

3. Provide you with general guidance though bulletins or other written materials (RDA – Sections 5.2 and 5.3).

4. If we agree to do so, provide you with additional or special guidance, training, or assistance that you request (RDA – Section 5.1). If you request our trainers to travel, or if they must travel to give you training (other than for on-site assistance that we may provide during the pre-opening and grand opening period as part of the services covered by your initial fees), then you must pay us the then-current per diem charges for those trainers and must reimburse us for the trainers' actual and reasonable travel, lodging and meal expenses.

5. As necessary, amend, maintain, or renew any Documentation and/or registrations necessary for you to continue to solicit prospective Franchisees (RDA – Section 5.4).

6. Approve or disapprove prospective Franchisees (the "Prospective Franchisees") recommended by you, and their proposed site locations (RDA – Section 5.5). You must advertise for, solicit, recruit, and screen Prospective Franchisees to purchase Location Franchises in your Development Area. You must investigate each Prospective Franchisee and its proposed Location Franchise site to determine if they meet our standards and policies. After ensuring that a Prospective Franchisee meets our standards, you may recommend to us the approval of the Prospective Franchisee. You must provide us with all information that we may request to evaluate your recommendation. We may approve or reject a Prospective Franchisee for any reason. If we disapprove any Prospective Franchisee, we will notify you in writing of our reasons for the disapproval. If we approve the Prospective Franchisee, you must provide the Prospective Franchisee with a copy of our then-current Franchise Agreement for the Prospective Franchisee to sign.

7. Review and approve or disapprove your advertising, marketing, and promotional and/or website materials (RDA – Sections 6.8 and 6.9). See the remainder of this Item 11 for additional information about our advertising-related requirements and approval process.

8. Pay you any compensation that you are owed under the RDA (RDA – Section 8).

9. Allow you to continue using our Marks and confidential information in operating your Regional Developer franchise (RDA – Sections 9 and 10).

10. Indemnify you against damages and expenses you incur in a trademark infringement proceeding disputing your authorized use of any Mark in compliance with the RDA (RDA – Section 9.5).

11. If we establish a local or regional advertising cooperative that covers all or any part of your Development Area, approve or disapprove any advertising, marketing, or promotional materials created by the cooperative (RDA – Section 6/7). See the rest of this Item 11 for additional information about the local and regional advertising cooperatives that we may create.

**Advertising and Marketing**

**Advertising by You**

You may develop, at your cost, advertising and promotional materials for your use, but may not use them until after we have approved them in writing. You must submit to us for our approval samples of all advertising and promotional materials not prepared or previously approved by us that you wish to use. We will not unreasonably

withhold our approval. If you do not receive our written disapproval within 15 days from the date we receive the materials, the materials will be deemed to have been approved. Any materials submitted to us for approval will become our intellectual property. (RDA – Section 10).

You are required to contribute at least $750 per month or $9,000 per year for Franchise Recruitment Advertising and Marketing Expenditures in your Development Area. We may increase the required amount by up to 25% per year. We may require you to submit to corporate your yearly lead generation marketing plan for review and approval.

While we currently have several advertising cooperatives for Franchisees, we do not have and do not plan on creating any Regional Developer advertising cooperatives.

**Advertising by Us**

We currently have an advertising fund ("Ad Fund") for our Location Franchises to accomplish those advertising and promotional programs we deem necessary or appropriate. However, we do not have and do not intend to create an Ad Fund for our Regional Developer Businesses. We are not required to spend any amount on advertising in your Development area.

## Training

As of the date of this franchise disclosure document, we provide the initial training described below for Area Developers. Our initial training program is available to up to 3 attendees, including the Regional Developer's Owners. Additional persons may attend initial Regional Developer training if space is available in an already scheduled training session. Before opening for business, the Regional Developer Owners and any others that will be directly involved in the operation of the Regional Developer Business must attend and complete the initial training program to our satisfaction. We provide this initial training free of charge to any attendees, however, you must pay the wages, food, lodging and travel expenses for all of your attendees. The initial training program will last for approximately 3 days, and will be conducted by us or our designee at our corporate headquarters in Scottsdale, Arizona, or another location we designate.

Our initial Regional Developer training program currently includes the following:

| TRAINING PROGRAM | | | |
|---|---|---|---|
| **Subject (1)** | **Hours of Classroom Training (2)** | **Hours of On the Job Training** | **Location** |
| Orientation | 2 | 0 | Our corporate headquarters in Scottsdale, AZ |
| Franchise Development, Real Estate, Design and Construction | 16 | 0 | Our corporate headquarters in Scottsdale, AZ |
| Field Clinic Training | 0 | 24 | Training location we designate |
| Clinic Management Training | 8 | 0 | Our corporate headquarters in Scottsdale, AZ |
| Management Field Training | 0 | 16 | Training location we designate |
| **TOTAL HOURS** | **26.0** | **40.0** | |

Explanatory Notes:

(1) Most of these subjects are integrated throughout the approximately 3-day training program (comprised of 26.0 hours of classroom training). We plan to be flexible in scheduling training. There currently are no fixed (i.e., monthly or bi-monthly) training schedules.

(2) The instruction materials for our training programs include handouts, computer training, the Manual for RDs, the Manual for Franchise Locations, business plan templates, group discussions, and lectures.

(3) Although the individual instructors of the training program may vary, all of our instructors have at least 2 years of experience in their designated subject area. The following are our main instructors:

Eric Simon – Senior Vice President of Franchise Sales and Development.

Mr. Simon joined The Joint in November 2016 and has over 24 years of franchising experience with nationally recognized brands such as AAMCO Transmissions, Inc., Mail Boxes Etc./The UPS Store and FRANdata. He was also a franchisee and Regional Developer for Extreme Pita.

Madelon Mulcahey – Vice President of Franchise Operations

Ms. Mulcahey has been with The Joint since September 2015 and has 34 years of multi-unit sales and operations leadership in retail/health and wellness, and nationally recognized organizations including Starbucks, Nutrisystem, Medifast, Bluemercury, Sylvan Learning.

**Website**

You may not operate a website separate from our website. All franchise leads must be directed to www.thejointfranchise.com. We shall have the right, but not the obligation, to designate one or more web page(s) to describe Regional Developer. Such web pages(s) will most likely be located on our Website.

**Computer System**

You must purchase and use all Technology Systems that we designate from time to time. One component of our required Technology Systems is your "computer system", which consists of a computer with broadband Internet connection, a printer, our required FranConnect software and any optional software you choose to utilize. We estimate the cost of purchasing a basic computer and any software you may use to operate your Regional Developer Business to range from $0 to $2,000, depending on whether you already have a computer and a printer. In addition to the cost of purchasing a computer and printer, you must also pay the monthly cost of: (i) maintaining high-speed internet access at your site (estimated to cost between $50 to $200 per month, or $600 to $2,400 per year, depending on the internet service provider); and (ii) accessing our virtual private network (estimated to cost $50 per month, or $600 per year).

You must purchase and utilize FranConnect, which is our current contact management system for managing franchise leads to operate your Regional Developer Business. FranConnect is a web-based contact management system for new franchise leads, project management system for opening clinics, and provides operational administration support to help you in your Regional Developer role. It is also an internal communication tool where corporate and franchisees can speak. FranConnect fee is $75 per month ($900 per year) plus an additional $25 per month ($300 per year) for each additional license. We currently require that you pay the FranConnect fee to us as part of our technology fee. We remit these amounts to FranConnect.

Except as disclosed above, (i) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (ii) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

Your computer system will collect and store data regarding the prospective and current franchisees in your Development Area, including franchise leads, franchisee contact information and operational data relating to the franchisees in your Development Area. You will enter this information into your computer system through FranConnect. We will have independent unlimited access to all data that you enter into FranConnect and there are no contractual limits imposed on our access. We will not have independent unlimited access to any other data you enter into or store on your computer system, although we may access this data as part of an inspection.

We may change the computer system you must use from time to time, including hardware, software, Apps and other related technology. There are no limitations on the cost or frequency of these changes.

We and/or our affiliate may develop proprietary software, technology or other components of the technology systems that we require Regional Developers to utilize. If this occurs you agree to pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. We also reserve the right to enter into master agreements with third-party suppliers relating to any components of the technology systems and then charge you for all amounts that we must pay to these suppliers based upon your use of the software, technology, equipment, or services provided by the suppliers. The "technology fee" includes all amounts that you must pay us or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts that we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based upon changes to the Technology Systems or the prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts that you directly pay to third party suppliers for any component of the Technology Systems. Our current "technology fee" includes the following fees: (i) the monthly fee for access to our virtual private network ($50 per month): and (ii) the monthly licensing fee paid to FranConnect for your contact management system ($75 per month plus additional $25 per month per additional license).

**Periodic Review Inspections**

You must operate your Regional Developer franchise in accordance with the RDA and the Manual for RDs. We reserve the right to conduct period reviews or inspections of your Regional Developer Business operations to ensure that you are in compliance with your RDA, Manual for RDs, and our other written directives and standards. We may terminate your RDA if you do not operate your business in compliance with the RDA or the Manual for RDs.

## ITEM 12

## TERRITORY

**Your Development Territory**

Your RDA grants you an exclusive Development Area that generally will be defined by state or county boundaries, or fixed geographical boundaries such as rivers, streets or highways. There is no specific minimum or maximum size of geographic area that we will grant you as your Development Area. In determining the size of the Development Area, we will consider many factors including, but not limited to, the demographics within that geographic area, your capacity and ability to recruit and provide services within that geographic area, and the number of Location Franchises we believe can operate within the geographic area. We identify the Development Area, Development Schedule, and Development Fee before you sign the RDA.

You may not operate your location franchise under the terms of your RDA at any location outside the Development Area and may not relocate your location franchise outside of your RDA business without our prior written consent. You may not operate your Regional Developer Business outside of your Development Area without our approval, which we may withhold in our sole discretion. You are not permitted to market or sell through alternative channels of distribution (such as the Internet, catalog sales, telemarketing or other direct marketing), either within or outside of your territory, without our prior written approval.

If you are in compliance with your RDA, then we and our affiliates will not operate, establish, grant, or operate in your Development Area another Regional Developer Business offering Location Franchises, or any Location Franchises not required to be developed under your RDA.

We will not modify your Development Area during the term of your RDA. If you are currently renewing your RDA or you intend to transfer the RDA, and the then-current demographics of your Development Area have changed, then we may reduce the size of your Development Area at the time of renewal or transfer. If we reduce the Development Area, we will give you or your transferee the option (as applicable) to develop the original Development Area.

**Reserved Rights**

Although we cannot operate, or allow others to operate, a Regional Developer Business within your Development Territory, we do reserve the following rights:

(a) We expressly reserve the right to establish and operate, or grant others the right to establish and operate, Clinics that are located within Non-Traditional Sites that are located anywhere, including within your Development Area. A "Non-Traditional Site" means any site or channel that generates customer traffic flow that is independent from the general customer traffic flow of the surrounding area, including on or within the confines or premises of military bases, shopping malls or centers, stadiums, major industrial or office complexes, parking lots or structures, mobile vehicles, airports, hotels, resorts, school campuses, train stations, travel plazas, toll roads, casinos, hospitals, theme parks, and sports or entertainment venues. A "Non-Traditional Site" also includes the establishment and operation of a Clinic within a pre-existing business that does not operate under the Marks. For example, Clinics established within an urgent care center, retail store, or medical spa would qualify as Non-Traditional Sites.

(b) We expressly reserve the right to grant Location Franchises and/or Regional Developer Business rights to others as follows: (i) in our sole and absolute discretion with regard to the Marks, outside of your Development Area, (ii) in our sole and absolute discretion with regard to products or services unrelated to the Marks, inside of your Development Area.

(c) We expressly reserve the engage in an Acquisition, including acquisitions that involve competitive businesses located within your Development Area. An "Acquisition" means either (i) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise or (ii) us directly

or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise. If we convert such business(es) to operate under the Marks, then for so long as such business(es) operate under the Marks within your Development Area: (i) you must provide support services to such business(es) and you will receive from us 50% of any royalties that we actually collect from such converted business(es); and (ii) any such converted business(es) shall count toward your Minimum Development Obligation.

**Minimum Development Obligations**

You must develop and operate a minimum of 1 Location Franchise and recruit Franchisees to develop and operate Location Franchises within your Development Area according to a Development Schedule. You must remain in compliance with all signed franchise agreements for Location Franchises you own to retain your protected Development Area rights. If you do not comply with the Development Schedule, or if any of your Location Franchises are terminated for any reason, we will have the right to terminate your RDA.

**Right to Acquire Additional Territories or Franchises**

You have no options, rights of first refusal, or similar rights to acquire additional geographic area to increase your territory size under the RDA or acquire additional Regional Developer franchises.

**Restrictions on Your Sales and Marketing Activities**

We may give you the opportunity to participate in the sale of other services through other distribution channels or to Franchisees in your Development Area. However, you may not participate in other services or areas of distribution without our prior approval.

You may solicit prospective Franchisees residing outside your Development Area but interested in opening a franchise within your exclusive Development Area without having to pay any special compensation to us or any other Regional Developer. Likewise, Regional Developer outlets owned by us, our affiliates (if applicable), or other Regional Developers may solicit prospective Franchisees residing in your Development Area but interested in opening a franchise in another Development Area without having to pay you any special compensation. You may not solicit prospective Franchisees for a Location Franchise located outside of your exclusive Development Area. We will forward to you any leads or referrals that we receive for prospective Franchisees interested in purchasing a Location Franchise in your Development Area, and you will be entitled to the compensation referred to in Item 1 and Item 11 only if these prospective Franchisees purchase a Location Franchise in your Development Area.

**Competitive Businesses Under Different Marks**

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered by our Regional Developers. However, we reserve the right to do so in the future.

## Item 13

## TRADEMARKS

The Company grants you the right and license to use the Marks and the System solely in connection with your Franchised Business. You may use our trademarks "The Joint®", "The Joint Chiropractic®, "The Joint… the chiropractic place®" and design and such other Marks as are designated in writing by the Company for your use. In addition, you may use them only in the manner authorized and permitted by the Company and you may not directly or indirectly contest the Company's ownership of or rights in the Marks.

We registered the following Marks on the Principal Register of the United States Patent and Trademark Office:

| REGISTERED MARKS | | |
|---|---|---|
| **Mark** | **Registration Number** | **Registration Date (Renewal Date)** |
| THE JOINT® | 4723892 | April 21, 2015 |
| The Joint… the chiropractic place® | 3922558 | February 22, 2011 (July 29, 2020) |
| THE JOINT CHIROPRACTIC® | 5095943 | December 6, 2016 |
|   | 4323810 | April 23, 2013 |
| RELIEF. ON SO MANY LEVELS.® | 4871809 | December 15, 2015 |
| WHAT LIFE DOES TO YOUR BODY, WE UNDO.® | 5396012 | February 6, 2018 |
| RELIEF RECOVERY WELLNESS® | 5398367 | February 6, 2018 |
| PAIN RELIEF IS AT HAND® | 5395995 | February 6, 2018 |
| YOU'RE BACK, BABY® | 5940161 | December 17, 2019 |
| YOU'RE BACK, BABY® | 6131833 | August 18, 2020 |
| BE CHIRO-PRACTICAL® | 5313693 | October 17, 2017 |
| BACK-TOBER® | 5571732 | September 25, 2018 |
| DON'T DO PAIN. DO YOU.® | 6810062 | August 2, 2022 |
|   | 6331815 | April 27, 2021 |
|   | 6331917 | April 27, 2021 |

| REGISTERED MARKS | | |
|---|---|---|
| **Mark** | **Registration Number** | **Registration Date (Renewal Date)** |
| THE JOINT chiropractic | 6331918 | April 27, 2021 |

We also applied to register the following Marks on the Principal Register of the United States Patent and Trademark Office:

| UNREGISTERED MARKS | | |
|---|---|---|
| **Mark** | **Serial Number** | **Application Date** |
| WELLNESS STARTS HERE™ | 97821666 (application based on actual use) | March 3, 2023 |
| THE JOINT CHIROPRACTIC™ | 97847430 (application based on actual use) | March 20, 2023 |
| WHERE CHAMPIONS ALIGN™ | 98096286 (intent-to-use application) | July 21, 2023 |

We do not have a federal registration for the Marks in the table immediately above. Therefore, these Marks do not have many legal benefits and rights as a federally registered trademark. If our right to use any of these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We have filed all required affidavits and intend to file all required renewals when due.

There are no agreements currently in effect that significantly limit the Company's right to use or license the use of the Marks in a manner material to the franchise. The logo is part of the Company's Marks. With respect to the Marks, there are currently no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceeding.

We reserve the right to change the Marks you must use at any time. If this happens, you must comply with the change at your expense within a reasonable time after we notify you of the change.

The Company will indemnify against or reimburse for expenses you incur in defending claims of infringement or unfair competition arising out of your use of the Marks. You are required to notify the Company immediately when you become aware of the use, or claim of right to, a Mark identical or confusingly similar to our Marks. If litigation involving the Marks is instituted or threatened against you, you must notify the Company promptly and cooperate fully with the Company in defending or settling the litigation. The Company, at its option, may defend and control the defense of any proceeding relating to any Marks.

The Company has no actual knowledge of either superior prior rights or infringing uses that could materially affect a Franchisee's use of the Marks in any state.

## ITEM 14

## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

### Patents Rights

The Company owns no rights in or to any patents that are material to the franchise.

### Copyrights

The Company claims a copyright and treats the information in the Manual as confidential trade secrets, but you are permitted to use the material as part of your Regional Developer Business. You must promptly tell us when you learn about unauthorized use of our copyright. We are not obligated to act, but will respond to this information as we deem appropriate. We have the exclusive right to control any proceeding or litigation alleging the unauthorized use of our copyrights. We have no obligation to: (i) indemnify you for any expenses or damages arising from any proceeding or litigation involving our copyrights; or (ii) participate in your defense if you are a party to an administrative or judicial proceeding involving our copyrights. At any time we may change our copyrighted items and you must comply with these changes at your expense within a reasonable time after notice from us. There are no infringements that are known by us at this time.

### Confidential Operations Manual

Under the RDA, you must operate the Regional Developer Business in accordance with the standards, methods, policies, and procedures specified in the Manual for RDs. You will be loaned a copy of the Manual for RDs and Manual for Locations for the term of the RDA, when you have completed the initial training program to our satisfaction. You must operate your Regional Developer franchise strictly in accordance with the Manual for RDs, as it may be revised by the Company from time to time. You must at all times, treat the Manual and the information in them, as well as any other materials created for or approved by use for the operation of your Regional Developer Business, as confidential, as required by the RDA. You must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise make them available to any unauthorized person. The Manual will remain our sole property and must be returned in the event that you cease to be a Regional Developer franchise owner.

We may from time to time revise the contents of the Manual for RDs and Manual for Locations, and you must comply with each new or changed provision in the Manual for RDs. You must ensure that our Manual is kept current at all times. In the event of any dispute as to the contents of the Manual for RDs, the terms of the master copies maintained by us at Company's home office will be controlling.

### Confidential Information

The Regional Developer requires you to maintain all Confidential Information of the Company as confidential both during and after the term of the Agreement. "Confidential Information" includes all information, data, techniques and know-how designated or treated by the Company as confidential and includes the Manual. You may not at any time disclose, copy or use any Confidential Information except as specifically authorized by the Company. Under the Agreement, you agree that all information, data, techniques and know-how developed or assembled by you or your employees or agents during the term of the RDA and relating to the System will be deemed a part of the Confidential Information protected under the RDA. See Item 15 below concerning your obligation to obtain confidentiality and non-competition agreements from persons involved in the Regional Developer Business.

## ITEM 15

## OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

Each of the individuals who hold an ownership interest in the Regional Developer Business ("Owner(s)") must personally participate in the direct operation of the Regional Developer Business. If as an Owner you do not personally participate in the direct operation of your Regional Developer Business on a full-time basis, then you are obligated to have a fully trained Manager operate the franchise. While we do not require that your Manager have an equity interest in the franchise, we believe that only a person with an equity interest can adequately ensure that our standards of quality and competence are maintained. The RDA requires that the Owner(s) of the Regional Developer Business be directly involved in the day-to-day operations and utilize your best efforts to promote and enhance the performance of the Regional Developer Business. While in most cases an Owner(s) will seek additional assistance for the labor-intensive portions of the business, we have built our reputation on Owner(s) participation and believe it is crucial for continued success.

Any Manager you employ at the launching of your franchise operations must complete the initial management-training course required by the Company. All subsequent Managers must be trained fully according to our standards by either the Regional Developer or the Company. However, the Company may charge a fee for this additional training unless the Manager attends one of our regularly scheduled training sessions.

Each Owner(s) must personally guarantee all of the obligations of the Regional Developer Business under the RDA. (See Exhibit 4 to the RDA - Owner's Guaranty and Assumption of Obligations)

At the Company's request, you must obtain and deliver executed covenants of confidentiality and non-competition from any Owner(s), any persons who have or may have access to training and other confidential information under the System. The covenants must be in a form satisfactory to us, and must provide that we are a third party beneficiary of, and have the independent right to enforce the covenants.

## ITEM 16

## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate the Regional Developer Business in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as set forth in the Manual for RDs and in other writings by the Company from time to time. You must use your Regional Developer franchise sales office only for the operation of the Regional Developer Business and may not operate any other business at or from such office without the express prior written consent of the Company.

The Company requires you to offer and sell only those goods and services that the Company has approved. The Company maintains a written list of approved goods and services in its Manual for RDs, which the Company may change from time to time.

You must offer all goods and services that the company designates as required for all franchises. In addition, the Company may require you to comply with other requirements (such as state or local licenses, training, marketing, insurance) before the Company will allow you to offer certain optional services.

We reserve the right to designate additional required or optional services in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements. There are no express limitations on our right to designate additional or operational services; however, such services will be reasonably related to our franchise system or model.

We do not currently have any restrictions or conditions that limit access to customers to whom you may sell goods or services.

## ITEM 17

## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

**This table lists important provisions of the Regional Developer Agreement. You should read these provisions in the agreements attached to this Disclosure Document.**

| THE FRANCHISE RELATIONSHIP | | |
|---|---|---|
| **Provision** | **Section in Regional Developer Agreement** | **Summary** |
| a. Length of the term of the franchise | Section 4 | 10 years. |
| b. Renewal or extension of the term | Section 4 | You are not granted any renewal rights (subject to state law). |
| c. Requirements for you to renew or extend | Not Applicable | You are not granted any renewal rights (subject to state law). |
| d. Termination by you | Section 13.1 | You may terminate the RDA due to a material default by us on our obligations and any grounds available at law. |
| e. Termination by us without cause | No provision | Not applicable. |
| f. Termination by us with cause | Section 13.2 | Only upon delivery of written notice to you. |
| g. "Cause" defined – curable defaults | Section 13.2(a)(i) and (ii) | 1) Except for certain specified types of defaults, you will have 60 days after our written notice of default with which to remedy any default under the RDA; and 2) you shall have 6 months to remedy you failure to comply with your Minimum Development Obligation under the RDA. |
| h. "Cause" defined – defaults which cannot be cured | Section 13.2(b) | You 1) are adjudicated bankrupt or judicially determined to be insolvent; 2) you or any of your Owners allows a judgment against you or them in an amount of more than $50,000, 3) your assets are seized, taken over or foreclosed; 4) a levy of execution or attachment has been made upon the franchise rights granted by this agreement and is not discharged within 11 days of your receipt of notice of such levy; 5) any judgment is entered against us or our subsidiaries or affiliated corporations arising out of or relating to your operation of your business; 6) you abandon your business; 7) you receive 3 or more written notices of default from us within any period of 12 consecutive months concerning any material breach by you whether or not such breaches shall have been cured; 8) you or any of your Owners participates in in-term competition; 9) you or any of your Owners, officers or directors is convicted of or pleads guilty, or nolo contendere to a felony or any other crime or offense that is likely, in our reasonable business judgment, to adversely affect our reputation, the franchise system, the Marks or the goodwill of Marks; 10) you purport, threaten or take any action to make an assignment or transfer without our prior written consent; 11) you materially misuse the Marks; 12) your unauthorized use, disclosure, or duplication of the Confidential Information; or 13) you make any material misrepresentation in connection with the application for or performance under the RDA. |

| THE FRANCHISE RELATIONSHIP | | |
|---|---|---|
| i. Your obligations on termination/non-renewal | Section 13.3 | You must: 1) cease to assist in the sale of The Joint® franchises, cease to use the system and Marks in any form, cease to hold yourself out as an Regional Developer of us and not use Marks in any business name; 2) pay all sums due to us; 3) submit such reports as we require; 4) return to us or to our designee the Manual and any confidential or proprietary information; 5) surrender to us such stationery, printed matter, signs and advertising materials containing the Marks; 6) transfer, assign disconnect and forward the business telephone number, fax number, business Internet e-mail address and any other identifying information, listings or commercial holding out for your business to us or our designee; 7) transfer your "white" and "yellow" page telephone listings, references and advertisements and all trade and similar name registrations and business licenses and to cancel any interest which you may have in them; and 8) promptly take any action necessary to cancel any assumed name or equivalent registration that contain any of the Marks. |
| j. Assignment of contract by us | Section 11.1 | Fully transferable by us. |
| k. "Transfer" by you - defined | Section 11.2(b) | Transfer includes: any voluntary, involuntary, direct or indirect assignment, sale, or gift of the franchise; transfer of ownership, merger, exchange, issuance of additional ownership interests, redemption of ownership interests, or sale of exchange of voting interests in you (if you are a legal entity); transfer of interest in the RDA, you, the franchise, or its assets because of divorce, insolvency or dissolution, or operation of law; transfer because of the death of you or an owner of you; or any pledge of the RDA or ownership interest in you. |
| l. Franchisor approval of transfer by franchisee. | Section 11.2(b) | Any assignment or transfer without our approval is a breach of this Agreement and has no effect. |
| m. Conditions for our approval of transfer by you | Section 11.3 and 11.4 | You must pay all amounts owed to us; new owner assumes your obligations; new owner, its affiliates, and its owners do not have any interest in or work for a competitive business; new owner completes or agrees to complete initial training; new owners signs our then-current RDA and ancillary agreements; new owner has strictly complied with obligations to us and is not in default of those obligations; you pay us a transfer fee; you sign a transfer release (in a form satisfactory to us) (subject to state law); you do not identify yourself as current or former Franchisee of ours, or use any Mark. You may transfer the franchise and its assets to a newly formed legal entity principally controlled by you and your principals if the new entity operates the franchise and complies with the RDA, and you provide information about the transfer to us and the entities owners. |
| n. Our right of first refusal to acquire your business | Section 11.6 | We have 60 days to match any offer. If we exercise our right, you must sign our standard form of asset purchase agreement (attached to this Disclosure Document as **Exhibit G-2**). |
| o. Our option to purchase your business | Section 4.2 | At any time after 5 full years from the effective date of the RDA, we may purchase your business and your regional developer rights if you breach the Minimum Development Obligation and fail to cure within 90 days after receipt of a default notice. The purchase price will be 3 times the commissions you earned on royalty fees during the prior 12-month period. |

| THE FRANCHISE RELATIONSHIP | | |
|---|---|---|
| p. Your death or disability | Section 11.5 | Executor, administrator, or other representative must transfer interest of Franchisee or owner within 9 months of your or an owner's death or disability. All transfers are subject to provisions in RDA regulating transfers. |
| q. Non-competition covenants during the term of the franchise | Section 12.1 | Neither you, your principals, nor any immediate family members of you or them may perform services for or have any interest in any competitive business. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 12.2 | Neither you, your principals, nor any immediate family members of you or them may perform services for or have any interest in any competitive business within the Development Area, the Development Area of any other Regional Developer, or within 25 miles of any Location Franchise, for 18 months. |
| s. Modification of the agreement | Section 15.11 | No modifications unless you and we both sign; we may amend Manual for RDs at any time. |
| t. Integration/merger clause | Section 15.11 | The RDA supersedes all prior agreements, representations, and promises. However, nothing in the RDA will have the effect of modifying or limiting the representations made in this Disclosure Document or any of its attachments or addenda. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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. |
| u. Dispute resolution by arbitration or mediation | Section 14 | Except for certain claims, you and we must mediate all disputes in Maricopa County, Arizona (subject to state law). |
| v. Choice of forum | Section 15.8 | Maricopa County, Arizona (subject to state law). |
| w. Choice of law | Section 15.7 | Arizona law governs, except for matters regulated by the United States Trademark Act (subject to state law). |

## ITEM 18

## PUBLIC FIGURES

We do not use any public figure to promote the Regional Developer franchise.

## ITEM 19

## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Eric Simon, VP of Franchise Sales and Development, The Joint Corp., 16767 N. Perimeter Dr., Suite 110, Scottsdale, AZ 85260, telephone (480) 245-5960, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20

## OUTLETS AND REGIONAL DEVELOPER ("RD") INFORMATION

## (Regional Developer Businesses*)

| 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 | 24 | 23 | -1 |
| | 2022 | 23 | 19 | -4 |
| | 2023 | 19 | 18 | -1 |
| Company-Owned | 2021 | 3 | 3 | 0 |
| | 2022 | 3 | 7 | +4 |
| | 2023 | 7 | 8 | +1 |
| Total Outlets | 2021 | 27 | 26 | -1 |
| | 2022 | 26 | 26 | 0 |
| | 2023 | 26 | 26 | 0 |

| TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2021 TO 2023 | | |
|---|---|---|
| **State(s)** | **Year** | **Number of Transfers** |
| Total | 2021 | 0 |
| | 2022 | 0 |
| | 2023 | 0 |

| TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Termina-tions** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations – Other Reasons** | **Outlets at End of Year** |
| Alabama, Louisiana, Mississippi | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| California – Northern (Certain Counties) | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 1 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Colorado – Denver | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Florida - Tampa, Orlando and South Florida | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |

| TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Termina-tions** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations – Other Reasons** | **Outlets at End of Year** |
| Georgia - Atlanta | 2021 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| | 2022 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Illinois – Chicago | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Iowa, Nebraska | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Kentucky | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Maryland and D.C. | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Minnesota | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Missouri and Southern Illinois (Certain Counties in Each State) | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Nevada – Reno and Utah (Certain Counties in Each State) | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Northern New Jersey | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ohio | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Oregon and Washington (Certain Counties in Each State) | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Pennsylvania - Philadelphia | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Termina-tions** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations – Other Reasons** | **Outlets at End of Year** |
| Tennessee | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Texas – Austin, Dallas, Houston, and San Antonio | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Texas, Oklahoma, Arkansas | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Virginia, West Virginia, Pittsburgh | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Washington | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Wisconsin (certain counties), Central Illinois | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| Total | 2021 | 24 | 0 | 0 | 0 | 1 | 0 | 23 |
| | 2022 | 23 | 0 | 0 | 0 | 4 | 0 | 19 |
| | 2023 | 19 | 0 | 0 | 0 | 1 | 0 | 18 |

| TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Outlets Reacquired From Franchisees** | **Outlets Closed** | **Outlets Sold to Franchisees** | **Outlets at End of Year** |
| California – Northern (Certain Counties) | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 1 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Georgia Atlanta | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 1 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Georgia – Savannah; S. Carolina – Augusta | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |

| TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Outlets Reacquired From Franchisees** | **Outlets Closed** | **Outlets Sold to Franchisees** | **Outlets at End of Year** |
| Nevada | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Northern New Jersey | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 1 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| North Carolina | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Philadelphia Pennsylvania | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 1 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Wisconsin (certain counties), Central Illinois | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 1 | 0 | 0 | 1 |
| Total | 2021 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 4 | 0 | 0 | 7 |
| | 2023 | 7 | 0 | 1 | 0 | 0 | 8 |

| TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2023 | | | |
|---|---|---|---|
| **State** | **Regional Developer Agreements Signed But Outlets Not Opened** | **Projected New Regional Developer Franchised Outlets in Next Fiscal Year** | **Projected New Company-Owned Outlets in the Next Fiscal Year** |
| Maryland | 0 | 0 | 1 |
| Total | 0 | 0 | 1 |

**Exhibit E** lists the names of all of our operating Regional Developer franchisees and their addresses and telephone numbers as of December 31, 2023. **Exhibit E** lists the Regional Developer franchisees who have signed Regional Developer Agreements for development areas which were not yet operational as of December 31, 2023, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every Regional Developer franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Regional Developer during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In the last 3 fiscal years, some Regional Developer franchisees have signed confidentiality agreements with us. In some instances, current and former Regional Developer franchisees sign provisions restricting their ability to speak openly about their experience with The Joint Corp. You may wish to speak with current and former Regional Developer franchisees, but be aware that not all of those Regional Developer franchisees will be able to communicate with you.

There are no (i) trademark-specific franchisee organizations associated with the Regional Developer franchise system being offered that we have created, sponsored or endorsed or (ii) independent Regional Developer

franchisee organizations that have asked to be included in this Disclosure Document.

## ITEM 21

## FINANCIAL STATEMENTS

Our fiscal year ends on December 31st. Attached to this Disclosure Document as **Exhibit D** are: (1) our consolidated audited financial statements as of and for the fiscal years ended December 31, 2023 and 2022, which have been taken from Item 8 of our 10-K Annual Report for 2023; and (2) our consolidated audited financial statements as of and for the fiscal years ended December 31, 2022 and 2021, which have been taken from Item 8 of our 10-K/A Annual Report for 2022. In addition, an unaudited balance sheet as of September 30, 2024, an unaudited income statement and statement of operations and statement of cash flows from January 1, 2024 through September 30, 2024, which have been taken from Item 1 of our 10-Q Quarterly Report, are attached to this Disclosure Document as **Exhibit D.**

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## ITEM 22

## CONTRACTS

The following agreements are attached to this Disclosure Document:

| | |
|---|---|
| Exhibit B | Regional Developer Agreement (which includes the following exhibits) |
| Exhibit G – 1 | Confidentiality/Non-Disclosure Agreement |
| Exhibit G – 2 | Form of Asset Purchase Agreement |

The following exhibits and agreements are attached to this Regional Developer Agreement:

| | |
|---|---|
| Exhibit 1 | Development Area |
| Exhibit 2 | Minimum Development Obligations |
| Exhibit 3 | Ownership Structure |
| Exhibit 4 | Owner's Guaranty and Assumption of Obligations |
| Exhibit 5 | State-Specific Addenda |
| Exhibit 6 | Regional Developer Questionnaire**(Questionnaire may not be signed or used if the franchisee resides within, or the franchised business will be located within, a franchise registration state)** |

## ITEM 23

## RECEIPTS

**Exhibit I** includes Receipts acknowledging that you received this Disclosure Document. Please return one Receipt to us and retain the other for your records. If you are missing these Receipts, please contact us at this address or telephone number:

The Joint Corp.
16767 N. Perimeter Dr., Suite 110
Scottsdale, Arizona 85260
Telephone (480) 245-5960
www.thejoint.com

# EXHIBIT A

## STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

## STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Following is information about our agents for service of process, as well as state agencies and administrators whom you may wish to contact with questions about The Joint Corp.

Our agent for service of process in the State of Delaware is:

THE CORPORATION TRUST COMPANY
CORPORATION TRUST CENTER, 1209 ORANGE STREET
WILMINGTON, DE 19801

We intend to register the franchises described in this Disclosure Document in some or all of the following states in accordance with applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the designated state offices or officials as our agents for service of process in those states:

| State | State Agency | Agent for Service of Process |
|---|---|---|
| CALIFORNIA | Commissioner of Corporations<br>Department of Financial Protection & Innovation<br>Suite 750<br>320 West 4th Street<br>Los Angeles, CA 90013<br>(213) 576-7505 | California Commissioner of Corporations<br>Department of Financial Protection & Innovation<br>Suite 750<br>320 West 4th Street<br>Los Angeles, CA 90013 |
| HAWAII | Business Registration Division<br>Department of Commerce and Consumer Affairs<br>335 Merchant Street, Room 203<br>Honolulu, HI 96812<br>(808) 586-2727 | Commissioner of Securities of the Department of Commerce and Consumer Affairs<br>335 Merchant Street, Room 203<br>Honolulu, HI 96812 |
| ILLINOIS | Office of Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465 | Illinois Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706 |
| INDIANA | Indiana Secretary of State Securities Division<br>Room E-1 11<br>302 West Washington Street<br>Indianapolis, IN 46204<br>(317) 232-6681 | Indiana Secretary of State<br>State Securities Division<br>Room E-1 11<br>302 West Washington Street<br>Indianapolis, IN 46204 |
| MARYLAND | Office of the Attorney General<br>Division of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360 | Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, MD 21202-2020 |

| | | |
|---|---|---|
| MICHIGAN | Michigan Department of Attorney General Consumer Protection Div.<br>Antitrust & Franchise Unit<br>670 Law Building<br>Lansing, MI 48913<br>(517) 373-7117 | Michigan Department of Commerce, Corporations and Securities Bureau<br>Antitrust & Franchise Unit<br>670 Law Building<br>Lansing, MI 48913 |
| MINNESOTA | Minnesota Department of Commerce<br>85 7th Place East, Suite 500<br>St. Paul, MN 55101-2198<br>(651) 296-4026 | Minnesota Commissioner of Commerce<br>85 7th Place East<br>Suite 500<br>St. Paul, MN 55101-2198 |
| NEW YORK | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21st Fl.<br>New York, NY 10005<br>212-416-8222 | Secretary of State<br>State of New York<br>99 Washington Avenue<br>Albany, New York 12231 |
| NORTH DAKOTA | Office of Securities Commissioner<br>Fifth Floor<br>600 East Boulevard<br>Bismarck, ND 58505-0510<br>(701) 328-4712 | North Dakota Securities Commissioner<br>Fifth Floor<br>600 East Boulevard<br>Bismarck, ND 58505-0510 |
| RHODE ISLAND | Department of Business Regulation<br>Division of Securities<br>1511 Pontiac Avenue<br>Cranston, RI 02920<br>(401) 462-9527 | Director of Rhode Island Department of Business Regulation Floor<br>Division of Securities<br>1511 Pontiac Avenue<br>Cranston, RI 02920 |
| SOUTH DAKOTA | Department of Labor and Regulation<br>Division of Insurance Securities Regulation<br>124 South Euclid Suite 104<br>Pierre, SD 57501<br>(605) 773-3563 | Department of Labor and Regulation<br>Division of Insurance Securities Regulation<br>124 South Euclid Suite 104<br>Pierre, SD 57501<br>(605) 773-3563 |
| VIRGINIA | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, VA 23219<br>(804) 371-9051 | Clerk of State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219<br>and United Corporate Services, Inc.<br>700 East Main Street, Suite 1700<br>Richmond, VA 23218 |
| WASHINGTON | Department of Financial Institutions<br>Securities Division<br>150 Israel Road<br>Tumwater, Washington 98501<br>(360) 902-8760 | Director of Washington Financial Institutions<br>Securities Division<br>150 Israel Road<br>Tumwater, Washington 98501<br>(360) 902-8760 |

| | | |
|---|---|---|
| WISCONSIN | Wisconsin Securities Commissioner<br>Securities and Franchise Registration<br>345 W. Washington Avenue<br>Madison, WI 53703<br>(608) 266-8559 | Commissioner of Securities of Wisconsin<br>Securities and Franchise Registration<br>345 W. Washington Avenue<br>Madison, WI 53703<br>(608) 266-8559 |

# EXHIBIT B

## REGIONAL DEVELOPER AGREEMENT

**THE JOINT CORP.**

**REGIONAL DEVELOPER AGREEMENT**

_____

_____

Date of Agreement

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**THE JOINT CORP.**

**REGIONAL DEVELOPER AGREEMENT**

This Regional Developer Agreement (the "Agreement") is made and entered into this ___ day of_____, 202_____, (the "Effective Date"), by and between The Joint Corp., a Delaware corporation ("Company", "we", "us" or "our"), and _____ corporation / limited liability company / partnership (Circle One) ("Regional Developer" or "you"), with reference to the following facts:

A. We and our affiliates have designed and developed valuable and proprietary formats and systems for the development and operation of businesses operating single unit franchises at a specific location ("Location Franchise(s)" or "Franchise(s)"). Location Franchises offer affordable, convenient and accessible chiropractic care to the general public through licensed chiropractors.

B. We have developed and use, promote and license certain trademarks, service marks and other commercial symbols in operating our Location Franchises, including "The Joint®", "The Joint® Chiropractic", "The Joint…The chiropractic place®", and we may create, use and license other trademarks, service marks and commercial symbols for use in operating our franchises (collectively, the "Marks").

C. We offer prospects persons or entities the right to own and operate a Location Franchise offering the products and services we authorize (and only the products and services we authorize) and using our business formats, methods, systems, procedures, signs, designs and layouts, standards, specifications and Marks, all of which we may improve, further develop and otherwise modify from time to time (collectively, the "System").

D. We seek a Regional Developer who will open and operate, or solicit and assist the owners of Location Franchises (referred to as a "Franchisee(s)") in opening and operating numerous Location Franchises within a specified geographic area described in Exhibit 1 (the "Development Area").

E. Regional Developer desires to establish a business (a "Regional Developer Business") under which it will solicit, qualify, train and assist Franchisees to build and operate Location Franchises within the Development Area, and we desire to grant to Regional Developer the right to operate the Regional Developer Business in accordance with the terms and upon the conditions contained in this Agreement.

**WHEREFORE, IT IS AGREED**

**1. GRANT OF RIGHTS**. Subject to the terms of this Agreement, we hereby grant to Regional Developer, and Regional Developer hereby accepts, the rights during the Term to solicit, screen, qualify for final approval by us, train and assist Franchisees to open and operate, Location Franchises in the Development Area.

**2. REGIONAL DEVELOPER'S DEVELOPMENT OBLIGATION**.

**2.1 Minimum Development Obligation and Development Schedule**. Regional Developer shall solicit, screen, qualify, train and assist Franchisees to construct, equip, open and operate, within the Development Area, the total number of Location Franchises set forth in Exhibit 2 (the "Minimum Development Obligation"), in the manner and within each of the time periods specified therein (the "Development Schedule"). You must do so in accordance with the following:

(a) *Franchisee Solicitation and Recruitment*. You shall market the Location Franchises within the Development Area in accordance with all applicable laws (including without limitation all franchise laws pursuant to any Federal Trade Commission regulation and any registration states' laws). You may not use any advertising material which has not been either provided by us or approved by us in writing prior to its publication. Neither you nor

any of your employees or representatives shall solicit prospective Franchisees until we have registered our current Franchise Disclosure Document ("FDD") in applicable jurisdictions and have provided you with the requisite documents or at any time when we notify you that its registration is not then in effect or its documents are not then in compliance with applicable laws. If your activities pursuant to this Agreement require the preparation, amendment, registration, or filing of information or any disclosure or other documents, all requisite franchise disclosure documents, ancillary documents, and registration applications shall be prepared and filed by us or our designee, and registration secured, before you may solicit prospective Franchisees. At your cost, you shall: (1) promptly provide all information we reasonably require to prepare all requisite disclosure documents and ancillary documents for the offering of franchises throughout your Development Area; and (2) execute all documents we require for the purpose of registering us and you to offer franchises throughout the Development Area. You agree to review all information pertaining to you prepared to comply with legal requirements for selling franchises in the Development and verify its accuracy if we so request. You acknowledge that we and our affiliates and designees shall not be liable to you for any errors, omissions, or delays which occur in the preparation of such materials. You shall be responsible for advertising, recruiting, screening, and interviewing prospective Franchisees within the Development Area. You shall provide prospective Franchisees with written information regarding a Location Franchise approved by us or communicate information regarding Location Franchises via the telephone, face-to-face meetings, or visits with other Location Franchises within the Development Area. You shall submit each qualified prospective Franchisee to us for approval. You further agree that all prospective Franchisees submitted to us by you shall be individuals who are of good character, have adequate financial resources, and meet our criteria for Franchisees.

(b) *General Development Obligations*. Throughout the Term, you shall use your commercially-reasonable efforts to develop the Development Area.

(c) *Minimum Development Obligations*. Subject to the possible suspension of the Minimum Development Obligation as set forth in Section 2.1(g)(iii) of this Agreement, you shall be responsible for satisfying the Minimum Development Obligation in connection with the Development Schedule that is set forth in Exhibit 2. For purposes of this Agreement, the following defined terms have the meaning given to them below:

"Minimum Development Obligation" means your requirements to achieve that number of Sales by the deadlines set forth in the Development Schedule (Exhibit 2) both with regard to (1) the minimum number of completed Sales that must be achieved each year of this Agreement, by the annual anniversary dates measured from the Effective Date of this Agreement; and (2) the cumulative minimum number of Location Franchises that must be opened and operating within your Development Area by the annual anniversary dates measured from the Effective Date of this Agreement.

"Cumulative" means the net sum of (a) Franchisees in your Development Area that became Sales in a previous year, (b) plus the Sales in your Development Area that took place in the applicable current year, (c) minus the number of Franchisees in your Development Area that were closed (due to non renewal of Franchise Agreement, abandonment, etc.) in the applicable current year. The number of Sales and deadlines shall be negotiated in good faith and mutually agreed upon by the parties.

"Sale" or Sales" means: that moment when: (1) the Initial Franchise Fee has been collected, and (2) a copy of the Franchise Agreement has been executed. Only newly constructed Location Franchises qualify as a completed Sale.

(d) *Franchisee Submission Package*. For each proposed Franchisee, you shall submit to us a report which shall include a completed written application by such proposed Franchisee

together with such additional information and comments, as specified by us and on forms provided by us.

(e) *Approval of Franchisees*. We may approve or disapprove each Franchisee candidate proposed by you, which such approval shall not be unreasonably withheld. Our good faith disapproval of any such candidate shall not excuse you from failing to meet the Minimum Development Obligation.

(f) *Breach of Minimum Development Obligation*. If you are not in compliance with the Minimum Development Obligation, it is understood and agreed that we retain the right (either directly or through our designees) but not the obligation, throughout the Term, to market, negotiate, and sell franchises for Franchisees within the Development Area. If, at any time following the expiration of the fifth ($5^{th}$) anniversary of the Effective Date, you breach the Minimum Development Obligation and fail to cure within 90 days after we send you a Notice of Default, then we have the option, but not the obligation, to exercise our Purchase Option pursuant to Section 4.2 for a purchase price determined in accordance with Section 4.2(c).

(g) *Relief from Sales Responsibilities*.

(i) We may from time to time, as mutually agreed upon by the parties, relieve you from the duty to sell Location Franchises in the Development Area. If we do so, we (or our designee) will exercise commercially-reasonable efforts to sell such Location Franchises within the Development Area. However, neither we nor our designees make any promise or warranty that it will sell any number of Location Franchises within the Development Area during this relief period, including any number lesser or greater than the Minimum Development Obligation.

(ii) With regard to the "commercially-reasonable efforts "obligation in Section 2.1(g)(i) above, it is understood that we (either directly or through our designee) will be responsible for all sales duties (prospective Franchisee calls, presentations, follow-up and closings), and your franchise sales duties will be limited to reasonable support of, and cooperation with, us and (as applicable) our designees.

(iii) For so long as we relieve you of the franchise sales responsibilities in your Development Area and you perform the required support and cooperation duties, you shall be fully relieved of the Minimum Development Obligation. However, if we later decide to relinquish and re-delegate back to you such franchise sales responsibilities in your Development Area, then you will be required, for the remainder of the Term, to satisfy the remainder of the Minimum Development Obligation. We will proportionately reduce the non-achieved portion of the Minimum Development Obligation for the time period that we handled sales from the total of your Minimum Development Obligation.

(iv) During any relief period, we shall pay to you a reduced commission of 20% of the Initial Franchise Fee we collect.

(h) *Delaying Events*. If the opening of any Location Franchise within the Development Area is delayed on account of an act of God, war, riot, natural disaster or fire which is beyond your reasonable control or if we are unable to provide you a registered Franchise Disclosure Document (as applicable, a "Delaying Event"), then the date by which you must have the required number of Location Franchises open and operating will be extended for the time which we consider, in our business judgment following consultation with you, necessary to remedy the effects of the Delaying Event. If a Location Franchise within the Development Area is destroyed or damaged such that the Location Franchise cannot continue to operate, such destroyed or damaged Location Franchise shall continue to count toward satisfaction

of the Minimum Development Obligation (during the period until such Location Franchise reopens at the same location or at a substitute location acceptable to us) but only if you or such Franchisee, as applicable, shall repair and restore such Location Franchise to our then-current standards and specifications within 120 days after the occurrence of such destruction or damage, subject to a further extension of time as a result of any Delaying Events.

(i) *Acquisition of Franchise Rights*. You shall not cause or allow any proposed Franchisee or any other person or entity to operate or acquire any Location Franchise in the Development Area, except pursuant to a Franchise Agreement executed in accordance with the terms of this Agreement.

(j) *Franchise Agreements*. Each Location Franchise opened within the Development Area, whether owned by you or by a Franchisee procured by you, shall be the subject of a separate Franchise Agreement between the Franchisee and us on our then-current form at the time executed.

(k) *Business and Marketing Plans*. Promptly following the Effective Date, and each year thereafter, you shall develop an annual business plan in the form designated by us which among other items shall specify an amount, acceptable to us, that you shall spend during the ensuing year on franchise recruitment advertising and franchise recruitment marketing costs which shall in no event be less than $750 per month or $9,000 per year per Development Area owned by you. You shall submit to us on quarterly basis copies of receipts confirming advertising and franchise recruitment marketing expenditures for the previous quarter. If you fail to do so within ten (10) business days after receipt of notice from us, we shall have the right to deduct the unspent amount from your Royalty Fee Commissions and spend such funds on your behalf for franchise solicitation advertising, provided that we have notified you of such failure and provide you 30 days to cure. As provided in Section 6.7 below, we reserve the right at any time to increase the amount of franchise recruitment advertising and franchise recruitment marketing costs that you must reasonably expend, but we shall not increase such costs greater than 25% per year. We may require you to submit to corporate your yearly lead generation marketing plan for review and approval.

(l) *Prohibited Representations and Actions*. You shall not: (i) make any representation or promise to any prospective Franchisee which is inconsistent with or in addition to the representations or promises expressly authorized by us, or made in any applicable FDD provided to prospective Franchisees, or which is not in compliance with any applicable law; (ii) attempt or purport to bind us (or any affiliate of us) to any obligation or duty to any person, or entity, including any prospective Franchisee; (iii) attempt or purport to modify or amend any Franchise Agreement; or (iv) except as expressly permitted hereunder and by applicable law and with full disclosure thereof to us and with our prior written approval, receive, directly or indirectly, any fee or other consideration from any person, including without limitation, prospective or existing Franchisees or vendors to Location Franchises.

(m) *Grand Opening Assistance*. You shall assist Franchisees with their respective Grand Opening obligations, including planning, execution and the collection of any marketing or pre-opening information.

**2.2** **Regional Developer Sales Office and Opening**. Regional Developer shall establish and operate a franchise sales office ("Regional Developer Sales Office" or "Sales Office") within the Development Area. We will not approve or disapprove the location of the Sales Office. You must open your Regional Developer Business within 45 days after you receive your initial training from us, or 90 days after signing your Regional Developer Agreement, whichever occurs first.

## 3. TERRITORIAL RIGHTS AND LIMITATIONS.

**3.1** **Territorial Rights**. Except as provided in Section 3.2, as long as this Agreement is in effect, and you are in compliance with this Agreement, and meet the Minimum Development Obligation set forth in this Agreement, then neither we nor our affiliates will not operate, establish or grant in your Development Area another Regional Developer Business offering Location Franchises, or any Location Franchises not required to be developed under this Agreement.

**3.2** **Rights Maintained by Company**. We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we desire, including, but not limited to:

(a) *Non-Traditional Sites*. We expressly reserve the right to establish and operate, or grant others the right to establish and operate, Clinics that are located within Non-Traditional Sites that are located anywhere, including within your Development Area. A "Non-Traditional Site" means any site or channel that generates customer traffic flow that is independent from the general customer traffic flow of the surrounding area, including on or within the confines or premises of military bases, shopping malls or centers, stadiums, major industrial or office complexes, parking lots or structures, mobile vehicles, airports, hotels, resorts, school campuses, train stations, travel plazas, toll roads, casinos, hospitals, theme parks, and sports or entertainment venues. A "Non-Traditional Site" also includes the establishment and operation of a Clinic within a pre-existing business that does not operate under the Marks. For example, Clinics established within an urgent care center, retail store, or medical spa would qualify as Non-Traditional Sites.

(b) *Similar Businesses*. We expressly reserve the right to grant Location Franchises and/or Regional Developer Business rights to others as follows: (i) in our sole and absolute discretion with regard to the Marks, outside of your Development Area, (ii) in our sole and absolute discretion with regard to products or services unrelated to the Marks, inside of your Development Area.

(c) *Acquisitions*. We expressly reserve the engage in an Acquisition, including acquisitions that involve competitive businesses located within your Development Area. An "Acquisition" means either (i) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise or (ii) us directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise. If we convert such business(es) to operate under the Marks, then for so long as such business(es) operate under the Marks within your Development Area: (i) you must provide support services to such business(es) and you will receive from us fifty percent (50%) of any royalties that we actually collect from such converted business(es); and (ii) any such converted business(es) shall count toward your Minimum Development Obligation.

## 4. TERM AND PURCHASE OPTION.

**4.1** **Term**. The term of this Agreement (the "Term") shall be for a period of ten (10) years commencing on the Effective Date, unless sooner terminated in accordance with the provisions of Section 13. You are not granted any renewal rights. This Agreement may be renewed, or the Term extended, only with the mutual written consent of both parties, which either party may withhold in its sole discretion.

**4.2** **Company's Purchase Option**.

(a) *Generally*. At any time following the expiration of the fifth ($5^{th}$) anniversary of the

Effective Date, we have the option, but not the obligation, to purchase your Regional Developer Business (the "Purchase Option") if you breach the Minimum Development Obligation and fail to cure within 90 days after receipt of a Notice of Default. If we exercise the Purchase Option, we will purchase your Regional Developer Business together with all of your associated rights under this Agreement (collectively, the "Purchased Assets") in accordance with the provisions set forth immediately below.

(b) *Purchase Notice*. In order to exercise the Purchase Option, we will provide you with a written notice (the "Purchase Notice") that: (i) confirms we have elected to exercise the Purchase Option; and (ii) specifies the earliest date on which we intend to close the transaction and purchase the Purchased Assets (which in no event will be less than 30 days from the date of the Purchase Notice).

(c) *Purchase Price*. The purchase price we pay you in exchange for the Purchased Assets (the "Purchase Price") shall be calculated as follows: three (3) times the total amount of Royalty Fee Commissions (as defined in Section 8.2) that you earned during the 12-month period immediately preceding the date of the Purchase Notice.

(d) *Closing*. The closing for the transaction will take place 30 days after the date the Purchase Price is determined, or on such other date mutually agreed upon by the parties. We may deduct from the Purchase Price all amounts that you owe to us under this Agreement as of the closing date. At closing, the parties agree to execute and deliver any and all documents or instruments required to effectuate the purchase and transfer of the Purchased Assets, which, at a minimum, shall include the execution and delivery of: (i) an "Asset Purchase Agreement" in a form substantially similar to the form of Asset Purchase Agreement attached to our most recently issued Franchise Disclosure Document; and (ii) a Termination Agreement, pursuant to which the parties mutually terminate this Agreement.

## 5. ADDITIONAL OBLIGATIONS OF COMPANY AND REGIONAL DEVELOPER

### 5.1 Regional Developer Training.

(a) *Initial Training*. This training program may include classroom training and/or hands-on training and will be conducted at our corporate headquarters in Scottsdale, Arizona, and/or at any other location(s) we designate. Before opening for business, your Owners and any others that will be directly involved in the operation of the Regional Developer Business, including a general manager, must attend and complete the initial training to our satisfaction and participate in all other activities we require before soliciting Franchisees in the Development Area. Although we provide this training at no additional cost to Regional Developer, Regional Developer must pay all travel and living expenses which it and its attendees incur.

(b) *Failure to Successfully Complete Initial Training*. If we determine that Regional Developer cannot complete initial training to our satisfaction, we may, at our option, either (1) require Regional Developer to attend additional training at Regional Developer's expense (for which we may charge reasonable fees), or (2) terminate this Agreement.

(c) *Webinars and Conventions*. Regional Developer shall participate in periodic webinars and sales calls scheduled by us for Regional Developer Businesses, and attend a national business meeting or convention of up to three days each year. We may also require Regional Developer to attend up to two (2) additional or refresher training courses each year at our corporate offices, or another location we designate. We may charge reasonable fees for these courses, conventions, webinars, sales calls, and programs. Regional Developer is responsible for all travel and living expenses.

### 5.2 Regional Developer Manual.

(a) *Generally*. We shall loan to Regional Developer one (1) copy of our Manual for Regional

Developer Businesses ("Manual for RDs"). Regional Developer shall conduct all business activities in strict accordance with our standard operational methods and procedures as prescribed from time to time in the Manual for RDs. As used in the Agreement, the term "Manual" shall be deemed to include the Manual for RDs delivered to Regional Developer, all amendments to the Manual for RDs, and all supplemental bulletins, notices, exhibits, and memoranda which prescribe standard methods or techniques of operation, and which we may from time to time deliver to Regional Developer.

(b) *Modification*. We shall have the right to modify or supplement the Manual. Such modifications and supplements shall be effective and binding on Regional Developer 15 days after Notice thereof is mailed or otherwise delivered to Regional Developer. Regional Developer acknowledges and agrees that modifications of and supplements to the Manual may obligate Regional Developer to invest reasonable amounts of additional capital or incur reasonable higher operating costs.

(c) *Ownership and Restrictions on Use*. The Manual is our property and may not be duplicated, copied, disclosed or disseminated in whole or in part in any manner except with our express prior written consent. Regional Developer shall maintain the confidentiality of the Manual. Upon the termination of this Agreement, Regional Developer shall return to us all copies of the Manual in its possession or control.

**5.3 General Guidance and Site Assistance/Review**.

(a) *General*. We will provide guidance to Regional Developer in the Manual and other bulletins or other written materials, by electronic media, and/or by telephone consultation. If Regional Developer requests and we agree to provide additional or special guidance, assistance or training, Regional Developer must pay our then applicable charges, including our personnel per diem charges and any travel and living expenses.

(b) *Site Assistance and Review*.

(i) You shall submit to us for review each proposed site and proposed territory for each Franchisee prior to such Franchisee's execution of any Franchise Agreement or lease for a proposed location inside of your Development Area (whether or not such proposed location is in connection with a new Location Franchise, a relocation of an existing Location Franchise, or a conversion to a Location Franchise). You shall comply with all of our requirements, policies and procedures as to site assistance, including participation in and assistance in conducting any market study required by us. You hereby acknowledge and agree that only we may approve of the territorial boundaries for any Franchisee's territory.

(ii) Regarding the re-sale (transfer) of an existing Location, you must receive our prior written approval if and when you seek to communicate our modification of the territorial boundaries of any such existing Location Franchise.

(iii) You shall use your commercially-reasonable efforts to assist Franchisees in their execution of a premises lease with their landlord and shall ensure that our required lease language is contained within the lease or an addendum to the lease as required in the then-current form of Franchise Agreement or as specified by us in writing. You shall use your commercially-reasonable efforts to have the Franchisees provide us with a copy of the lease prior to execution for our approval.

(iv) You shall assist us with regard to each Franchisee's execution of any and all documents related to the selling, opening, and operating of a Location Franchise.

(v) Notwithstanding the site assistance responsibilities delegated by us to you above, we may mutually agree during the Term to collaborate on the following items listed below; however we reserve the unrestricted right, during the Term of this

Agreement and within your Development Area to do all of the following if you fail to satisfy the Minimum Development Obligation, at which time our right to conduct these responsibilities becomes unrestricted:

A. search for and consider potential site locations for possible Location Franchises;

B. acquire real estate rights, under a letter of intent, lease, sublease, or otherwise (as owner, lessor, sub-lessor, or otherwise) for potential site locations for Location Franchises;

C. assign, lease, sub-lease, or otherwise any real estate rights directly to franchisees or prospective franchisees or option holders;

D. notify (directly or through you) existing franchisees or prospective Franchisees of potential site locations for Location Franchises so that they may consider acquiring real estate rights for such site locations; and

E. require that you visit, evaluate and complete any required site review for us on any potential site locations that we have identified to become Location Franchises.

**5.4** **Franchise Registration and Disclosure**. Neither Regional Developer nor any representative of Regional Developer shall solicit prospective Franchisees of Location Franchises until we have registered our current Franchise Disclosure Document in applicable jurisdictions in the Development Area and have provided Regional Developer with the requisite documents, or at any time when we notify Regional Developer that our registration is not then in effect or our documents are not then in compliance with applicable law. If Regional Developer's activities pursuant to this Agreement require the preparation, amendment, registration, or filing of information or any disclosure or other documents, then all requisite disclosure documents, ancillary documents, and registration applications shall be prepared and filed by us or our designee, and registration secured, before Regional Developer may solicit prospective Franchisees for Location Franchises. Costs of such registration applicable to Regional Developer shall be borne by Regional Developer. In particular, Regional Developer shall:

(a) prepare and forward to us verified financial statements of Regional Developer in such form and for such periods as shall be designated by us, including audited financial statements, if necessary and appropriate to comply with applicable legal disclosure, filing or other legal requirements;

(b) promptly provide all information reasonably required by us to prepare all requisite disclosure documents and ancillary documents for the offering of franchises throughout the Development Area; and

(c) execute all documents required by us for the purpose of registering Regional Developer and us to offer franchises throughout the Development Area.

Regional Developer agrees to review all information pertaining to Regional Developer prepared to comply with legal requirements for selling franchises in the Development Area and verify its accuracy if so requested by us. Regional Developer acknowledges that we and our affiliates and designees shall not be liable to Regional Developer for any errors, omissions or delays which occur in the preparation of such materials.

**5.5** **Investigation and Qualification of Prospective Franchisees**.

(a) Each Location Franchise opened by a Franchisee pursuant to this Agreement shall be the subject of a separate Franchise Agreement with us, upon our then current form. Regional Developer shall have no right to modify or offer to modify any Franchise Agreement or other contract.

(b) Regional Developer shall be responsible for disclosing (or re-disclosing, when there are updates or supplements) to prospects our most current form of the Franchise Disclosure Document.

(c) If we shall approve a Franchisee and a prospective franchise location, Regional Developer shall transmit to such Franchisee for execution copies of our then-current Franchise Agreement pertaining to the approved site and providing for a protected territory surrounding said Location Franchise, as determined by us.

(d) Regional Developer shall investigate the qualifications of each prospective Franchisee and the suitability of each prospective franchise location in the Development Area in accordance with our standards, policies and procedures relating to qualification of Franchisees then in effect, and shall obtain all information required of prospective Franchisees by us.

(e) After Regional Developer is satisfied that a prospective Franchisee meets the standards established by us, Regional Developer may recommend to us the approval of such prospective Franchisee. Regional Developer shall then furnish to us all information relating to the prospective Franchisee which shall be required by us in the form and manner customarily required by us.

(f) We may thereafter conduct or obtain such credit reports and background checks on prospective franchisees as we deem necessary or convenient. We may then approve or disapprove a prospective franchisee for any reason and may seek further information with respect to the prospective Franchisee. Regional Developer shall cooperate with us in any further investigation of the prospective Franchisee. If we shall reject a prospective Franchisee, we shall provide Regional Developer with a written explanation of the reasons therefor.

(g) Regional Developer shall deliver to us a copy of all correspondence with Franchisees that is material to the franchise relationship, concurrently with its being sent or received by Regional Developer.

**5.6 Training and Support**.

(a) *Initial and Ongoing Assistance to Franchisees*. Unless we designate otherwise, you shall provide Franchisees with such initial and ongoing assistance, supervision, training and other services as we delegate to you as specified in the Manual or other written directives to you, including the following responsibilities:

(i) You shall provide initial and ongoing training to Franchisees within the Development Area pursuant to Section 5.6(b) below.

(ii) You shall comply with all aspects of our Opening Process as set forth in the Manual and as prescribed by us from time to time.

(iii) You shall perform field support and coordination responsibilities for Franchisees within the Development Area and shall act as a liaison to facilitate communication between Franchisees and us.

(iv) You shall at all times employ a sufficient number of qualified staff, and shall maintain adequate office facilities to: (1) satisfy the Minimum Development Obligation and (2) supervise, assist, train and provide services to Franchisees in the Development Area, as required by this Agreement and the Manual.

(v) All Owners owning at least a 30% equity stake in you shall at your expense, attend such conferences and meetings as required by us from time to time, including, without limitation, each franchisee convention.

(vi) You shall assist us to collect from Franchisees within your Development Area the following: Royalty, National Marketing Fee, or any other fees due to us or any affiliate of us.

(vii) You shall assist us in the enforcement and compliance by each Franchisee within your Development Area as to the proper maintenance and submission of records and reports as set forth in the Franchise Agreement and the Manual. You shall assist us to inspect and review each Franchisee's Location Franchise located within your Development Area to achieve the Franchisee's compliance with our specifications and standards, systems, operation manuals and the terms of their Franchise Agreement.

(viii) You shall, in our determination, conduct or assist us with operational review of any Franchisees within your Development Area, as well as provide us with ongoing information, as requested from time to time by us, subject to your ability to obtain such information concerning any Location Franchise within your Development Area.

(ix) You shall comply with the Manual, Specifications and Standards, and our Systems provided from time to time by us describing your responsibilities pertaining to the sales, transfer or renewal of a Franchisee's Franchise Agreement for franchises within the Development Area.

(x) You shall conduct networking meetings, on-site visits, and provide ongoing communication to the Franchisees within your Development Area.

(xi) You shall provide coordination to Franchisees who do any of the following within your Development Area: (1) open a new Location Franchises; (2) remodel a Location Franchise; (3) relocate a Location Franchise; (4) convert a competitor into a Location Franchise; and/or (5) conduct an upgrade to a Location Franchise within your Development Area.

(xii) You shall provide the support and assistance to Franchisees in the Development Area as set forth in the Manual, the Standards and Specifications, the Systems, this Agreement, or as otherwise communicated by us to you in writing from time to time.

(xiii) We may from time to time, as mutually agreed upon by the parties, relieve you from the duty to provide the initial and on-going support and coordination to Franchisees in the Development Area stated within this Section 5.6. You hereby agree that we do not have to pay you any portion of fees (including any fees stated in Section 8.2 of this Agreement) that we actually collect from Franchisees in the Development Area during the relief period.

(b) *Training Programs Provided to Franchisees*.

(i) You shall provide training programs for Franchisees within the Development Area in accordance with the procedures set forth in this Agreement, the Franchise Agreement, the Manual, our Standards and Specifications, the Systems, and you shall distribute to the Franchisee the training and other materials made available by us to you.

(ii) You shall provide Franchisees in the Development Area with additional training as may be required by us from time to time and you shall be solely responsible for all expenses associated with such additional training.

(iii) You shall promote and facilitate cooperation between us and any Franchisee as required by the Manual, including but not limited to the following:

A. Ensuring that Franchisees stay advised of activities conducted by us in support to the System;

B. Pursuant to the Manual or as communicated to you by us in writing, scheduling and conducting meetings of Franchisees in the Development Area to distribute, review and explain materials provided by us to its franchisees and to provide a forum for Franchisees to share information and ideas;

C. Ensuring that we are advised of any and all major issues or problems raised at any franchisee meetings or otherwise in the Development Area;

D. You shall notify us immediately of any Location Franchise located within the Development Area that is operated by a person or contains individuals who have not successfully completed all training programs as required from time to time; and

E. All training provided by you to Franchisees must be conducted by personnel that have successfully completed our applicable training.

**5.7** **Inspection of Location Franchises and Operations**. Regional Developer shall conduct inspections of all of the Location Franchises in the Development Area, and of its operations and the review of the operations of all Location Franchises in the Development Area, in accordance with the standards from time to time established by us, upon such schedules and according to such procedures as shall be agreed upon by us and Regional Developer, acting in good faith, but, in any event, at least the minimum number of times each calendar quarter prescribed in the Manual for RDs. Regional Developer shall provide reports to us with respect to the findings of such inspections, in such form and at such time as we shall require. We reserve the right to conduct periodic reviews or inspections of your Regional Developer Business operations to ensure that you are in compliance with this Agreement, the Manual for RDs, standards, and any of our other written directives to you.

**5.8** **Marketing and Promotion**. Regional Developer shall participate in all promotion and marketing activities required by us of our Regional Developers, as required in the Franchise Agreements, or otherwise. In addition:

(a) You shall assist Franchisees to establish, support and remain members in good standing of the National Advertising Fund and any applicable Co-ops within the Development Area.

(b) You shall monitor the Franchisees' advertising within the Development Area for compliance with our standards and specifications (including required advertising expenditures), systems, operation manuals, or as otherwise specified in writing by us from time to time.

(c) You shall promote and support all national media advertising campaigns initiated by us and otherwise provide such assistance and support to Franchisees regarding the advertising and marketing of their Location Franchises.

(d) You shall assist Franchisees with the Grand Opening planning and execution for their Location Franchises, including the collection of at least 200 leads from prospective new patients prior the opening of their Location Franchise(s).

**5.9** **Operation of a Location Franchise**. You must own, operate and maintain at least one Location Franchise within your Development Area throughout the term of this Agreement. You must execute a Franchise Agreement and pay our then-current initial franchise fee for Location Franchise at the same time you execute this Agreement. The following requirements will apply to such Location Franchise: (a) the business must be located within your Development Area, unless we agree otherwise; and (b) you shall be required to remit the Royalty Fee, as that term is defined

in your Franchise Agreement, and any other fees due to us or our affiliates pursuant to the terms of said agreement, and receive the reimbursement pursuant to the terms of this Agreement. The Initial Franchise Fee for the Location Franchise you own and operate in the Development Area will not be covered by the Initial Regional Developer Fee paid to us pursuant to this Agreement.

**5.10** **Report of Material Franchisee Violations**. If you receive notice, or are informed, of any material violation or breach by any Franchisee within your Development Area of the manuals, standards and specifications, systems, or applicable Franchise Agreement, you must promptly notify us in writing of the same.

## 6. OPERATING STANDARDS.

**6.1** **Standard of Service**. Regional Developer shall at all times give prompt, courteous and efficient service to Location Franchises in the Development Area. Regional Developer shall, in all dealings with Franchisees, prospective Franchisees and the public, adhere to the highest standards of honesty, integrity, fair dealings and ethical conduct.

**6.2** **Compliance with Laws and Good Business Practices**. Regional Developer shall secure and maintain in force all required licenses, permits and certificates relating to Regional Developer's activities under this Agreement and operate in full compliance with all applicable laws, ordinances and regulations. Regional Developer acknowledges being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal and termination of, and continuing relationship between parties to a franchise agreement, including, without limitation, laws concerning disclosure requirements. Regional Developer agrees promptly to become aware of and to comply with all such laws and legal requirements in force in the Development Area and to utilize only disclosure documents that we have approved for use in the applicable jurisdiction.

**6.3** **Accuracy of Information**. Before it solicits any prospective franchisee, Regional Developer shall each time take reasonable steps to confirm that the information contained in any written materials, agreements and other documents related to the offer or sale of franchises is true, correct and not misleading at the time of such offer or sale and that the offer or sale of such franchise will not at that time be contrary to or in violation of any applicable state law related to the registration of the franchise offering. We shall provide Regional Developer with any changes to our disclosure documents and other agreements on a timely basis and, upon request, provide Regional Developer with confirmation that the information contained in any written materials, agreements or documents being used by Regional Developer is true, correct and not misleading, except for information specifically relating to disclosures regarding Regional Developer. If Regional Developer notifies us of an error in any information in our documents, we shall have a reasonable period of time to attempt to correct any deficiencies, misrepresentations or omissions in such information.

**6.4** **Notification of Litigation**. Regional Developer shall notify us in writing within five (5) days after the commencement of any action, suit, arbitration, proceeding, or investigation, or the issuance of any order, writ, injunction, award and decree, by any court agency or other governmental instrumentality, which names Regional Developer or any of its Owners or otherwise concerns the operation or financial condition of Regional Developer, the Regional Developer Business or any Franchisee.

**6.5** **Insurance**.

(a) Regional Developer shall at all times during the term of this Agreement maintain in force, at Regional Developer's sole expense, insurance written on an occurrence basis for the Regional Developer Business of the types, in the amounts and with such terms and conditions as we may from time to time prescribe in the Regional Developer Manual or otherwise. All of the required insurance policies shall name us and affiliates designated by us as additional insured, contain a waiver of the insurance company's right of subrogation against us and the designated affiliates, and provide that we will receive 30 days' prior

written notice of termination, expiration, cancellation or modification of any such policy.

(b) You must maintain any and all insurance coverage in such amounts and under such terms and conditions as may be required in connection with your lease or purchase of any premises used to operate your Regional Developer franchise.

(c) Notwithstanding the existence of such insurance, you are and will be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Regional Developer franchise, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom; and you agree to defend, indemnify and hold us harmless of, from, and with respect to any such claims, loss or damage, which indemnity shall survive the termination or expiration and non-renewal of this Agreement. You are also responsible for any and all claims, losses or damages, including to third persons, originating from, in connection with, or caused by your failure to name us as an additional insured on each insurance policy. You agree to defend, indemnify and hold us harmless of, from, and with respect to any such claims, loss or damage arising out of your failure to name us as additional insured, which indemnity shall survive the termination or expiration and non-renewal of this Agreement.

(d) Your obligation to maintain insurance coverage as described in this Agreement will not be reduced in any manner by reason of any separate insurance we maintain on our own behalf, nor will our maintenance of that insurance relieve you of any obligations under this Agreement.

(e) If you fail to pay the premiums for insurance required to operate your franchise, we may obtain insurance for you and you will be required to reimburse us within ten (10) days of receipt of a demand for reimbursement from us. We will have the right to debit your account the amounts owed to us for such premiums if you fail to pay us within ten (10) days of our request for reimbursement.

**6.6** **Proof of Insurance Coverage**. Regional Developer will provide proof of insurance to us before beginning operations of its Regional Developer Business. This proof will show that the insurer has been authorized to inform us in the event any policies lapse or are canceled or modified. We have the right to change the types, amount and terms of insurance that Regional Developer is required to maintain by giving Regional Developer prior reasonable notice. Noncompliance with these insurance provisions shall be deemed a material breach of this Agreement, and in the event of any lapse in insurance coverage, we shall have the right, in addition to all other remedies, to demand that Regional Developer cease operations of its Regional Developer Business until coverage is reinstated or, in the alternative, to pay any delinquencies in premium payments and charge the same back to Regional Developer.

**6.7** **Advertising Requirement and Cooperatives**.

(a) *Minimum Advertising Requirement*. You must meet the minimum advertising requirement we establish for your Regional Developer Business ("Minimum Advertisement Requirement"). We will establish the Minimum Advertising Requirement at the time you sign this Agreement. However, your Minimum Advertising Requirement will be no event be less than $750 per month, or $9,000 per year per Development Area owned by you. You may be required to provide receipts to show you are meeting this requirement. We reserve the right to increase the Minimum Advertisement Requirement for your Regional Developer Business if we determine that it is necessary for you to meet your Minimum Development Obligation. We may require you to submit to corporate your yearly lead generation marketing plan for review and approval.

(b) *Advertising Cooperative*. If one is created, you will be required to join and participate in an Advertising Cooperative ("Co-op"), which is an association of Regional Developers who

are located within a Designated Market Area ("DMA"). A DMA is a geographic area around a city in which the radio and television stations based in that city account for a greater proportion of the listening/viewing public than those based in the neighboring cities. One function of the Co-op is to establish a local advertising pool, of which the funds must be used for advertising only and for the mutual benefit of each Co-op member. We have the right to specify the manner in which any Co-ops are organized and governed, and require any and all Co-ops to be legal entities of the state where they are located. Co-ops must operate according to written bylaws which have been approved by us. Co-ops must provide us a copy of their organizational documents and bylaws prior to commencing any marketing or other activities. Currently, there are no Co-ops, however, if established, each Regional Developer must contribute to a Co-op according to the Co-op's rules and regulations, and bylaws, as determined by its members. Amounts contributed to Co-ops may be considered as spent toward your Minimum Advertising Requirement under this Agreement, if appropriately documented and spent according to our defined criteria for advertising.

**6.8** **Approval of Advertising**. Prior to their use by Regional Developer, samples of all advertising and promotional materials not prepared or previously approved by us shall be submitted to us for approval, which approval shall not be unreasonably withheld. Regional Developer shall not use any advertising or promotional materials that we have not approved or have disapproved. Regional Developer acknowledges and understands that certain states require the filing of franchise sales advertising materials with the appropriate state agency prior to dissemination. Regional Developer agrees fully and timely to comply with such filing requirements at Regional Developer's own expense unless such advertising has been previously filed with the state by us. We may charge Regional Developer for the costs incurred by us in printing large quantities of advertising and marketing materials supplied by us to Regional Developer at Regional Developer's request. We may require you to submit to corporate your yearly lead generation marketing plan for review and approval.

**6.9** **Websites**. As used in this Agreement, the term "Website" means an interactive electronic document contained in a network of computers linked by communications software that refers to the Franchise Locations, Regional Developers, the System, or the Marks. The term "Website" includes, but is not limited to, Internet and World Wide Web pages. Regional Developer shall not operate or establish a Website separate from our Website. All franchise leads should be directed to www.thejointfranchise.com. We shall have the right, but not the obligation, to designate one or more web page(s) to describe Regional Developer. Such web pages(s) will most likely be located on our Website.

**6.10** **Accounting, Bookkeeping and Records**. Regional Developer shall maintain at its business premises in the Development Area all original invoices, receipts, checks, contracts, licenses, acknowledgement of receipt forms, and bookkeeping and business records we require from time to time. Regional Developer shall furnish to us, within 120 days after the end of Regional Developer's fiscal year, a balance sheet and profit and loss statement (audited by a CPA, if requested by us) for Regional Developer's Business for such year (or a monthly or quarterly statement if required by us, in which case such statements also shall reflect year-to-date information). In addition, upon our request, within ten (10) days after such returns are filed, exact copies of federal and state income, sales and any other tax returns and such other forms, records, books and other information as we periodically require regarding Regional Developer's Business, shall be furnished to us. Regional Developer shall maintain all records and report of the business conducted pursuant to this Agreement for at least two (2) years after the date of termination or expiration of this Agreement.

**6.11** **Reports and Annual Business Plan**.

(a) *Reports*. Regional Developer shall, as often as required by us, deliver to us a written report of its Regional Developer Business activities in such form and detail as we may from time to time specify, including information about efforts to solicit prospective Franchisees, the

status of pending real estate transactions and the status of Location Franchises.

(b) *Annual Business Plan*. On or before the 120th day following each calendar year (or fiscal year, if you are on a non-calendar fiscal year) during the Term, you shall submit an annual business plan in the form designated by us. If you have a business plan on file with us, an update of such business plan, in the form designated by us will satisfy this requirement.

**6.12 Computer Systems**. You are not required to purchase any particular computer system, operating software or hardware to operate your Regional Developer Business, however, you will be required to use a computer and printer to operate your Regional Developer Business, and need to have access to a broadband Internet connection in order to operate your Regional Developer Business.

**6.13 Technology Systems**.

(a) *Generally*. You must acquire and utilize all information and communication technology systems that we specify from time to time, including, without limitation, computer systems, webcam systems, telecommunications systems, security systems, disclosure systems, electronic signature systems and similar systems,, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems (collectively referred to as the "Technology Systems"). The Technology Systems may relate to matters such as purchasing, pricing, accounting, order entry, inventory control, contact management, delivery of Franchise Disclosure Documents, document preparation, facilitation of electronic signatures, security, information storage, retrieval and transmission, customer information, customer loyalty, marketing, communications, copying, printing and scanning, or any other business purpose that we deem appropriate. We may require that you, at your expense, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.

(b) *Use and Access*. You must utilize your Technology Systems in accordance with the Manual. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure that your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to enable us to have independent and unlimited access to the operational data collected through your Technology Systems, including information regarding your revenues and expenses. Upon our request, you agree to provide us with the user IDs and passwords for your Technology Systems, including upon termination or expiration of this Agreement.

(c) *Disruptions*. You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.

(d) *Fees and Costs*. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from third party suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs: (i) you agree to pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon our request, you agree to enter into a license agreement with us (or our affiliate) in a form that we prescribe governing your use of the proprietary software, technology or other component of the Technology Systems. We also reserve the right to enter into master agreements with third-party suppliers relating to any components of the Technology Systems and then charge you for all amounts that we must pay to these suppliers based upon your use of the software, technology, equipment, or services provided

by the suppliers. The "technology fee" includes all amounts that you must pay us or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts that we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based upon changes to the Technology Systems or the prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts that you directly pay to third party suppliers for any component of the Technology Systems. The technology fee is due 10 days after invoicing or as otherwise specified by us from time to time.

**6.14** **Management of Business**. You must personally participate in the direct operation of your Regional Developer Business. If you do not personally participate in the direct operation of your Regional Developer Business on a full-time basis, then you are obligated to have a fully trained Manager operate the franchise. We believe that only a person with an equity interest can adequately ensure that our standards of quality and competence are maintained. We required that you be directly involved in the day-to-day operations and utilize your best efforts to promote and enhance the performance of the Regional Developer Business. Any Manager you employ at the launching of your franchise operations must complete the initial management-training course required by the Company. All subsequent Managers must be trained fully according to our standards by either the franchise owner or the Company. However, the Company may charge a fee for this additional training.

## 7. DEVELOPMENT FEE; SHARING OF COSTS IN THE DEVELOPMENT AREA.

**7.1** **Development Fee**. Regional Developer shall pay to us a non-refundable "Development Fee" of $_____, payable upon execution of this Agreement.

**7.2** **Model Defense Costs**. Regional Developer shall pay us, on demand, one-half (1/2) of documented Model Defense Costs (the "RD Expense Share", as further set forth at Section 7.3 below). For purposes of this Section 7, "Model Defense Costs" shall mean documented third-party expenses (including without limitation, attorneys' fees and applicable court or expert witness costs) incurred by the Company to defend threats to The Joint business model in the Development Area arising from newly enacted or proposed, revised or otherwise amended restrictions, legislation, rules, ordinances, and other administrative, state, or governmental actions attempted to be put in place at the Federal, State, County, or local level governing all or a portion of the Development Area, including potential actions by the applicable state Chiropractic Board or similarly named entity that governs Chiropractic practice in all or a portion of the Development Area. The RD Expense Share shall be due upon demand from the Company, so long as the demand includes documentation of all third-party costs and expenses incurred and paid by the Company that comprise the Model Defense Costs (the "Expense Notice"). If the Regional Developer does not pay the RD Expense Share to the Company within 15 days of receipt of the Expense Notice, so long as the Company provides prior written notice to Regional Developer, the Company may offset all or a portion of the RD Expense Share detailed in the Expense Notice against monies due and owing the Regional Developer under Section 8 below.

**7.3** **Liabilities to Franchisees**. Regional Developer shall pay us, on demand as set forth above, the RD Expense Share of one-half (1/2) of documented costs and expenses in the event that: (a) the Company in its sole discretion agrees to pay a Franchisee in the Development Area any amount arising from the termination of that Franchisee's franchise agreement (or if the Company waives collection of any amount to which it is entitled), (b) a court or arbitrator of competent jurisdiction determines that the Company must pay that Franchisee any amount (or that the Company must waive collection of any amount to which it is entitled); or (c) the Company otherwise suffers a loss or damages in connection with a Franchisee in the Development Area.

## 8. PAYMENTS TO REGIONAL DEVELOPER.

**8.1** **Initial Fee Commission and Conditions of Payment**.

(a) *Generally*. During the term of this Agreement, Regional Developer shall be paid a commission, as set forth in this Section, paid from the initial franchise fees paid by Franchisees and/or Regional Developer for the purchase of Location Franchises to be located within the Development Area (the "Initial Fee Commission"), subject to fulfillment of the following conditions: (a) the Franchisee (or Regional Developer) executes a Franchise Agreement with us and an initial franchise fee has been paid to and actually received by us (we shall not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to us); and (b) Regional Developer has complied with all of its other obligations under this Agreement with respect to such sale and has verified the same to us in writing in a form prescribed by us. The Initial Fee Commission shall be 50% of the initial franchise fee for each Location Franchise that is sold pursuant to this Agreement minus any referral fees or sales commissions, if any, and will be payable to Regional Developer within 20 days after the conditions of this Section 8.1 have been fulfilled. In addition, Regional Developer shall be entitled to a commission of 50% of any transfer and/or renewal fees Company collects from Location Franchises within the Development Area.

(b) *Refunds*. If we are required to refund any portion of the initial franchise fees paid by the Franchisee for the purchase of a Location Franchise, Regional Developer shall share 50% of the refunding responsibility.

(c) *Commission and Fee Adjustments*. If we and you mutually agree for us to relieve you of your franchise sales responsibilities and if we (or our designees) undertake said responsibility in originating and closing the sales lead which results in a sale of a Location Franchise located in the Development Area, then we shall pay to you a commission equal to 25% of the initial franchise fee we actually collect. If we decide to offer initial Franchisees a limited time promotional discount of the initial franchise fee, then you hereby agree to your share of any such reduced fee shall also be reduced proportionately.

**8.2** **Commissions on Royalty Fees**. We shall pay to Regional Developer, on or before the 20th day of each month, 42.957% of the royalty fees (which excludes advertising and marketing fees) actually received by us from each Location Franchisee located in the Development Area during the applicable period pursuant to their Franchise Agreement ("Royalty Fee Commissions"). Notwithstanding the foregoing, if Regional Developer has failed to conduct the periodic inspections described in Section 5.7 and failed to perform in any material respect, with respect to one (1) or more Franchisees located in the Development Area, the other services described in Section 5 to be provided to Franchisees located in the Development Area during any applicable month, then Regional Developer shall not be entitled to receive Royalty Fee Commissions on royalty fees paid by such Franchisees for the period during which reports or services were not provided.

**8.3** **Commissions After Termination**. All payments under this Section 8 shall immediately and permanently cease after the expiration or termination of this Agreement, although Regional Developer shall receive all amounts which have accrued to Regional Developer as of the effective date of expiration or termination.

**8.4** **Application of Payments**. Our payments to Regional Developer shall be based on amounts actually collected from Franchisees, not on payments accrued, due or owning. In the event of termination of a Franchise Agreement for an Location Franchise within the Development Area, we shall apply any payments received from a Franchisee to pay past due indebtedness of that Franchisee for royalty fees, advertising contributions, purchases from us or our affiliates, interest or any other indebtedness on that Franchisee to us or our affiliates. To the extent that such payments are applied to a Franchisee's overdue royalty fee payments, Regional Developer shall be entitled to its pro rata share of such payments, less its pro rata share of the costs of collection paid to third

parties.

**8.5** **Setoffs and Refunds**. Regional Developer shall not be allowed to set off amounts owed to us for fees or other amounts due under this Agreement against any monies owed to Regional Developer by us, which right to set off is hereby expressly waived by Regional Developer. We shall be allowed to set off against Initial Fee Commissions, Royalty Fee Commissions and other amounts owed to Regional Developer under this Agreement any monies owed to us by Regional Developer. In the event that we are required to refund any monies paid to us by a Franchisee within your Development Area, you agree to refund or return to us any monies you have received from us relating to such Franchisee.

## 9. MARKS.

**9.1** **Ownership and Goodwill of Marks**. Regional Developer's right to use the Marks is derived only from this Agreement and is limited to Regional Developer's operation of its Regional Developer Business. Regional Developer's unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. Regional Developer acknowledges and agrees that Regional Developer's use of the Marks and any goodwill established by that use are for our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon Regional Developer (other than the right to operate a Regional Developer Business under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we authorize Regional Developer to use.

**9.2** **Limitations on Regional Developer's Use of Marks**. Regional Developer may not use any Mark: (1) as part of any corporate or legal business name; (2) with any prefix, suffix or other modifying words, terms, designs, symbols other than logos we have licensed to Regional Developer; (3) in selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine, without our consent; or (5) in any other manner we have not expressly authorized in writing. Regional Developer may not use any Mark in advertising the transfer, sale or other disposition of Regional Developer's business under this Agreement or an ownership interest in Regional Developer (if a corporation, partnership, limited liability company or another business entity holds the franchise at any time during this Agreement's term) without our prior written consent.

**9.3** **Notification of Infringements and Claims**. Regional Developer agrees to notify us immediately of any apparent infringement of or challenge to Regional Developer's use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us and our attorneys and Regional Developer's attorneys regarding any infringement, challenge or claim. We may take action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. Regional Developer agrees to sign any documents and take any actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

**9.4** **Discontinuance of Use of Marks**. If we believe at any time that it is advisable for us and/or Regional Developer to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, Regional Developer agrees to comply with our directions within a reasonable time after receiving noticed. We need not reimburse Regional Developer for Regional Developer's expenses in complying with these directions, for any loss of revenue due to any modified or discontinued Mark, or for Regional Developer's expenses of promoting a modified or substitute trademark or service mark.

**9.5** **Indemnification For Use of Marks**. We agree to indemnify and reimburse Regional Developer against and for all damages for which Regional Developer is held liable in any trademark infringement proceeding arising out of Regional Developer's authorized use of any Mark pursuant

to and in compliance with this Agreement, and for all costs Regional Developer reasonably incurs in the defense of any such claim in which Regional Developer is named as a party, so long as Regional Developer has timely notified us of the claim, and have otherwise complied with this Agreement. At our option, we may defend and control the defense of any proceeding relating to any Mark.

## 10. CONFIDENTIAL INFORMATION.

**10.1 Description of Confidential Information.** We possess (and may continue to develop and acquire) certain confidential information relating to the development and operation of Location Franchises and Regional Developer Businesses (the "Confidential Information"), which includes (without limitation):

(1) site selection criteria;

(2) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating Location Franchises and Regional Developer Businesses;

(3) marketing research and promotional, marketing and advertising programs for Location Franchises and Regional Developer Businesses;

(4) knowledge of specifications for and suppliers or, and methods of ordering, certain operating assets and products that Location Franchises and Regional Developer Businesses use;

(5) knowledge of the operating results and financial performance of Location Franchises and Regional Developer Businesses;

(6) customer communication and retention programs, along with data used or generated in connection with those programs; graphic designs and related intellectual property;

(7) information generated by or used or developed in the operation of Location Franchises and Regional Developer Businesses, including customer names, addresses, telephone numbers and related information; and

(8) any other information designated confidential or proprietary by us.

"Confidential Information" does not include information, knowledge or know-how which is or becomes generally known in business consulting industry or which Regional Developer knew from previous business experience before we provided it to Regional Developer (directly or indirectly) or before Regional Developer attended our initial training program. If we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that the exclusion in this paragraph is fulfilled.

**10.2 Protection of Confidential Information**. Regional Developer acknowledges and agrees that by entering into this Agreement, Regional Developer will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information in accordance with this Agreement, and that Regional Developer's use of any Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees. Regional Developer further acknowledges and agrees that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to Regional Developer only on the condition that Regional Developer agrees, and it does agree, that Regional Developer:

(1) will not use any Confidential Information in any other business or capacity;

(2) will keep the Confidential Information absolutely confidential during and after this Agreement's term;

(3) will not make unauthorized copies of any Confidential Information disclosure via

electronic medium or in written or other tangible form;

(4) will adopt and implement all reasonable procedures that we periodically prescribe to prevent unauthorized use or disclosure of Confidential Information, including, without limitation: (i) restricting its disclosure to Regional Developer's personnel and Franchisees needing to know such Confidential Information in order to develop and operate the Location Franchises; and (ii) requiring those having access to Confidential Information to sign confidentiality and non-disclosure agreements. We have the right to regulate the form of agreement that Regional Developer uses and to be a third party beneficiary of that agreement with independent enforcement rights; and

(5) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

**10.3** **Ideas and Innovations**. All ideas, concepts, techniques or materials relating to a Location Franchise or Regional Developer Business, whether or not protectable intellectual property and whether created by or for Regional Developer or its employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, by this paragraph, Regional Developer assigns ownership of that item, and all related rights to that item, to us and agrees to sign whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

## 11. ASSIGNABILITY.

**11.1** **Assignability by Company**.

(a) We shall have the right, but not the obligation, to cause a subsidiary or affiliate of ours to perform any or all of our obligations and exercise any or all of our rights under this Agreement and under any Franchise Agreement, and to require regional Developer to perform any or all of its obligations hereunder, in favor or such subsidiary or affiliate, by delivery of written Notice thereof to Regional Developer.

(b) We shall have the right to assign this Agreement, or any of our rights and privileges under this Agreement to any other person, firm or corporation, other than a subsidiary or affiliate of ours, without Regional Developer's prior consent, and we shall not be liable for any obligations accruing under this Agreement after the effective date of such assignment; provided the assignee shall expressly assume and agree to perform our obligations under this Agreement and is reasonably capable of performing them.

**11.2** **Assignments by Regional Developer**.

(a) *Approval Required*. We have entered into this Agreement in reliance upon and in consideration of the singular personal skills, character, aptitude, business ability, financial capacity and qualifications of Regional Developer and the trust and confidence reposed in Regional Developer or, in the case of a business entity Regional Developer, its Owners (as defined in Section 11.7). Therefore, neither Regional Developer's interest in this Agreement nor any of its rights or privileges hereunder shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner, without our prior written approval.

(b) *Transfer Defined*. Any assignment or transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term "transfer" includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events:

(1) transfer of record or beneficial ownership of capital stock in Regional Developer (if Regional Developer is a corporation), a partnership or membership interest (if

Regional Developer is a partnership or limited liability company), or any other ownership interest or right to receive all or a portion of Regional Developer's profits or losses;

(2) a merger, consolidation or exchange of shares or other ownership interests, or issuance of additional ownership interest or securities representing or potentially representing shares or other ownership interests, or a redemption of shares or other ownership interests;

(3) any sale or exchange of voting interests or securities convertible to voting interests, or any agreement granting the right to exercise or control the exercise of the voting rights of any owner or to control Regional Developer's operations or affairs;

(4) transfer of an interest in Regional Developer, this Agreement, or Regional Developer Business or its assets (or any right to receive all or a portion of Regional Developer's or the Regional Development Business' profits or losses or any capital appreciation relating to the Regional Development Business) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

(5) if Regional Developer or an Owner (if Regional Developer is a business entity) dies, transfer of an interest in Regional Developer, this Agreement, or the Regional Development Business or its assets (or any right to receive all or a portion of Regional Developer's or the Regional Development Business' profits or losses or any capital appreciation relating to the Regional Development business) by will, declaration or transfer in trust, or under the law of intestate succession; or

(6) pledge of this Agreement (to someone other than us) or of an ownership interest in Regional Developer (if Regional Developer is a business entity) as security, foreclosure upon the development area franchises, or Regional Developer's transfer, surrender or loss of the area development franchise possession, control or management.

**11.3** **Conditions for Approval of Assignment or Transfer**. We may impose any reasonable condition(s) to the granting of our consent to such assignments. Without limiting the generality of the foregoing, the imposition by us of any or all of the following conditions to our consent to any such assignment shall be deemed to be reasonable:

(a) that the assignee (or the principal officers, shareholders, directors or general partners of the assignee in the case of a business entity assignee) demonstrates that it has the skill, qualifications and economic resources necessary, in our judgment, reasonably exercised, to own and operate the Regional Developer Business;

(b) that Regional Developer has paid all amounts owed to us;

(c) that the assignee shall expressly assume in writing for our benefit all of the obligations of Regional Developer under this Agreement and any other agreements proposed to be assigned to such assignee;

(d) that neither the assignee nor its owners or affiliates operates, has an ownership interest in or performs services for a Competitive Business (defined in Section 12.2);

(e) that the assignee shall have completed (or agreed to complete) our training program;

(f) that the assignee signs our then current form of Regional Developer Agreement, the provisions of which may differ materially from any and all of those contained in this Agreement, and the term of which shall be the remaining term of this Agreement;

(g) that as of the date of any such assignment, the assignor shall have strictly complied with all of its obligations to us, whether under this Agreement or any other agreement, arrangement

or understanding with us;

(h) that the assignee is not then in default of any of the obligation to us under any agreement between such assignee and us;

(i) that the assignor shall pay to us a transfer fee of $10,000 per transfer, except for transfers pursuant to Section 11.4 below;

(j) that the assignor and the assignor's spouse (if any) shall sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective shareholders, officers, directors, employees, representatives, agents, successors and assigns; and

(k) that assignor will not directly or indirectly at any time or in any manner identify himself, herself or itself or any business as a current or former Franchise or as one of our Franchisees or Regional Developers, use any Mark, any colorable imitation of a Mark, or other indicia of a Location Franchise or Regional Developer Business in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with us.

Regional Developer shall not in any event have the right to pledge, encumber, charge, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without our express prior written permission, which permission may be withheld for any reason whatsoever in our sole subjective judgment.

**11.4** **Assignment to Entity Principally Controlled By You**. The Regional Developer franchise business and its assets and liabilities may be assigned to a newly-formed corporation or other legal entity that conducts no business other than the operation of the franchise and in which you and any of your principals own and control in the aggregate not less than 90% of the equity and voting power of all outstanding capital stock or ownership interest, provided that:

(a) the proposed transferee complies with the provisions of this Agreement;

(b) you are empowered to act for said corporation or other legal entity;

(c) you shall submit to us documentation that we may reasonably request to effectuate the transfer, including the approving and acknowledging execution of this Agreement;

(d) you shall submit to us a true and complete list of the shareholders, members or partners, showing number of shares or interests owned, and a list of the officers and directors if a corporation or managers if a limited liability company, or managing partners if a partnership. We shall be promptly notified of any changes in said lists;

(e) all certificates of shares or interests issued by transferee at any time shall be endorsed thereon the appropriate legend to conform with state law, referring to this Agreement by date and name of parties hereto and stating "Transfer to This Certificate is Limited by the Terms and Conditions of a Regional Development Agreement dated _____;"

(f) a copy of this Agreement shall be given to every shareholder, member or partner;

(g) a copy of the organizational documents and any corporate resolutions and a Certificate of Good Standing will be furnished to us at our reasonable request, and prompt notification in writing of any amendments thereto will be provided to us; and

(h) the number of shares or interests issued or outstanding in the transferee will not be increased or decreased without prior written Notice to us, which notice will in its terms guarantee compliance with this Agreement. In addition, new shareholders, members of partners must be approved by us and agree to be bound by this entire Agreement.

Shareholders, members or partners may make a separate agreement among them providing for purchase by the survivors of them of the shares of any shareholders or interests of any members or partners upon death, or other agreements affecting ownership or voting rights, so long as voting control and a majority representation of the board of directors or members or partners remains with those individuals who initially applied for and were approved as Franchisees under this Agreement. Shareholders, members or partners must notify us in writing of any such agreement that affects control of the transferee.

**11.5 Death or Disability**.

(a) *Transfer Upon Death or Disability*. Upon the death or disability of Regional Developer or an Owner, the executor, administrator, conservator, guardian or other personal representative must assign, sell, or transfer Regional Developer's interest in this Agreement, the Regional Developer Business and its assets, or the Owner's ownership interest in Regional Developer, to a third party approved by us. That transfer (including, without limitation, transfer by bequest or inheritance) must occur, subject to our rights, within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 11. A failure to transfer such interest within this time period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Regional Developer from supervising the Development Area management and operation for 90 or more consecutive days.

(b) *Appointment of Manager*. If, upon the death or disability of Regional Developer or an Owner, a trained manager who we approve is not managing the day-to-day operations, then the executor, administrator, conservator, guardian or other personal representative must, within a reasonable time not to exceed 30 days from the date of death or disability, appoint a manager that we must approve to operate the Regional Developer Business. The manager must, at Regional Developer's or the Owner's estate's expense, satisfactorily complete the training we designate with the specified time period.

**11.6 Company's Right of First Refusal**.

(a) *Submission of Offer to Us*. If Regional Developer at any time determines to sell or transfer an interest in this Agreement or the Regional Developer Business, or if Owner determines to sell or transfer a controlling ownership interest in Regional Developer, then Regional Developer or the Owner, as applicable (the "Seller") must obtain from a responsible and fully disclosed buyer, and send us a true and complete copy of a bona fide, executed and binding purchase agreement relating exclusively to an interest in Regional Developer or this Agreement and the Regional Developer Business. The executed purchase agreement must include details of the payment terms of the proposed sale and the sources and terms of any financing for the purchase price. To be a valid, bona fide offer, the purchase price must be in a fixed dollar amount and without any contingent payments of purchase price (such as earn-out payments), and a record of an earnest money deposit equal to 5% or more of the purchase price.

(b) *Our Right of First Refusal*. We may, by delivering written Notice to the Seller within 60 days after we receive both an exact copy of the offer and all other information requested, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) we may substitute cash for any form or payment proposed in the offer; (2) our credit will be deemed equal to the credit of any proposed buyer; (3) the closing will be not less than 60 days after notifying the Seller of our election to purchase or, if later, the closing date proposed in the offer; (4) we will be entitled to purchase the interest through the use of our then-current standard form of asset purchase agreement; and (5) we must receive, and the Seller agrees to make, all customary representations and warranties, given by the seller of the assets of a business or ownership interests in a legal

entity, as applicable, including, without limitation, representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests and validity of contracts and the liabilities, contingent on otherwise, relating to the assets or ownership interests being purchased. We will have the right during such 60-day period to request documentation related to the offer, including without limitation financial and legal information related to the purchase of the interest. The 30-day period shall be extended in the event you fail to provide us with the requested documentation. Our purchase of the interest may require financial accounting audits of the interest to ensure our compliance with state and federal financial reporting requirements. If we exercise our right of first refusal, the Seller agrees that, for two (2) years beginning on the closing date, the Seller and members of its immediate family will be bound by the non-competition covenant contained in Section 12.2 below.

(c) *Completion of Sale; Reinstatement of Right of First Refusal*. If we do not exercise our right of first refusal, the Seller may complete the sale to the proposed buyer on the original offer's terms, subject to our approval of the transfer as provided above. If the Seller does not complete the sale to the proposed buyer within 60 days after we notify the Seller that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which the Seller must let us know promptly), we will have an additional right of first refusal during the 60-day period following either the expiration of the 60-day period or receipt of Notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

**11.7 Ownership Structure**. Regional Developer represents and warrants that all persons holding direct or indirect, legal or beneficial ownership interests in Regional Developer (collectively, the "Owners'") are listed in Exhibit 3 and that its ownership structure is as set forth on Exhibit 3. In consideration of, and as an inducement to, the execution of this Agreement, each Owner of the Regional Developer and their respective spouses shall personally and unconditionally sign our form Guaranty and Acceptance of Obligations (Exhibit 4), guaranteeing to us and our successors and assigns that the Regional Developer will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and agreeing to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement. Regional Developer shall not change its ownership structure without complying with all of the terms and conditions of this Section 11. Within ten (10) days of any change in Regional Developer's ownership structure, Regional Developer shall submit a revised Exhibit 3 to us showing the new ownership structure, and any new Owners shall sign our form Owner's Guaranty and assumption of Obligations (Exhibit 4).

**12. NON-COMPETITION.** Franchisor has entered into this Agreement with Regional Developer on the condition that, except as Franchisor shall approve in writing, Regional Developer will deal exclusively with Franchisor insofar as any business that qualifies as a Competitive Business. The term "Competitive Business" means any business in which you perform the franchise development/sales, training and/or operational support responsibilities for a pain management franchise or license brand, or if you currently have an independent chiropractic clinic that uses a non-insurance based/membership model.

**12.1 In Term**.

(a) *Disclosure of Business Interests*. Franchisor acknowledges that Regional Developer may perform similar service for other franchise systems or engage in unrelated business activities, however, without violating the terms of this Agreement. If the Regional Developer is engaged in any other business activities, Regional Developer shall disclose such business activities to Franchisor in writing prior to signing this Agreement.

(b) *Non-Competition Covenant*. Regional Developer acknowledges and agrees that Franchisor would be unable to protect its Confidential Information and would be unable to encourage a free exchange of ideas and information among Regional Developers and Franchisor if

Regional Developers were permitted to hold an interest in any Competitive Business. Regional Developer therefore agrees that, after the Effective Date of this Agreement, without the prior written approval of Franchisor, which approval may be withheld by Franchisor in Franchisor's sole and absolute discretion, neither Regional Developer, Regional Developer's shareholders, members or partners who participate in the management of Regional Developer, nor Regional Developer's spouse, and, if applicable, the Operating Principal shall:

(1) have any direct or indirect interest as a disclosed or beneficial owner in a "Competitive Business", which shall be defined as a business operating or granting franchises or licenses to others to operate any business other than those licenses by franchisor;

(2) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located or operating;

(3) divert or attempt to divert any business related to, or any customer or account of, the Regional Developer Business, Franchisor's business or any other Regional Developer's or Franchisees' Business, by direct inducement or otherwise.

(c) *Exceptions*. Notwithstanding the foregoing, (i) Regional Developer shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding; (ii) Regional Developer will not be deemed to be operating a Competitive Business, as that term is defined above, if the Regional Developer operates a The Joint Location Franchise under an approved Franchise Agreement.

**12.2** **Post-Term**. For an 18-month period following the assignment, expiration or termination of this Agreement, for any reason, neither Regional Developer, any Owner, nor any member of Regional Developer's or an Owner's immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located or operating: (a) within the Development Area; (b) within the development area of any of our other regional developers, (c) within 25 miles of any Location Franchise or Regional Developer franchise or in operation or development on the date of assignment, expiration or termination; or (d) within any unsold development areas.

## 13. TERMINATION.

**13.1** **Termination by You**. You may terminate this Agreement due to a material default of our obligations hereunder, which default is not cured by us within 60 days after our receipt of prompt written Notice by you to us detailing the alleged default with specificity. Failure to give such Notice within 30 days of having actual or constructive knowledge of the alleged default shall constitute a waiver by you of any such alleged default. If you terminate this Agreement pursuant to this Section 13.1, you shall comply with all of this Agreement's post termination covenants, terms and conditions. So long as we have performed our obligations as stated within this Agreement, you hereby agree and irrevocably waive any rights you may possess under this Agreement or any applicable law to terminate or rescind this Agreement.

**13.2** **Termination by Company**.

(a) *With Notice and Opportunity to Cure*.

(i) Except for any default under Section 13.2(a)(ii), Section 13.2(b) or by applicable law, you shall have 60 days after our written Notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to us. If any such default is not cured within that time period, or such longer time

period as applicable law may require or as we may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

(ii) If you do not strictly comply with the Minimum Development Obligation at any time during the term of this Agreement (except during such time when we shall have relieved you of your sales responsibilities in accordance with Section 2.1(g)), then it shall be your sole responsibility to incorporate within your annual business plan (required under Section 6.11(b)) an action plan for curing your default of the Minimum Development Obligation. Your failure to fully cure a default of the Minimum Development Obligation within six (6) months of such default shall cause an immediate termination of this Agreement, without any further opportunity to cure.

(b) *Without Opportunity to Cure*. Subject to any controlling applicable laws to the contrary, you shall be deemed to be in material default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon delivery or attempted delivery to you of Notice by us of the occurrence of any of the following events:

(i) You are adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), or fail to meet your financial obligations as they become due, or make a disposition for the benefit of your creditors.

(ii) You or any of your Owners allows a judgment against you or them in an amount of more than $50,000 arising out of your duties under this Agreement that remains unsatisfied for a period of more than 30 days (unless an appeal bond has been filed).

(iii) Your assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lien holder provided that a final judgment against the you remains unsatisfied for 30 days (unless an appeal bond has been filed).

(iv) A levy of execution or attachment has been made upon the franchise rights granted by this Agreement or upon any property used in your business, and it is not discharged within 11 days of your receipt of notice of such levy or attachment.

(v) If any judgment is entered against us or our subsidiaries or affiliated corporations, arising out of or relating to your operation of your business and if you are obligated to indemnify us pursuant to Section 15.2 and such judgment is not satisfied or stayed pending appeal by us or by our subsidiaries or affiliated companies.

(vi) You abandon your business. Abandonment in this context means any action or omission that demonstrates your intention to permanently relinquish and renounce your rights and duties under this Agreement.

(vii) You receive three (3) or more written notices of default from us, within any period of 12 consecutive months, concerning any material breach by you, whether or not such breaches shall have been cured, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure.

(viii) You (or any of your owners) participate in in-term competition contrary to Section 12.1.

(ix) You or any of your Owners, officers or directors is convicted of or pleads guilty or nolo contendere to a felony or any other crime or offense that is likely, in our reasonable business judgment, to adversely affect our reputation, the franchise system, the Marks or the goodwill associated therewith, or our interest therein.

(x) You purport, threaten, or take any action to make an assignment or transfer without our prior written consent or otherwise that will violate Section 11 of this Agreement.

(xi) You materially misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated therewith or our rights therein, or take any action that reflects materially and unfavorably upon the operation and reputation of the Company or the Company's network generally.

(xii) Your unauthorized use, disclosure, or duplication of the Confidential Information, excluding independent acts of employees or others if you shall have exercised commercially-reasonable efforts to prevent such disclosures or use.

(xiii) You make any material misrepresentations in connection with the application for, execution of, or performance under this Agreement.

**13.3 Rights and Obligations Upon Termination or Expiration**.

(a) *Your Obligations*. Except to the extent that you have rights (if any) granted under a Franchise Agreement that has not terminated or expired, upon expiration or termination of this Agreement, you shall immediately take such action as we may require to accomplish the following:

(i) Cease to assist in the sale of The Joint® franchises, cease to use the system and Marks in any form, cease to hold yourself out as an Regional Developer of us and you shall not use or identify in any business name, any of the words "The Joint®", "The Joint® Chiropractic", or "The Joint…the chiropractic place®"; or any combination of such Marks or words, in any combination, form or fashion.

(ii) Pay all sums due to us, including but not limited to all obligations, trade accounts, promissory notes, financing agreements and equipment leases owing to us.

(iii) Submit such reports as we require, including but not limited to profit and loss statements for the two (2) year period preceding the date of termination or expiration.

(iv) Return to us or to our designee the Manual, Confidential Information, proprietary hardware, software, computer disks and all other trade secrets, trade dress, and other information and instructions delivered to you and all copies thereof.

(v) Surrender to us such stationery, printed matter, signs and advertising materials containing the "The Joint®", "The Joint® Chiropractic", and/or "The Joint…the chiropractic place®" names and/or Marks.

(vi) Transfer, assign disconnect and forward the business telephone number, fax number, business Internet e-mail address and any other identifying information, listings or commercial holding out for your business to us or our designee. You shall not be required to transfer and assign to us any home or personal telephone number, fax number or e-mail address.

(vii) Transfer your "white" and "yellow" page telephone listings, references and advertisements and all trade and similar name registrations and business licenses and cancel any interest which you may have in the same.

(viii) Promptly take any action necessary to cancel any assumed name or equivalent registration that contains the mark "The Joint®", "The Joint® Chiropractic", and/or "The Joint…the chiropractic place®", or any other Mark, and submit to us proof of compliance with this obligation.

(b) *Monies Owed*. Upon termination or expiration of this Agreement, all monies earned or payable to us on account of Franchisees within the Development Area shall belong solely to us and you hereby forfeit any and all rights to the same upon the termination or expiration of the Agreement. Such monies shall not include unpaid obligations of us to you, which monies will be paid by us to you after we have first deducted any monies owed by you to us.

(c) *Transfer of Domain Names and Listings*. In the event of termination or expiration of this Agreement, you hereby authorize and appoint us or our designee to act as special agent or attorney-in-fact for you to transfer any listed telephone and fax numbers, transfer "white" pages and "yellow" pages listings, e-mail address, Internet presence and any other identifying information, listings or commercial holding out relating to your business and to enforce the conditional assignment of same to you or to our designee.

(d) *Additional Authorizations*. In the event of termination or expiration of this Agreement, you hereby authorize us to: (i) notify Franchisees, your customers, vendors, suppliers, landlord, banks, local advertisers and any other appropriate third-party that this Agreement has been terminated; and (ii) disclose your name, your address, your phone number, and other applicable information pursuant to any applicable law in all future Franchise Disclosure Documents.

**13.4 General Provisions**. Notwithstanding anything to the contrary contained in this Section 13, in the event any valid applicable law of a competent Governmental Authority having jurisdiction over this Agreement and the parties hereto shall limit our rights of termination hereunder or shall require longer notice or cure periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice or cure periods or restrictions upon termination required by such laws and regulations. The parties shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or the termination thereof. Our rights as stated in this Section 13 shall be without prejudice to any other rights or remedies provided by law or under this Agreement which include, but are not limited to, injunctive relief, damages or specific performance. Our failure to terminate this Agreement upon the occurrence of one or more of the above events shall not constitute a waiver or otherwise affect our right to terminate this Agreement because of any other occurrence of one or more of the events set forth above.

## 14. MEDIATION AND LITIGATION.

**14.1 Mediation**.

(a) *Submission of Disputes*. During the Term of this Agreement certain disputes may arise that you and we are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, you and we agree to submit any claim, controversy or dispute between us or any of our affiliates (and their respective owners, officers, directors, agents, representatives and/or employees) and you (and your Owners, agents, officers, directors, representatives and/or employees) arising out of or related to (a) this Agreement or any other agreement between us and you, (b) our relationship with you, or (c) the validity of this Agreement or any other agreement between us and you, to mediation before either of us may bring any such claim, controversy or dispute in court.

(b) *Mediation Procedure*. The mediation shall be conducted by a mediator that you and we mutually select from the then-current panel approved by the American Arbitration Association ("AAA") for Phoenix, Arizona or as we and you otherwise agree. In the event

we are unable to reach agreement on a mediator within 15 days after either party has notified the other of its desire to seek mediation, you and we agree that the mediator may be selected by the AAA based on selection criteria that you or we supply to the AAA. The costs and expenses of the mediation, including the mediator's compensation and expenses (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

(c) *Exceptions to Mediation*. Notwithstanding the foregoing provisions of this Section 14.1, your and our agreement to mediate shall not apply to any controversies, disputes or claims related to or based on the Marks or the Confidential Information. Moreover, regardless of your and our agreement to mediate, you and we each have the right to seek temporary restraining orders and temporary or preliminary injunctive relief if warranted by the circumstances of the dispute.

**14.2 Jurisdiction and Forum Selection**. With respect to any controversies, disputes or claims that are not fully resolved through mediation as provided in Section 14.1 above, the parties irrevocably agree to submit themselves to the jurisdiction of the Superior Court of Maricopa County, Arizona or the U.S. District Court for the District of Arizona and hereby waive any and all objections to personal or subject matter jurisdiction in these courts. You and we further agree that venue for any proceeding relating to or arising out of this agreement shall be the courts of Maricopa County, Arizona.

## 15. GENERAL CONDITIONS AND PROVISIONS.

**15.1 Relationship of Regional Developer to Company**. It is expressly agreed that the parties intend by this Agreement to establish between us and Regional Developer the relationship of franchisor and franchisee. Except as expressly provided herein, it is further agreed that Regional Developer has no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. In no event shall either party be deemed to be fiduciaries of the other. Neither we nor Regional Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent contractors. Regional Developer agrees that it will not hold himself out as the agent, employee, partner or co-venturer of ours, or as having any of the aforesaid authority. All Employees hired by or working for Regional Developer shall be the employees of Regional Developer and shall not, for any purpose, be deemed employees of us or subject to our control.

**15.2 Indemnification**. To the fullest extent permitted by law, Regional Developer agrees to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, representatives, successors and assigns (the "Indemnified Parties") from and against, and to reimburse any one or more of the Indemnified Parties for any and all claims, obligations and damages directly or indirectly arising out of: (1) the Regional Developer Business conducted by Regional Developer pursuant to this Agreement, (2) Regional Developer's breach of this Agreement, or (3) Regional Developer's non-compliance or alleged non-compliance with any law, ordinance, rule or regulation. For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness' fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at Regional Developer's expense, and Regional Developer may not settle any claim or take any other remedial, corrective or other actions relating to any claim without our consent. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Regional Developer. Regional

Developer agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Regional Developer.

**15.3** **Waiver and Delay**. Except as otherwise expressly provided to the contrary, no waiver by us of any breach or series of breaches or defaults in performance by the Regional Developer, and no failure, refusal or neglect of or by us to exercise any right, power or option given to us under this Agreement or under any other agreement between us and Regional Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement) or to insist upon strict compliance with or performance of the Regional Developer's obligations under this Agreement or any other agreement between us and Regional Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement), shall constitute a novation, or a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

**15.4** **Survival of Covenants**. The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement or ancillary agreements, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

**15.5** **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of us and Regional Developer.

**15.6** **Joint and Several Liability**. If either party consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to the other under this Agreement are joint and several.

**15.7** **Governing Law**. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.), this Agreement and the Regional Developer franchise will be governed by the internal laws of the State of Arizona (without reference to its choice of law and conflict of law rules), except that the provisions of any Arizona law relating to the offer and sale of business opportunities or franchises or governing the relationship of a franchisor and its franchisees will not apply unless their jurisdictional requirements are met independently without reference to this Paragraph. You agree that we may institute any action against you arising out of or relating to this Agreement (which is not required to be mediated hereunder or as to which mediation is waived) in any state or federal court of general jurisdiction in Maricopa County, Arizona, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

**15.8** **Consent to Jurisdiction**. Subject to Section 14 and the provisions below, Regional Developer and its Owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between Regional Developer and us must be commenced in the State of Arizona, and in the state or federal court of general jurisdiction closest to where our principal business address then is located, and Regional Developer (and its Owners) irrevocably submits to the jurisdiction of those courts and waives any objection Regional Developer (or its Owners) might have with either the jurisdiction of or venue in those courts. Nonetheless, Regional Developer and any of its Owners agree that we may enforce this Agreement and any arbitration orders and awards in the courts of the state or states in which Regional Developer or its Owners are domiciled.

**15.9** **Waiver of Punitive Damages and Jury Trial**. Except for Regional Developer's obligation to indemnify us under Section 15.2 above and except where authorized by federal statute, we and Regional Developer and its Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and Regional Developer, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and Regional Developer irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

**15.10** **Limitation of Claims**. Any and all claims arising out of or relating to this Agreement or our relationship with Regional Developer, except for claims for indemnification under Section 15.2 above, will be barred unless a judicial proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

**15.11** **Entire Agreement**. This Agreement and the Exhibits incorporated in the Agreement contain all of the terms and conditions agreed upon by the parties to this Agreement with reference to the subject matter of this Agreement. No other agreements, and all prior agreements, understanding and representations are merged in this Agreement and superseded by this Agreement. Each party represents to the other that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement, provided that we may modify or amend the Manual at any time without notice to, or approval of, Regional Developer or any other person. Nothing in this Agreement shall have the effect of disclaiming any of the information in the Franchise Disclosure Document or its attachments or addenda. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.

**15.12** **Title for Convenience**. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

**15.13** **Gender**. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section or paragraph hereof may require.

**15.14** **Severability**. Except as expressly provided to the contrary in this Agreement, each Section, paragraph, term and provision of this Agreement in severable, and if, for any reason, any part thereof, to be invalid or contrary to or in conflict with any applicable present or future law and regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction, that ruling will not impair the operation or, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, we and Regional Developer agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provisions to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. Regional Developer agrees to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

**15.15** **Fees and Expenses**. Should any party to this Agreement commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision of this Agreement, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision of this Agreement, or for a declaration of such party's rights or obligations under this

Agreement, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

**15.16** **Notices**. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant to this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by mail, via registered or certified mail, return receipt requested; or one (1) business day after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available, postage prepaid and addressed as follows:

*If to company*: THE JOINT CORP.
Attention: Eric Simon, VP of Franchise Sales and Development
16767 N. Perimeter Dr., Ste. 110
Scottsdale, AZ 85260
Email: eric.simon@thejoint.com

*With a copy to*: _____

*If to Regional Developer*: _____

*With a copy to*: _____

Or to such other addresses any such party may designate by ten (10) days' advance written notice to the other party.

**15.17** **Time of Essence**. Time shall be of the essence for all purposes of this Agreement.

**15.18** **Lien and Security Interest**. To secure your performance under this Agreement and indebtedness for all sums due us or our affiliates, we shall have a lien upon, and you hereby grant us a security interest in, the following collateral and any and all additions, accessions, and substitutions to or for it and the proceeds from all of the same: (a) all inventory now owned or after-acquired by you and the Regional Developer Business, including but not limited to all inventory and supplies transferred to or acquired by you in connection with this Agreement; (b) all accounts of you and/or the Regional Developer Business now existing or subsequently arising, together with all interest in you and/or the Regional Developer Business, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; (c) all contract rights of you and/or the Regional Developer Business, now existing or subsequently arising; and (d) all general intangibles of you and/or the Regional Developer Business, now owned or existing, or after-acquired or subsequently arising. You agree to execute such financing statements, instruments, and other documents, in a form satisfactory to us, that we deem necessary so that we may establish and maintain a valid security interest in and to these assets.

**16. SUBMISSION OF AGREEMENT.** This Agreement shall not be binding upon us unless and until it shall have been submitted to and signed by our Chief Executive, and the date of said signing as set forth on the first page of this Agreement shall be the effective date of this Agreement.

**17. ACKNOWLEDGMENTS.** To induce us to sign this Agreement and grant Regional Developer the rights hereunder, Regional Developer acknowledges:

(a) That Regional Developer has independently investigated the Regional Developer Business franchise opportunity and recognizes that, like any other business, the nature of the Regional Developer Business may, and probably will, evolve and change over time.

(b) That performing Regional Developer's obligations will require a high level of customer service and strict adherence to the System.

(c) That in all of their dealing with Regional Developer, our officers, directors, employees and agents act only in a representative, and not in an individual capacity and that business dealings between Regional Developer and them as a result of this Agreement are only between Regional Developer and us.

(d) That Regional Developer has represented to us, to induce us to enter into this Agreement, that all statements Regional Developer has made and all materials Regional Developer has given to us in acquiring the franchise are accurate and complete and that Regional Developer has made no misrepresentations or material omissions in obtaining the franchise.

**IN WITNESS WHEREOF,** the parties to this Agreement have caused this Agreement to be executed as of the first date set forth above.

**COMPANY:**

**THE JOINT CORP.**
**a Delaware corporation**

_____

By:_____

Its:_____

**REGIONAL DEVELOPER:**

_____

_____

By:_____

Its:_____

**EXHIBIT 1**

**DEVELOPMENT AREA**

The Development Area referred to in Recital D of this Agreement shall be the following geographic area:

**EXHIBIT 2**

**MINIMUM DEVELOPMENT OBLIGATION**

**DEVELOPMENT SCHEDULE**

Your Minimum Development Obligation for the Development Area shall be as follows:

At the dates set forth below, you must have completed a Sale of a Location Franchise within the Development Area as defined within the Agreement for the following number of Location Franchises indicated (the "Minimum Development Schedule"):

| Development Period | Date Development Period Begins | Date Development Period Ends | Minimum Sales during Development Period | Cumulative Location Franchises at End of Development Period |
|---|---|---|---|---|
| Year 1 | Effective Date | | | |
| Year 2 | | | | |
| Year 3 | | | | |
| Year 4 | | | | |
| Year 5 | | | | |
| Year 6 | | | | |
| Year 7 | | | | |
| Year 8 | | | | |
| Year 9 | | | | |
| Year 10 | | | | |

**EXHIBIT 3**

**OWNERSHIP STRUCTURE**

| Owner Name and Address | Number of Shares Ownership | Percentage of |
|---|---|---|
| _____ | _____ | _____ |
| _____ | | |
| _____ | | |
| _____ | _____ | _____ |
| _____ | | |
| _____ | | |
| _____ | _____ | _____ |
| _____ | | |
| _____ | | |
| _____ | _____ | _____ |
| _____ | | |
| _____ | | |
| **TOTAL** | **_____** | **100%** |

**EXHIBIT 4**

**OWNER'S GUARANTY AND ASSUMPTION OF OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the foregoing Regional Developer Agreement dated _____, 20___ ("Agreement") by The Joint Corp., a Delaware corporation ("us"), and _____ ("Regional Developer"), each of the undersigned owners of the Regional Developer ("Owner") and their respective spouses ("you", for purposes of this Guaranty only), hereby personally and unconditionally (1) guarantees to us and our successors and assigns that the Regional Developer will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including without limitation, monetary obligations, the obligations to take or refrain from taking certain actions and arbitration of disputes.

Each of you waives (1) protest and notice of default, demand for payment or nonperformance of any obligations guaranteed by this Guaranty; (2) any right you may have to require that an action be brought against Regional Developer or any other person as a condition of your liability; (3) all right to payment or reimbursement from, or subrogation against, the Regional Developer which you may have arising out of your guaranty of the Regional Developer's obligations; and (4) any and all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantor.

Each of you consents and agrees that (1) your direct and immediate liability under this Guaranty shall be joint and several; (2) you will make any payment or render any performance required under the Agreement on demand if Regional Developer fails or refuses to do so when required; (3) your liability will not be contingent or conditioned on our pursuit of any remedies against Regional Developer or any other person; (4) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Regional Developer or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims; and (5) this Guaranty will continue and be irrevocable during the term of the Agreement and afterward for so long as the Regional Developer has any obligations under the Agreement.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we will be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Guaranty, you agree to reimburse us for any of the above-listed costs and expenses incurred by us.

[Signature Page Follows]

This Guaranty is now executed as of the Agreement Date.

| **OWNER:** | **OWNER'S SPOUSE:** |
| --- | --- |
| _____ | _____ |
| **OWNER:** | **OWNER'S SPOUSE:** |
| _____ | _____ |
| **OWNER:** | **OWNER'S SPOUSE:** |
| _____ | _____ |

**EXHIBIT 5**

**STATE-SPECIFIC ADDENDA**

**TO REGIONAL DEVELOPER AGREEMENT**

## CALIFORNIA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Regional Developer Agreement contains a provision that is inconsistent with the law, the law will control.

2. The Regional Developer 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.).

3. The Regional Developer Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

4. The Regional Developer Agreement requires mediation. The mediation will occur in Maricopa County, State of Arizona.

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 Regional Developer Agreement restricting venue to a forum outside the State of California.

5. The Agreement requires the application of laws of Arizona. This requirement may be unenforceable under California law.

6. 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).

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this California Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**

By: _____

Print Name: _____

Title: _____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title: _____

## HAWAII ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. The Regional Developer Agreements contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Hawaii Franchise Investment Law.

2. Any provisions of the Regional Developer Agreement that relate to non-renewal, termination, and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.

3. The Regional Developer Agreement permits us to terminate the Agreement on the bankruptcy of you and/or your affiliates. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C. § 101, *et seq*.).

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Hawaii Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**

By: _____

Print Name: _____

Title: _____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title: _____

## ILLINOIS ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. The Regional Developer Agreement contains a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Illinois Franchise Disclosure Act.

2. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. The Illinois Franchise Disclosure Act will govern the Agreement with respect to Illinois Franchisees. The provisions of the Agreement concerning governing law, jurisdiction, and venue will not constitute a waiver of any right conferred on you by the Illinois Franchise Disclosure Act. Consistent with the foregoing, any provision in the Agreement which designates jurisdiction and venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois.

4. 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.

5. Illinois law governs the Franchise Agreement(s).

6. Nothing in the Agreement will limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under the Illinois Franchise Disclosure Act of 1987, as amended.

7. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois law applicable to the provision are met independently without reference to this Addendum.

8. All fees referenced in the Franchise Agreement and Regional Developer Agreement are subject to deferral pursuant to order of the Illinois Attorney General's Office based upon their review of our financial condition as reflected in our financial statements. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the first franchised business.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Illinois Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**

By: _____

Print Name: _____

Title: _____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title: _____

## INDIANA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Regional Developer Agreement contains a provision requiring a general release as a condition of renewal and transfer of the franchise. Such provision is inapplicable under the Indiana Deceptive Franchise Practices Law, IC 23-2-2.7 § 1(5).

2. Under the Regional Developer Agreement you will not be required to indemnify us for any liability imposed on us as a result of your reliance on or use of procedures or products which were required by us, if such procedures were utilized by you in the manner required by us.

3. The Regional Developer Agreement is amended to provide that mediation between you and us will be conducted at a mutually agreed-on location.

4. The Regional Developer Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law, I.C. 23-2-2.5, and the Indiana Deceptive Franchise Practices Law, I.C. 23-2-2.7, will prevail.

5. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.

6. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Indiana Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**

By: _____

Print Name: _____

Title:

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title: _____

## MARYLAND ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. Notwithstanding anything to the contrary set forth in the Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Maryland:

2. Any provision in the Agreement that would require you, as part of the Agreement or as a condition of the sale, renewal or assignment of the franchise, to assent to a release which would relieve any person from liability imposed under the provisions of the Maryland Franchise Law is void if that the provision violates this law. The provision in the Regional Developer Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)

3. Any provision in the Agreement which operates to waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland is void if that the provision violates this law. Claims arising under the Maryland Franchise Law may be brought in any court of competent jurisdiction in Maryland, within 3 years after the grant of the franchise.

4. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Regional Developer Agreement.

5. The Regional Developer Questionnaire, which is attached to the Agreement as Exhibit 5, is amended as follows:

All representations requiring prospective franchisees to assent to a release, estoppel or waive 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.

**THE JOINT CORP.**
**a Delaware corporation**

By: _____

Print Name: _____

Title: _____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title: _____

## MINNESOTA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. The Regional Developer Agreement is amended to add the following:

"We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks."

2. The Regional Developer Agreement contains a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Minnesota Franchise Law.

3. The Regional Developer Agreement is amended to add the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C. 14, Subds, 3, 4 and 5, which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Regional Developer Agreement.

4. The Regional Developer Agreement is amended as follows:

Pursuant to Minn. Stat. § 80C.17, Subd. 5, the parties agree that no civil action pertaining to a violation of a franchise rule or statute can be commenced more than three years after the cause of action accrues.

5. The Regional Developer Agreement is amended to add the following:

Minn. Stat. Sec. 80C.2 1 and Minn. Rule 2860.4400J prohibit us from requiring litigation or mediation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Regional Developer Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

6. The Regional Developer Agreement is amended to add the following:

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

7. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Minnesota Addendum to the Regional Developer Agreement on the same day as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**
By:_____
Print Name: _____
Title:_____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title:_____

## NEW YORK ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

**THIS ADDENDUM** (the "Addendum") is made and entered into as of this _____ day of _____, 20___ (the "Effective Date"), by and between The Joint Corp., a Delaware corporation, with its principal business address at 16767 N. Perimeter Dr., Suite 110, Scottsdale, Arizona 85260 ("we," or "us"), and _____, whose principal business address is _____ ("you").

## RECITALS

**WHEREAS,** you and we are parties to that certain Regional Developer Agreement dated _____, 201__ (the "RDA") that has been signed concurrently with the signing of this Addendum;

**WHEREAS,** the New York Franchise laws and regulations (the "New York Franchise Law") apply to the franchise relationship between you and us because one or more of the following apply: (i) you are a resident of New York and the franchises that you will establish pursuant to the RDA will be located or operated in New York; or (ii) any of the offering or sales activity relating to the RDA originated in or was directed to New York;

**WHEREAS,** the New York Franchise Law imposes certain requirements and limitations on franchise agreements that are subject to the New York Franchise Law and these requirements and limitations are set forth in this Addendum; and

**WHEREAS,** you and we agree to amend the RDA to comply with the New York Franchise Law.

**NOW, THEREFORE,** you and we agree that the RDA shall be amended in accordance with the terms of this Addendum.

1. Amendments to RDA. The RDA is hereby amended to incorporate the following provisions:

(a) We will not require that you prospectively assent to a release, assignment, novation, waiver, or estoppel that purports to relieve any person from liability imposed by the New York Franchise Law.

(b) We will not place any condition, stipulation, or provision in the RDA that requires you to waive compliance with any provision of the New York Franchise Law.

(c) Any provision in the RDA that limits the time period in which you may assert a legal claim against us under the New York Franchise Law is amended to provide for a three (3) year statute of limitations for purposes of bringing a claim arising under the New York Franchise Law.

(d) Notwithstanding the transfer provision in the Franchise Agreement, we will not assign the Franchise Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

2. Miscellaneous.

(a) Modification. This Addendum and the RDA when executed constitute the entire agreement and understanding between the parties with respect to the subject matter contained herein and therein. Any and all prior agreements and understandings between the parties and relating to the subject matter contained in this Addendum and the RDA, whether written or verbal, other than as contained within the executed Addendum and RDA, are void and have no force and effect. In order to be binding between the parties, any subsequent modifications must be in writing signed by the parties.

(b) Effect on Agreement. Except as specifically modified or supplemented by this Addendum, all terms, conditions, covenants and agreements set forth in the RDA shall remain in full force and effect. This

Addendum shall not apply unless the jurisdictional requirements of the New York Franchise Law are met independently and without reference to this Addendum.

(c) Inconsistency. In the event of any inconsistency between the executed RDA and this Addendum, this Addendum shall prevail.

(d) Counterparts. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same document.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Addendum effective on the date stated on the first page above.

**FRANCHISOR**

The Joint Corp., a Delaware corporation

By:_____
Name:_____
Title:_____

_____
[Date]

**FRANCHISEE**

_____
[Signature]

_____
[Print Name]

_____
[Date]

## NORTH DAKOTA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. The Regional Developer Agreement contains a provision requiring a general release as a condition of renewal or transfer of the franchise. Such release is subject to and will exclude claims arising under the North Dakota Franchise Investment Law.

2. The Regional Developer Agreement will be amended to state that mediation involving a franchise purchased in North Dakota must be held in a location mutually agreed on prior to the mediation, or if the parties cannot agree on a location, at a location to be determined by the mediator.

3. The Regional Developer Agreement is amended to add that covenants not to compete on termination or expiration of a Regional Developer Agreement are generally not enforceable in the State of North Dakota except in limited circumstances provided by North Dakota law.

4. The Regional Developer Agreement is amended to add that any claim or right arising under the North Dakota Franchise Investment Law may be brought in the appropriate state or federal court in North Dakota, subject to the mediation provision of the Agreement.

5. The Regional Developer Agreement is amended to state that, in the event of a conflict of law, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will prevail.

6. The Regional Developer Agreement requires the franchisee to waive a trial by jury, as well as exemplary and punitive damages. These requirements are not enforceable in North Dakota pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, and are therefore not part of the Regional Developer Agreement.

7. The Regional Developer Agreement requirement that the franchise consent to a limitation of claims period of one year is not consistent with North Dakota law. The limitation of claims period under the Regional Developer Agreement shall therefore be governed by North Dakota law.

8. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this North Dakota Addendum to the Regional Developer Agreement on the same day as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**

By:_____
Print Name: _____
Title:_____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title:_____

## RHODE ISLAND ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. The Regional Developer Agreement contains a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Rhode Island Franchise Investment Act.

2. This Agreement requires that it be governed by Arizona law. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under Sec. 19-28.1-14.

3. The Regional Developer Agreement is amended by the addition of the following, which will be considered an integral part of this Agreement:

"§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in an Regional Developer Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act, §§ 19- 28-1.1 through 19-28.1-34, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Rhode Island Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**

By:_____

Print Name: _____

Title:_____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title:_____

## VIRGINIA ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

No addendum is required in Virginia at this time.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Virginia Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**

By: _____

Print Name: _____

Title: _____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title: _____

## WASHINGTON ADDENDUM TO REGIONAL DEVELOPER AGREEMENT

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the Regional Developer Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Regional Developer Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

2. In any mediation involving a franchise purchased in Washington, the mediation site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the mediation , or as determined by the mediator.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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 a right to a jury trial may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Washington Addendum to the Regional Developer Agreement on the same date as the Regional Developer Agreement was executed.

**THE JOINT CORP.**
**a Delaware corporation**

By: _____

Print Name: _____

Title: _____

**REGIONAL DEVELOPER**

By: _____

Print Name: _____

Title: _____

**EXHIBIT 5**

**REGIONAL DEVELOPER COMPLIANCE QUESTIONNAIRE**

# MAY NOT BE SIGNED OR USED IF REGIONAL DEVELOPER RESIDES WITHIN, OR THE FRANCHISED BUSINESS WILL BE OPERATED WITHIN, A FRANCHISE REGISTRATION STATE[1]

The Joint Corp. (the "Franchisor") and you are preparing to enter into a Regional Developer Agreement. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please understand that your responses to these questions are important to us and that we will rely on them. Please review each of the following questions and statements carefully and provide honest and complete responses to each. By signing this Questionnaire, you are representing that you have responded truthfully to the following questions.

1. I received and personally reviewed the Franchisor's Franchise Disclosure Document ("FDD") that was provided to me.

Yes _____ No _____

2. Did you sign a receipt or acknowledge through electronic means a receipt for the FDD indicating the date you received it?

Yes _____ No _____

3. Do you understand all of the information in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If no, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

_____

_____

_____

_____

4. Have you received and personally reviewed the Regional Developer Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

5. Do you understand all of the information in the Regional Developer Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

[1] Registration states include California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

If no, what parts of the Regional Developer Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

_____

_____

_____

_____

6. Have you entered into any binding agreement with the Franchisor for the purchase of this Regional Developer Business before being provided a copy of the FDD for fourteen (14) calendar days?

Yes _____ No _____

7. Have you paid any money to the Franchisor for the purchase of this Regional Developer Business before being provided a copy of the FDD for fourteen (14) calendar days?

Yes _____ No _____

8. Have you discussed the benefits and risks of establishing and operating a Regional Developer Business with your counsel or advisor?

Yes _____ No _____

If no, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Regional Developer Business depends in large part on your skills and abilities, competition from other businesses, interest rates, inflation labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

Except as disclosed in Item 19 of its Franchise Disclosure Document, the Franchisor does not make information available to prospective Regional Developers concerning actual, average, projected or forecasted sales, profits or earnings for a Regional Developer Business. The Franchisor does not furnish, or authorize its salespersons to furnish, any oral or written information concerning the actual, average, projected, forecasted sales, costs, income or profits of a Regional Developer Business. Franchisor specifically instructs its sales personnel, agents, employees and other officers that they are not permitted to make any claims or statements as to the earnings, sales, or profits, or prospects, or chances of success, nor are they authorized to represent or estimate dollar figures as to a Regional Developer's Business' operations. Actual results vary and are dependent on a variety of internal and external factors, some of which neither Regional Developer, nor Franchisor can estimate. To ensure that Franchisor's policies have been followed, please answer the following questions:

10. Has any employee, or other person speaking for the Franchisor, made any statement or promise to you regarding the total revenues a Regional Developer Business will generate that is contrary to the information in the FDD?

Yes _____ No _____

11. Has any employee, or other person speaking for the Franchisor, made any statement or promise of the

amount of money or profit you may earn in operating a Regional Developer Business that is contrary to the information in the FDD?

Yes _____ No _____

12. Has any employee, or other person speaking for the Franchisor, promised you that you will be successful in operating a Regional Developer Business?

Yes _____ No _____

13. Has any employee, or other person speaking for the Franchisor, made any statement, promise or verbal agreement of about advertising, marketing, training, support service or other assistance that the Franchisor will furnish to you that is contrary to, or different from, the information in the FDD?

Yes _____ No _____

14. If you have answered "Yes" to any one of questions 10-13, please provide a full explanation of each "yes" answer. (Attach additional pages, if necessary, and refer to them below.) If you have answered "no" to each of questions 11-14, please leave the following lines blank.

_____

_____

_____

_____

I certify that my answers to the foregoing questions are true, correct and complete. These acknowledgments are not intended to act, nor shall they act, as a release, estoppel or waiver of any liability incurred under any applicable state's franchise registration or disclosure law.

**REGIONAL DEVELOPER ("you")**

By: _____

Print Name: _____

Title: _____

Date Received: _____

Date Signed: _____

# EXHIBIT C

## TABLE OF CONTENTS OF REGIONAL DEVELOPER MANUAL

# Contents

# EXHIBIT D

# FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Table of Contents

**PART I: FINANCIAL INFORMATION**

**ITEM 1. UNAUDITED FINANCIAL STATEMENTS**

**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | (unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | $ 20,737,769 | $ 18,153,609 |
| Restricted cash | 1,257,667 | 1,060,683 |
| Accounts receivable, net | 4,295,663 | 3,718,924 |
| Deferred franchise and regional development costs, current portion | 1,052,391 | 1,047,430 |
| Prepaid expenses and other current assets | 2,492,653 | 2,439,837 |
| Assets held for sale | 25,334,715 | 17,915,055 |
| Total current assets | 55,170,858 | 44,335,538 |
| Property and equipment, net | 6,084,785 | 11,044,317 |
| Operating lease right-of-use asset | 7,727,105 | 12,413,221 |
| Deferred franchise and regional development costs, net of current portion | 4,688,487 | 5,203,936 |
| Intangible assets, net | — | 5,020,926 |
| Goodwill | 4,237,945 | 7,352,879 |
| Deferred tax assets ($1.1 million and $1.1 million attributable to VIEs as of September 30, 2024 and December 31, 2023) | 963,658 | 1,031,648 |
| Deposits and other assets | 725,984 | 748,394 |
| Total assets | $ 79,598,822 | $ 87,150,859 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,526,384 | $ 1,625,088 |
| Accounts payable due to related parties (Note 13) | 375,000 | — |
| Accrued expenses | 4,093,722 | 1,963,009 |
| Co-op funds liability | 1,257,667 | 1,060,683 |
| Payroll liabilities ($0.7 million and $0.7 million attributable to VIEs as of September 30, 2024 and December 31, 2023) | 6,107,071 | 3,485,744 |
| Operating lease liability, current portion | 3,222,887 | 3,756,328 |
| Finance lease liability, current portion | 26,312 | 25,491 |
| Deferred franchise fee revenue, current portion | 2,535,825 | 2,516,554 |
| Deferred revenue from company clinics ($3.2 million and $1.6 million attributable to VIEs as of September 30, 2024 and December 31, 2023) | 3,183,396 | 4,463,747 |
| Upfront regional developer Fees, current portion | 291,707 | 362,326 |
| Other current liabilities | 544,250 | 483,249 |
| Liabilities to be disposed of ($1.4 million and $3.6 million attributable to VIEs as of September 30, 2024 and December 31, 2023) | 15,124,554 | 13,831,863 |
| Total current liabilities | 38,288,775 | 33,574,082 |
| Operating lease liability, net of current portion | 6,157,147 | 10,914,997 |
| Finance lease liability, net of current portion | 18,172 | 38,016 |
| Debt under the Credit Agreement | — | 2,000,000 |
| Deferred franchise fee revenue, net of current portion | 12,680,360 | 13,597,325 |
| Upfront regional developer fees, net of current portion | 743,578 | 1,019,316 |

| | | |
|---|---|---|
| Other liabilities ($1.2 million and $1.2 million attributable to VIEs as of September 30, 2024 and December 31, 2023) | 1,235,241 | 1,235,241 |
| Total liabilities | 59,123,273 | 62,378,977 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' equity: | | |
| Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of September 30, 2024 and December 31, 2023 | — | — |
| Common stock, $0.001 par value; 20,000,000 shares authorized, 14,991,462 shares issued and 14,958,447 shares outstanding as of September 30, 2024 and 14,783,757 shares issued and 14,751,633 outstanding as of December 31, 2023 | 14,991 | 14,783 |
| Additional paid-in capital | 49,025,751 | 47,498,151 |
| Treasury stock 33,015 shares as of September 30, 2024 and 32,124 shares as of December 31, 2023, at cost | (870,058) | (860,475) |
| Accumulated deficit | (27,720,135) | (21,905,577) |
| Total The Joint Corp. stockholders' equity | 20,450,549 | 24,746,882 |
| Non-controlling Interest | 25,000 | 25,000 |
| Total equity | 20,475,549 | 24,771,882 |
| Total liabilities and stockholders' equity | $ 79,598,822 | $ 87,150,859 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES**
**CONDENSED CONSOLIDATED INCOME STATEMENTS**
**(unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | |
| Revenues from company-owned or managed clinics | $ 17,544,658 | $ 17,882,303 | $ 52,730,898 | $ 52,813,098 |
| Royalty fees | 7,870,033 | 7,143,791 | 23,303,907 | 21,181,973 |
| Franchise fees | 697,688 | 754,029 | 2,072,665 | 2,179,822 |
| Advertising fund revenue | 2,247,663 | 2,050,106 | 6,654,974 | 6,043,563 |
| Software fees | 1,431,321 | 1,301,577 | 4,233,133 | 3,746,394 |
| Other revenues | 407,127 | 342,143 | 1,185,640 | 1,117,103 |
| Total revenues | 30,198,490 | 29,473,949 | 90,181,217 | 87,081,953 |
| Cost of revenues: | | | | |
| Franchise and regional development cost of revenues | 2,450,400 | 2,228,689 | 7,250,351 | 6,605,964 |
| IT cost of revenues | 372,867 | 375,411 | 1,115,663 | 1,068,332 |
| Total cost of revenues | 2,823,267 | 2,604,100 | 8,366,014 | 7,674,296 |
| Selling and marketing expenses | 4,762,395 | 4,301,017 | 14,050,343 | 13,169,079 |
| Depreciation and amortization | 1,239,233 | 2,349,206 | 4,166,952 | 6,893,529 |
| General and administrative expenses | 20,754,264 | 20,212,750 | 63,588,864 | 60,156,022 |
| Total selling, general and administrative expenses | 26,755,892 | 26,862,973 | 81,806,159 | 80,218,630 |
| Net loss on disposition or impairment | 3,805,218 | 904,923 | 5,602,641 | 1,114,738 |
| Loss from operations | (3,185,887) | (898,047) | (5,593,597) | (1,925,711) |
| Other income (expense), net | 83,333 | (6,244) | 198,873 | 3,708,399 |
| Income (loss) before income tax expense | (3,102,554) | (904,291) | (5,394,724) | 1,782,688 |
| Income tax (benefit) expense | 62,585 | (188,018) | 419,834 | 493,286 |
| Net (loss) income | $ (3,165,139) | $ (716,273) | $ (5,814,558) | $ 1,289,402 |
| Earnings (loss) per share: | | | | |
| Basic (loss) earnings per share | $ (0.21) | $ (0.05) | $ (0.39) | $ 0.09 |
| Diluted (loss) earnings per share | $ (0.21) | $ (0.05) | $ (0.39) | $ 0.09 |
| Basic weighted average shares | 14,959,132 | 14,790,663 | 14,903,726 | 14,666,222 |
| Diluted weighted average shares | 15,192,379 | 15,015,953 | 15,138,148 | 14,931,474 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**(unaudited)**

| | Common Stock | | Additional Paid In Capital | Treasury Stock | | Accumulated Deficit | Total The Joint Corp. stockholders' equity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | Shares | Amount | | | | |
| Balances, December 31, 2023 | 14,783,757 | $ 14,783 | $ 47,498,151 | 32,124 | $ (860,475) | $ (21,905,577) | $ 24,746,882 | $ 25,000 | $ 24,771,882 |
| Stock-based compensation expense | — | — | 493,395 | — | — | — | 493,395 | — | 493,395 |
| Issuance of restricted stock, net of forfeitures | 184,790 | 184 | (184) | — | — | — | — | — | — |
| Exercise of stock options | — | — | — | — | — | — | — | — | — |
| Purchases of treasury stock under employee stock plans | — | — | — | 707 | (6,562) | — | (6,562) | — | (6,562) |
| Net income | — | — | — | — | — | 946,979 | 946,979 | — | 946,979 |
| Balances, March 31, 2024 (unaudited) | 14,968,547 | $ 14,967 | $ 47,991,362 | 32,831 | $ (867,037) | $ (20,958,598) | $ 26,180,694 | $ 25,000 | $ 26,205,694 |
| Stock-based compensation expense | — | — | 552,065 | — | — | — | 552,065 | — | 552,065 |
| Issuance of restricted stock, net of forfeitures | 21,905 | 23 | (23) | — | — | — | — | — | — |
| Exercise of stock options | 6,335 | 6 | 52,092 | — | — | — | 52,098 | — | 52,098 |
| Purchases of treasury stock under employee stock plans | — | — | — | 184 | (3,021) | — | (3,021) | — | (3,021) |
| Net loss | — | — | — | — | — | (3,596,398) | (3,596,398) | — | (3,596,398) |
| Balances, June 30, 2024 (unaudited) | 14,996,787 | $ 14,996 | $ 48,595,496 | 33,015 | $ (870,058) | $ (24,554,996) | $ 23,185,438 | $ 25,000 | $ 23,210,438 |
| Stock-based compensation expense | — | — | 430,250 | — | — | — | 430,250 | — | 430,250 |
| Issuance of restricted stock, net of forfeitures | (5,325) | (5) | 5 | — | — | — | — | — | — |
| Exercise of stock options | — | — | — | — | — | — | — | — | — |
| Purchases of treasury stock under employee stock plans | — | — | — | — | — | — | — | — | — |
| Net loss | — | — | — | — | — | (3,165,139) | (3,165,139) | — | (3,165,139) |
| Balances, September 30, 2024 (unaudited) | 14,991,462 | $ 14,991 | $ 49,025,751 | 33,015 | $ (870,058) | $ (27,720,135) | $ 20,450,549 | $ 25,000 | $ 20,475,549 |

| | Common Stock | | Additional Paid In Capital | Treasury Stock | | Accumulated Deficit | Total The Joint Corp. stockholders' equity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | Shares | Amount | | | | |
| Balances, December 31, 2022 | 14,560,353 | $ 14,560 | $ 45,558,305 | 31,866 | $ (856,642) | $ (12,153,380) | $ 32,562,843 | $ 25,000 | $ 32,587,843 |
| Stock-based compensation expense | — | — | 266,210 | — | — | — | 266,210 | — | 266,210 |
| Issuance of restricted stock, net of forfeitures | 95,386 | 95 | (95) | — | — | — | — | — | — |
| Exercise of stock options | 15,621 | 16 | 138,441 | — | — | — | 138,457 | — | 138,457 |
| Purchases of treasury stock under employee stock plans | — | — | — | 169 | (2,637) | — | (2,637) | — | (2,637) |
| Net income | — | — | — | — | — | 2,326,164 | 2,326,164 | — | 2,326,164 |
| Balances, March 31, 2023, (unaudited) | 14,671,360 | $ 14,671 | $ 45,962,861 | 32,035 | $ (859,279) | $ (9,827,216) | $ 35,291,037 | $ 25,000 | $ 35,316,037 |
| Stock-based compensation expense | — | — | 417,017 | — | — | — | 417,017 | — | 417,017 |
| Issuance of restricted stock, net of forfeitures | 91,158 | 91 | (91) | — | — | — | — | — | — |
| Exercise of stock options | 10,002 | 10 | 63,919 | — | — | — | 63,929 | — | 63,929 |
| Net loss | — | — | — | — | — | (320,489) | (320,489) | — | (320,489) |
| Balances, June 30, 2023 (unaudited) | 14,772,520 | $ 14,772 | $ 46,443,706 | 32,035 | $ (859,279) | $ (10,147,705) | $ 35,451,494 | $ 25,000 | $ 35,476,494 |
| Stock-based compensation expense | — | $ — | $ 526,069 | — | $ — | $ — | $ 526,069 | $ — | $ 526,069 |
| Issuance of restricted stock, net of forfeitures | 13,891 | $ 14 | $ (14) | — | $ — | $ — | $ — | $ — | $ — |
| Exercise of stock options | — | $ — | $ — | — | $ — | $ — | $ — | $ — | $ — |
| Purchases of treasury stock under employee stock plans | — | $ — | $ — | 89 | $ (1,195) | $ — | $ (1,195) | $ — | $ (1,195) |
| Net loss | — | — | — | — | — | (716,273) | (716,273) | — | (716,273) |
| Balances, September 30, 2023 (unaudited) | 14,786,411 | $ 14,786 | $ 46,969,761 | 32,124 | $ (860,474) | $ (10,863,978) | $ 35,260,095 | $ 25,000 | $ 35,285,095 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2024** | **2023** |
| Cash flows from operating activities: | | |
| Net income (loss) | $ (5,814,558) | $ 1,289,402 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,166,952 | 6,893,529 |
| Net loss on disposition or impairment (non-cash portion) | 5,602,641 | 1,114,738 |
| Net franchise fees recognized upon termination of franchise agreements | (99,966) | (170,720) |
| Deferred income taxes | 67,990 | 187,062 |
| Stock based compensation expense | 1,475,710 | 1,209,296 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 240,981 | 258,145 |
| Prepaid expenses and other current assets | (53,888) | (504,203) |
| Deferred franchise costs | 456,894 | 166,078 |
| Deposits and other assets | 15,710 | (15,377) |
| Assets and liabilities held for sale, net | (2,147,354) | — |
| Accounts payable | 276,296 | (1,244,767) |
| Accrued expenses | 1,255,713 | 1,279,949 |
| Payroll liabilities | 2,621,327 | 1,844,943 |
| Deferred revenue | (1,504,305) | (551,226) |
| Upfront regional developer fees | (346,357) | (496,730) |
| Other liabilities | (928,850) | 34,638 |
| Net cash provided by operating activities | 5,284,936 | 11,294,757 |
| Cash flows from investing activities: | | |
| Proceeds from sale of clinics | 374,100 | — |
| Acquisition of CA clinics | — | (1,050,000) |
| Purchase of property and equipment | (901,394) | (3,833,148) |
| Net cash used in investing activities | (527,294) | (4,883,148) |
| Cash flows from financing activities: | | |
| Payments of finance lease obligation | (19,013) | (18,227) |
| Purchases of treasury stock under employee stock plans | (9,583) | (3,832) |
| Proceeds from exercise of stock options | 52,098 | 202,386 |
| Repayment of debt under the Credit Agreement | (2,000,000) | — |
| Net cash provided by (used in) financing activities | (1,976,498) | 180,327 |
| Increase in cash, cash equivalents and restricted cash | 2,781,144 | 6,591,936 |
| Cash, cash equivalents and restricted cash, beginning of period | 19,214,292 | 10,550,417 |
| Cash, cash equivalents and restricted cash, end of period | $ 21,995,436 | $ 17,142,353 |

| Reconciliation of cash, cash equivalents and restricted cash: | **September 30, 2024** | **September 30, 2023** |
|---|---|---|
| Cash and cash equivalents | $ 20,737,769 | $ 16,050,137 |
| Restricted cash | 1,257,667 | 1,092,216 |
| Cash, cash equivalents and restricted cash, end of period | $ 21,995,436 | $ 17,142,353 |

**Supplemental cash flow disclosures:**

The following table represents supplemental cash flow disclosures and non-cash investing and financing activities:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2024 | 2023 |
| Net cash paid for: | | |
| Interest | $ 56,668 | $ 163,334 |
| Income taxes | $ 507,925 | $ 468,289 |
| Non-cash investing and financing activity: | | |
| Unpaid purchases of property and equipment | $ — | $ 155,340 |
| Non-cash investment in acquisition of franchised clinics | $ — | $ 28,997 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

**The Joint Corp. 10-K -Annual Report, Item 8**

**Financial Statements and Supplementary Data**

**For the Fiscal Years Ended**

**December 31, 2023 and 2022**

**Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors
The Joint Corp.
Scottsdale, Arizona

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of The Joint Corp. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 7, 2024 expressed an unqualified opinion thereon.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

**Revenue growth rate utilized in the determination of the fair value of reacquired franchise rights and customer relationships for certain acquisitions**

As described in Note 3 of the consolidated financial statements, the Company repurchased certain operating franchised clinics for a net purchase consideration of approximately $1.2 million in May 2023. The acquisitions were treated as an asset purchase. As a result of the acquisitions, management was required to determine the estimated fair values of assets acquired and liabilities assumed, including certain identifiable intangible assets. Management utilized third-party valuation specialists to assist in the preparation of the valuation of certain identifiable intangible assets. Management exercised judgment to develop and select revenue growth rates in the measurement of the fair values of the reacquired franchise rights and customer relationships.

We identified the revenue growth rates utilized in the determination of the fair values of the reacquired franchise rights and customer relationships for certain acquisitions as a critical audit matter. The principal considerations for our determination included the subjectivity and judgment required to determine the revenue growth rates used in the fair value measurement of reacquired franchise rights and customer relationships for certain acquisitions. Auditing these revenue growth rates involved especially subjective auditor judgment due to the nature and extent of audit effort required.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of the revenue growth rates by i) comparing to the historical performance using the audited prior year revenue, (ii) assessing the revenue growth rates against industry metrics, and (iii) comparing the actual post-acquisition net revenue to the forecast revenue.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2021.
Phoenix, Arizona

March 7, 2024

**THE JOINT CORP.**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 18,153,609 | $ 9,745,066 |
| Restricted cash | 1,060,683 | 805,351 |
| Accounts receivable | 3,718,924 | 3,911,272 |
| Deferred franchise and regional development costs, current portion | 1,047,430 | 1,054,060 |
| Prepaid expenses and other current assets | 2,439,837 | 2,098,359 |
| Assets held for sale | 17,915,055 | — |
| Total current assets | 44,335,538 | 17,614,108 |
| Property and equipment, net | 11,044,317 | 17,475,152 |
| Operating lease right-of-use asset | 12,413,221 | 20,587,199 |
| Deferred franchise and regional development costs, net of current portion | 5,203,936 | 5,707,678 |
| Intangible assets, net | 5,020,926 | 10,928,295 |
| Goodwill | 7,352,879 | 8,493,407 |
| Deferred tax assets ($1.1 million and $1.0 million attributable to VIEs as of December 31, 2023 and 2022) | 1,031,648 | 11,928,152 |
| Deposits and other assets | 748,394 | 756,386 |
| Total assets | $ 87,150,859 | $ 93,490,377 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,625,088 | $ 2,966,589 |
| Accrued expenses | 1,963,009 | 1,069,610 |
| Co-op funds liability | 1,060,683 | 805,351 |
| Payroll liabilities ($0.7 million and $0.6 million attributable to VIEs as of December 31, 2023 and 2022) | 3,485,744 | 2,030,510 |
| Operating lease liability, current portion | 3,756,328 | 5,295,830 |
| Finance lease liability, current portion | 25,491 | 24,433 |
| Deferred franchise fee revenue, current portion | 2,516,554 | 2,468,601 |
| Deferred revenue from company clinics ($1.6 million and $4.7 million attributable to VIEs as of December 31, 2023 and 2022) | 4,463,747 | 7,471,549 |
| Upfront regional developer fees, current portion | 362,326 | 487,250 |
| Other current liabilities | 483,249 | 597,294 |
| Liabilities to be disposed of ($3.6 million attributable to VIEs as of December 31, 2023) | 13,831,863 | — |
| Total current liabilities | 33,574,082 | 23,217,017 |
| Operating lease liability, net of current portion | 10,914,997 | 18,672,719 |
| Finance lease liability, net of current portion | 38,016 | 63,507 |
| Debt under the Credit Agreement | 2,000,000 | 2,000,000 |
| Deferred franchise fee revenue, net of current portion | 13,597,325 | 14,161,134 |
| Upfront regional developer fees, net of current portion | 1,019,316 | 1,500,278 |
| Other liabilities | 1,235,241 | 1,287,879 |
| Total liabilities | 62,378,977 | 60,902,534 |
| Commitments and contingencies (note 10) | | |
| Stockholders' equity: | | |
| Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of December 31, 2023 and 2022 | — | — |
| Common stock, $0.001 par value; 20,000,000 shares authorized, 14,783,757 shares issued and 14,751,633 shares outstanding as of December 31, 2023 and 14,560,353 shares issued and 14,528,487 outstanding as of December 31, 2022 | 14,783 | 14,560 |
| Additional paid-in capital | 47,498,151 | 45,558,305 |
| Treasury stock 32,124 shares as of December 31, 2023 and 31,866 shares as of December 31, 2022, at cost | (860,475) | (856,642) |
| Accumulated deficit | (21,905,577) | (12,153,380) |

| | | |
|---|---|---|
| Total The Joint Corp. stockholders' equity | 24,746,882 | 32,562,843 |
| Non-controlling Interest | 25,000 | 25,000 |
| Total equity | 24,771,882 | 32,587,843 |
| Total liabilities and stockholders' equity | $ 87,150,859 | $ 93,490,377 |

*See notes to consolidated financial statements.*

**THE JOINT CORP.**
**CONSOLIDATED INCOME STATEMENTS**

| | Year Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Revenues: | | |
| Revenues from company-owned or managed clinics | $ 70,718,880 | $ 59,422,294 |
| Royalty fees | 29,160,831 | 26,190,531 |
| Franchise fees | 2,882,895 | 2,441,325 |
| Advertising fund revenue | 8,321,043 | 7,456,696 |
| Software fees | 5,086,562 | 4,290,739 |
| Other revenues | 1,526,145 | 1,450,725 |
| Total revenues | 117,696,356 | 101,252,310 |
| Cost of revenues: | | |
| Franchise and regional developer cost of revenues | 9,063,375 | 7,803,404 |
| IT cost of revenues | 1,483,183 | 1,367,659 |
| Total cost of revenues | 10,546,558 | 9,171,063 |
| Selling and marketing expenses | 16,541,990 | 13,962,709 |
| Depreciation and amortization | 8,582,203 | 6,646,622 |
| General and administrative expenses | 81,466,088 | 70,233,447 |
| Total selling, general and administrative expenses | 106,590,281 | 90,842,778 |
| Net loss on disposition or impairment | 2,632,604 | 410,215 |
| (Loss) income from operations | (2,073,087) | 828,254 |
| Other income (expense), net | 3,711,843 | (133,101) |
| Income before income tax expense | 1,638,756 | 695,153 |
| Income tax expense | 11,390,953 | 68,448 |
| Net (loss) income | $ (9,752,197) | $ 626,705 |
| | | |
| (Loss) earnings per share: | | |
| Basic (loss) earnings per share | $ (0.66) | $ 0.04 |
| Diluted (loss) earnings per share | $ (0.65) | $ 0.04 |
| | | |
| Basic weighted average shares | 14,688,115 | 14,488,314 |
| Diluted weighted average shares | 14,935,217 | 14,868,093 |

*See notes to consolidated financial statements.*

**THE JOINT CORP.**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

| | Common Stock | | | Treasury Stock | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid In Capital | Shares | Amount | Accumulated Deficit | Total The Joint Corp. stockholder's equity | Non-controlling Interest | Total |
| Balances, December 31, 2021 | 14,451,355 | $ 14,450 | $ 43,900,157 | 31,643 | $ (850,838) | $ (12,780,085) | $ 30,283,684 | $ 25,000 | $ 30,308,684 |
| Stock-based compensation expense | — | — | 1,273,989 | — | — | — | 1,273,989 | — | 1,273,989 |
| Issuance of restricted stock | 65,618 | 66 | (66) | — | — | — | — | — | — |
| Exercise of stock options | 43,380 | 44 | 384,225 | — | — | — | 384,269 | — | 384,269 |
| Purchases of treasury stock under employee stock plans | — | — | — | 223 | (5,804) | — | (5,804) | — | (5,804) |
| Net income | — | — | — | — | — | 626,705 | 626,705 | — | 626,705 |
| Balances, December 31, 2022 | 14,560,353 | 14,560 | 45,558,305 | 31,866 | (856,642) | (12,153,380) | 32,562,843 | 25,000 | 32,587,843 |
| Stock-based compensation expense | | | 1,737,682 | | | | 1,737,682 | — | 1,737,682 |
| Issuance of restricted stock | 197,781 | 198 | (198) | | | | — | — | — |
| Exercise of stock options | 25,623 | 25 | 202,362 | | | | 202,387 | — | 202,387 |
| Purchases of treasury stock under employee stock plans | | | | 258 | (3,833) | | (3,833) | — | (3,833) |
| Net Loss | | | | | | (9,752,197) | (9,752,197) | — | (9,752,197) |
| Balances, Balances, December 31, 2023 | 14,783,757 | $ 14,783 | $ 47,498,151 | 32,124 | $ (860,475) | $ (21,905,577) | $ 24,746,882 | $ 25,000 | $ 24,771,882 |

*See notes to consolidated financial statements.*

**THE JOINT CORP.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Cash flows from operating activities: | | |
| Net (loss) income | $ (9,752,197) | $ 626,705 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,582,203 | 6,646,622 |
| Net loss on disposition or impairment (non-cash portion) | 2,632,604 | 410,215 |
| Net franchise fees recognized upon termination of franchise agreements | (217,827) | (68,537) |
| Deferred income taxes | 10,896,504 | (441,353) |
| Stock based compensation expense | 1,737,682 | 1,273,989 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 192,348 | (154,672) |
| Prepaid expenses and other current assets | (341,478) | 183,406 |
| Deferred franchise costs | 355,952 | (351,151) |
| Deposits and other assets | 1,492 | (189,184) |
| Accounts payable | (1,381,836) | 818,265 |
| Accrued expenses | 793,679 | (1,170,070) |
| Payroll liabilities | 1,455,234 | (1,875,807) |
| Upfront regional developer fees | (598,778) | (1,288,134) |
| Deferred revenue | 301,095 | 2,889,139 |
| Other liabilities | 20,912 | 900,151 |
| Net cash provided by operating activities | 14,677,589 | 8,209,584 |
| Cash flows from investing activities: | | |
| Acquisition of AZ clinics | — | (6,966,923) |
| Acquisition of NC clinics | — | (3,289,312) |
| Acquisition of CA clinics | (1,188,765) | (1,850,000) |
| Proceeds from sale of clinics | — | 105,200 |
| Purchase of property and equipment | (4,999,070) | (5,899,080) |
| Net cash used in investing activities | (6,187,835) | (17,900,115) |
| Cash flows from financing activities: | | |
| Payments of finance lease obligation | (24,432) | (49,855) |
| Purchases of treasury stock under employee stock plans | (3,833) | (5,804) |
| Proceeds from exercise of stock options | 202,386 | 384,269 |
| Net cash provided by financing activities | 174,121 | 328,610 |
| Increase (decrease) in cash | 8,663,875 | (9,361,921) |
| Cash, cash equivalents and restricted cash, beginning of period | 10,550,417 | 19,912,338 |
| Cash, cash equivalents and restricted cash, end of period | $ 19,214,292 | $ 10,550,417 |

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Reconciliation of cash, cash equivalents and restricted cash: | | |
| Cash and cash equivalents | $ 18,153,609 | $ 9,745,066 |
| Restricted cash | 1,060,683 | 805,351 |
| | $ 19,214,292 | $ 10,550,417 |

**Supplemental cash flow disclosures:**

The following table represents supplemental cash flow disclosures and non-cash investing and financing activities:

| | Year Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Net cash paid (refunded) for: | | |
| Interest | $ 173,062 | $ 71,255 |
| Income taxes | $ 569,765 | $ (369,481) |
| Non-cash investing and financing activity: | | |
| Unpaid purchases of property and equipment | $ 140,055 | $ 576,725 |
| Non-cash investment in acquisition of franchised clinics | $ 28,997 | $ 115,372 |

*See notes to consolidated financial statements.*

**THE JOINT CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Basis of Presentation***

These financial statements represent the consolidated financial statements of The Joint Corp. ("The Joint"), which includes its variable interest entities ("VIEs"), and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC (collectively, the "Company"). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amount of assets, liabilities, revenue, costs, expenses, other (expenses) income, and income taxes that are reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates. For a discussion of significant estimates and judgments made in recognizing revenue, accounting for leases, and accounting for income taxes, see Note 2, "Revenue Disclosures," Note 9, "Income Taxes," and Note 10, "Commitments and Contingencies."

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of The Joint and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC, which was dormant for all periods presented. The Company consolidates VIEs in which the Company is the primary beneficiary in accordance with Accounting Standards Codification 810, Consolidations ("ASC 810"). Non-controlling interests represent third-party equity ownership interests in VIEs. All significant inter-affiliate accounts and transactions between The Joint and its VIEs have been eliminated in consolidation.

***Comprehensive (Loss) Income***

Net (loss) income and comprehensive (loss) income are the same for the years ended December 31, 2023 and 2022.

***Nature of Operations***

The Joint Corp., a Delaware corporation, was formed on March 10, 2010 for the principal purpose of franchising, developing, selling regional developer rights, supporting the operations of franchised chiropractic clinics, and operating and managing corporate chiropractic clinics at locations throughout the United States of America. The franchising of chiropractic clinics is regulated by the Federal Trade Commission and various state authorities.

The following table summarizes the number of clinics in operation under franchise agreements and as company-owned or managed for the years ended December 31, 2023 and 2022:

| | Year Ended December 31, | |
|---|---|---|
| **Franchised clinics:** | **2023** | **2022** |
| Clinics open at beginning of period | 712 | 610 |
| Opened during the period | 104 | 121 |
| Acquired during the period | — | 2 |
| Sold during the period | (3) | (16) |
| Closed during the period | (13) | (5) |
| Clinics in operation at the end of the period | 800 | 712 |

| | Year Ended December 31, | |
|---|---|---|
| **Company-owned or managed clinics:** | **2023** | **2022** |
| Clinics open at beginning of period | 126 | 96 |
| Opened during the period | 10 | 16 |
| Acquired during the period | 3 | 16 |
| Sold during the period | — | (2) |
| Closed during the period | (4) | — |
| Clinics in operation at the end of the period | 135 | 126 |
| | | |
| Total clinics in operation at the end of the period | 935 | 838 |
| | | |
| Clinic licenses sold but not yet developed | 132 | 197 |
| Executed letters of intent for future clinic licenses | 40 | 38 |

***Variable Interest Entities***

Certain states prohibit the "corporate practice of chiropractic," which restricts business corporations from practicing chiropractic care by exercising control over clinical decisions by chiropractic doctors. In states which prohibit the corporate practice of chiropractic, the Company typically enters into long-term management services agreements ("MSAs") with professional corporations ("PCs") that are owned by licensed chiropractic doctors, which, in turn, employ or contract with doctors who provide professional chiropractic care in its clinics. Under these management agreements with PCs, the Company provides, on an exclusive basis, all non-clinical services of the chiropractic practice. The Company has entered into such management agreements with three PCs, including one in Kansas, in connection with the opening of company-managed clinics in August 2022. An entity deemed to be the primary beneficiary of a VIE is required to consolidate the VIE in its financial statements. An entity is deemed to be the primary beneficiary of a VIE if it has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb the majority of losses of the VIE or the right to receive the majority of benefits from the VIE. In accordance with relevant accounting guidance, these PCs were determined to be VIEs. Such PCs are VIEs, as fees paid by the PCs to the Company as its management service provider are considered variable interests because the fees do not meet all the following criteria: 1) The fees are compensation for services provided and are commensurate with the level of effort required to provide those services; 2) The decision maker or service provider does not hold other interests in the VIE that individually, or in the aggregate, would absorb more than an insignificant amount of the VIE's expected losses or receive more than an insignificant amount of the VIE's expected residual returns; 3) The service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm's length. Additionally, the Company has determined that it has the ability to direct the activities that most significantly impact the performance of these PCs and have an obligation to absorb losses or receive benefits which could potentially be significant to the PCs. Accordingly, the PCs are VIEs for which the Company is the primary beneficiary and are consolidated by the Company.

The revenues of VIEs represent the revenues of Company-managed clinics in states that prohibit the corporate practice of chiropractic. The Company's involvement with VIEs affects its financial performance and cash flows primarily through amounts recorded in Revenues from company-owned or managed clinics and General and administrative expenses, which are principally comprised of payroll and related expenses, merchant card fees and insurance expense. The management fees/income provided by the MSAs are considered intercompany transactions and therefore eliminated upon consolidation of VIEs.

The VIEs' total revenue was $41.5 million and $34.8 million for the years ended December 31, 2023 and 2022, respectively. The VIEs' general and administrative expenses, excluding the consolidated intercompany management fee, were $18.4 million and $15.7 million for the years ended December 31, 2023 and 2022, respectively.

The VIEs' deferred revenue liability balance for amounts collected in advance for membership and wellness packages was $1.6 million and $4.7 million as of December 31, 2023 and December 31, 2022, respectively. The VIEs' payroll liability balance as of December 31, 2023 and December 31, 2022 was $0.7 million and $0.6 million, respectively. The VIEs' deferred tax assets balance as of December 31, 2023 and December 31, 2022 was $1.1 million and $1.0 million, respectively. The VIEs' liabilities to be disposed of as of December 31, 2023 was $3.6 million. The carrying amount of the other VIEs' assets and liabilities was immaterial as of December 31, 2023 and December 31, 2022, except for those previously listed.

***Cash and Cash Equivalents***

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and credit quality of, the financial institutions with which it invests. As of the balance sheet date and periodically throughout the period, the Company has maintained balances in various operating accounts in excess of federally insured limits. The Company has invested substantially all its cash in short-term bank deposits. The Company had no cash equivalents as of December 31, 2023 and 2022.

***Restricted Cash***

Restricted cash relates to cash that franchisees and company-owned or managed clinics contribute to the Company's National Marketing Fund and cash that franchisees provide to various voluntary regional Co-Op Marketing Funds. Cash contributed by franchisees to the National Marketing Fund is to be used in accordance with the Company's Franchise Disclosure Document with a focus on regional and national marketing and advertising. While such cash balance is not legally segregated and restricted as to withdrawal or usage, the Company's accounting policy is to classify these funds as restricted cash.

***Accounts Receivable***

Accounts receivable primarily represent amounts due from franchisees for royalty and software fees. The Company records an allowance for credit losses as a reduction to its accounts receivables for amounts that the Company does not expect to recover. An allowance for credit losses is determined through assessments of collectability based on historical trends, the financial condition of the Company's franchisees, including any known or anticipated bankruptcies, and an evaluation of current economic conditions, as well as the Company's expectations of conditions in the future. Actual losses ultimately could differ materially in the near term from the amounts estimated in determining the allowance. As of December 31, 2023, and 2022, the Company had no allowance for credit losses on accounts receivable.

***Deferred Franchise Costs and Regional Development Costs***

Deferred franchise and regional development costs represent commissions that are direct and incremental to the Company and are paid in conjunction with the sale of a franchise license or regional development rights. These costs are recognized as an expense, in franchise and regional development cost of revenues when the respective revenue is recognized, which is generally over the term of the related franchise or regional developer agreement.

***Property and Equipment***

Property and equipment are stated at cost or for property acquired as part of franchise acquisitions at fair value at the date of closing. Depreciation is computed using the straight-line method over estimated useful lives, which is generally three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

***Capitalized Software***

The Company capitalizes certain software development costs, including costs to implement cloud computing arrangements that is a service contract. These capitalized costs are primarily related to software used by clinics for operations and by the Company for the management of operations. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct, are capitalized as assets in progress until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Internally developed software is recorded as part of property and equipment. Maintenance and training costs are expensed as incurred. Internally developed software is amortized on a straight-line basis over its estimated useful life, which is generally three to five years. Implementation costs incurred in connection with a cloud computing arrangement that is a service contract are included in prepaid expenses in the Company's consolidated balance sheets.

***Leases***

The Company leases property and equipment under operating and finance leases. The Company leases its corporate office space and the space for each of the company-owned or managed clinic in the portfolio. The Company recognizes a right-of-use ("ROU") asset and lease liability for all leases. Certain leases include one or more renewal options, generally for the same period as the initial term of the lease. The exercise of lease renewal options is generally at the Company's sole discretion and, as such, the Company typically determines that exercise of these renewal options is not reasonably certain. As a result, the Company does not include the renewal option period in the expected lease term and the associated lease payments are not included in the measurement of the ROU asset and lease liability. When available, the Company uses the rate implicit in the lease to discount lease payments; however, the rate implicit in the lease is not readily determinable for substantially all of its leases. In such cases, the Company estimates its incremental borrowing rate as the interest rate it would pay to borrow an amount equal to the lease payments over a similar term, with similar collateral as in the lease, and in a similar economic environment. The Company estimates these rates using available evidence such as rates imposed by third-party lenders to the Company in recent financings or observable risk-free interest rate and credit spreads for commercial debt of a similar duration, with credit spreads correlating to the Company's estimated creditworthiness.

For operating leases that include rent holidays and rent escalation clauses, the Company recognizes lease expense on a straight-line basis over the lease term from the date it takes possession of the leased property. Pre-opening costs are recorded as incurred in general and administrative expenses. Variable lease payments, such as percentage rentals based on location sales, periodic adjustments for inflation, reimbursement of real estate taxes, any variable common area maintenance and any other variable costs associated with the leased property are expensed as incurred and are also included in general and administrative expenses on the consolidated income statements.

***Intangible Assets***

Intangible assets consist primarily of re-acquired franchise rights and customer relationships. The Company amortizes the fair value of re-acquired franchise rights over the remaining contractual terms of the re-acquired franchise rights at the time of the acquisition, which generally range from one to nine years. The fair value of customer relationships is amortized over their estimated useful life of two to four years.

***Goodwill***

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired in the acquisitions of franchises. Goodwill and intangible assets deemed to have indefinite lives are not amortized but are tested for impairment annually and more frequently if a triggering event occurs that makes it more likely than not that the fair value of a reporting unit is below carrying value. As required, the Company performs an annual impairment test of goodwill as of the first day of the fourth quarter or more frequently if a triggering event occurs. No impairments of goodwill were recorded for the years ended December 31, 2023 and 2022.

***Long-Lived Assets***

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to estimated undiscounted future cash flows in its assessment of whether or not long-lived assets are recoverable. The Company records an impairment loss when the carrying amount of the asset is not recoverable and exceeds its fair value. During the year ended December 31, 2023, certain long-lived asset groups classified as held and used were determined to not be recoverable. The carrying values of these asset groups included fixed assets of $3.0 million that were written down to $1.2 million. During the year ended December 31, 2022, an operating lease ROU asset related to a closed clinic with a total carrying amount of approximately $0.2 million was written down to zero. As a result, the Company recorded a noncash impairment loss of approximately $1.8 million and $0.2 million during the years ended December 31, 2023 and 2022.

In connection with the planned sale of certain company-owned and managed clinics, the Company reclassified $4.9 million of net property and equipment, $3.4 million of intangible assets, net, $1.1 million of goodwill and $9.2 million of ROU assets to Assets held for sale and reclassified $10.2 million of lease liability and $3.6 million of deferred revenue from Company clinics to Liabilities to be disposed of in the consolidated balance sheet as of December 31, 2023. Long-lived assets that meet the held for sale criteria are reported at the lower of their carrying value or fair value, less estimated costs to sell. As a result, the Company recorded a valuation allowance of $0.7 million to adjust the carrying value of the disposal group to fair value less cost to sell during the year ended December 31, 2023.

In connection with the sale of two company-managed clinics to franchisees, the Company reclassified $288,192 of property and equipment and $359,807 of ROU assets to Assets held for sale and reclassified $428,593 of ROU liability and $54,351 of

deferred revenue from company clinics to Liabilities to be disposed of in the consolidated balance sheet as of June 30, 2022. Long-lived assets that meet the held for sale criteria are reported at the lower of their carrying value or fair value, less estimated costs to sell. As a result, the Company recorded a valuation allowance of $79,400 to adjust the carrying value of the disposal group to fair value less cost to sell during the year ended December 31, 2022. One of the two clinics was sold during August 2022, and the second clinic was sold in October 2022.

***Advertising Fund***

The Company has established an advertising fund for national or regional marketing and advertising of services offered by its clinics. The monthly marketing fee is 2% of clinic sales. The Company segregates the marketing funds collected which are included in restricted cash on its consolidated balance sheets. As amounts are expended from the fund, the Company recognizes a related expense. Such costs are included in selling and marketing expenses on the consolidated income statements.

***Co-Op Marketing Funds***

Some franchises have established regional Co-Ops for advertising within their local and regional markets. The Company maintains a custodial relationship under which the Co-Op Marketing Funds collected are segregated and used for the purposes specified by the Co-Ops' officers. The Co-Op Marketing Funds are included in restricted cash on the Company's consolidated balance sheets.

***Revenue Recognition***

The Company generates revenue primarily through its company-owned and managed clinics and through royalties, franchise fees, advertising fund contributions, IT related income and computer software fees from its franchisees.

*Revenues from Company-Owned or Managed Clinics.* The Company earns revenues from clinics that it owns and operates or manages throughout the United States. Revenues are recognized when services are performed. The Company offers a variety of membership and wellness packages which feature discounted pricing as compared with its single-visit pricing. Amounts collected in advance for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed. Any unused visits associated with monthly memberships are recognized on a month-to-month basis. The Company recognizes a contract liability (or a deferred revenue liability) related to the prepaid treatment plans for which the Company has an ongoing performance obligation. The Company derecognizes this contract liability, and recognizes revenue, as the patient consumes his or her visits related to the package and the Company transfers its services. If the Company determines that it is not subject to unclaimed property laws for the portion of wellness package that it does not expect to be redeemed (referred to as "breakage") then it recognizes breakage revenue in proportion to the pattern of exercised rights by the patient.

*Royalties and Advertising Fund Revenue.* The Company collects royalties, as stipulated in the franchise agreement, equal to 7% of gross sales, and a marketing and advertising fee currently equal to 2% of gross sales. Royalties, including franchisee contributions to advertising funds, are calculated as a percentage of clinic sales over the term of the franchise agreement. The revenue accounting standard provides an exception for the recognition of sales-based royalties promised in exchange for a license (which generally requires a reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price). As the franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement, such sales-based royalties are recognized as franchisee clinic level sales occur. Royalties are collected semi-monthly, two working days after each sales period has ended.

*Franchise Fees.* The Company requires the entire non-refundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of 10 years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include training of franchisees and staff, site selection, construction/vendor management and ongoing operations support. The Company provides no financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Renewal franchise fees, as well as transfer fees, are also recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

*Software Fees.* The Company collects a monthly fee from its franchisees for use of its proprietary chiropractic software, computer support and internet services support. These fees are recognized ratably on a straight-line basis over the term of the respective franchise agreement.

*Capitalized Sales Commissions.* Sales commissions earned by the regional developers and the Company's sales force are considered incremental and recoverable costs of obtaining a franchise agreement with a franchisee. These costs are deferred and then amortized as the respective franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement.

***Upfront Regional Developer Rights Fees***

The Company has a regional developer program where regional developers are granted an exclusive geographical territory and commit to a minimum development obligation within that defined territory. Upon granting of the exclusive rights to develop a territory, a regional developer will pay an upfront fee to the Company. Upfront regional developer fees represent consideration received from a vendor to act as the Company's agent within an exclusive territory. The upfront regional developer rights fee is accounted for as a reduction of cost of revenues, in franchise and regional development cost of revenues, to offset the respective future commissions paid to the regional developer. The fees are ratably recognized over the term of the related regional developer agreement.

Regional developers receive fees which are funded by the initial franchise fees collected from franchisees upon the sale of franchises within their exclusive geographical territory and a royalty of 3% of sales generated by franchised clinics in their exclusive geographical territory. Initial fees related to the sale of franchises within their exclusive geographical territory are initially deferred as deferred franchise costs and are recognized as an expense in franchise cost of revenues when the respective revenue is recognized, which is generally over the term of the related franchise agreement. Royalties of 3% of sales generated by franchised clinics in their regions are also recognized as franchise cost of revenues as franchisee clinic level sales occur. This 3% fee is funded by the 7% royalties we collect from the franchisees in their regions. Certain regional developer agreements result in the regional developer acquiring the rights to existing royalty streams from clinics already open in the respective territory. In those instances, fees collected from the sale of the royalty stream is recognized as a decrease to franchise and regional developer cost of revenues over the remaining life of the respective franchise agreements.

***Regional Developer Rights Contract Termination Costs***

From time to time, subject to the Company's strategy, regional developer rights are reacquired by the Company, resulting in a termination of the contract. The termination costs to reacquire the regional developer rights are recognized at fair value, less any unrecognized upfront regional developer fee liability balance, as a general and administrative expense in the period in which the contract is terminated in accordance with the contract terms and are recorded within general and administrative expenses.

***Advertising Costs***

Advertising costs are advertising and marketing expenses incurred by the Company, primarily through advertising funds. The Company expenses production costs of commercial advertising upon first airing and expenses the costs of communicating the advertising in the period in which the advertising occurs. Advertising expenses were $6.8 million and $5.2 million, for the years ended December 31, 2023 and 2022, respectively.

***Income Taxes***

Income taxes are accounted for using a balance sheet approach known as the asset and liability method. The asset and liability method accounts for deferred income taxes by applying the statutory tax rates in effect at the date of the consolidated balance sheets to differences between the book basis and the tax basis of assets and liabilities. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate principally to depreciation of property and equipment and treatment of revenue for franchise fees and regional developer fees collected. Tax positions are reviewed at least quarterly and adjusted as new information becomes available. The recoverability of deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These estimates of future taxable income inherently require significant judgment. To the extent it is considered more likely than not that a deferred tax asset will be not recovered, a valuation allowance is established.

The Company accounts for uncertainty in income taxes by recognizing the tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits and expenses recognized in the consolidated financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company has identified $1.2 million and $1.3 million in uncertain tax positions as of December 31, 2023 and 2022, respectively. Interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses.

With exceptions due to the generation and utilization of net operating losses or credits, as of December 31, 2023, the Company is no longer subject to federal and state examinations by taxing authorities for tax years before 2018 and 2017, respectively.

***(Loss) Earnings per Common Share***

Basic (loss) earnings per common share is computed by dividing net (loss) income by the weighted-average number of common shares outstanding during the period. Diluted (loss) earnings per common share is computed by giving effect to all potentially dilutive common shares including restricted stock and stock options.

| | Year Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Net (loss) income | $ (9,752,197) | $ 626,705 |
| | | |
| Weighted average common shares outstanding - basic | 14,688,115 | 14,488,314 |
| Effect of dilutive securities: | | |
| Unvested restricted stock and stock options | 247,102 | 379,779 |
| Weighted average common shares outstanding - diluted | 14,935,217 | 14,868,093 |
| | | |
| Basic (loss) earnings per share | $ (0.66) | $ 0.04 |
| Diluted (loss) earnings per share | $ (0.65) | $ 0.04 |

Potentially dilutive securities excluded from the calculation of diluted net (loss) income per common share as the effect would be anti-dilutive were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Unvested restricted stock | — | — |
| Stock options | 89,152 | 89,152 |

***Stock-Based Compensation***

The Company accounts for share-based payments by recognizing compensation expense based upon the estimated fair value of the awards on the date of grant. The Company determines the estimated grant-date fair value of restricted shares using the closing price on the date of the grant and the grant-date fair value of stock options using the Black-Scholes-Merton model. In order to calculate the fair value of the options, certain assumptions are made regarding the components of the model, including risk-free interest rate, volatility, expected dividend yield and expected option life. Changes to the assumptions could cause significant adjustments to the valuation. The Company recognizes compensation costs ratably over the period of service using the straight-line method. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%.

***Retirement Benefit Plan***

Employees of the Company are eligible to participate in a defined contribution retirement plan, the Joint Corp. 401(k) Retirement Plan (the "401(k) Plan"), under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, employees may contribute their eligible compensation, not to exceed the annual limits set by the IRS. The 401(k) Plan allows the Company to match participants' contributions in an amount determined at the sole discretion of the Company. The Company matched participants' contributions for the years ended December 31, 2023 and 2022, up to a maximum of 4% of the employee's eligible compensation. Employer contributions totaled $570,877 and $478,277, for the years ended December 31, 2023 and 2022, respectively.

***Loss Contingencies***

ASC Topic 450 governs the disclosure of loss contingencies and accrual of loss contingencies in respect of litigation and other claims. The Company records an accrual for a potential loss when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. When the reasonable estimate of the potential loss is within a range of amounts, the minimum of the range of potential loss is accrued, unless a higher amount within the range is a better estimate than any other amount within

the range. Moreover, even if an accrual is not required, the Company provides additional disclosure related to litigation and other claims when it is reasonably possible (i.e., more than remote) that the outcomes of such litigation and other claims include potential material adverse impacts on the Company. Legal costs to be incurred in connection with a loss contingency are expensed as such costs are incurred.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Items subject to significant estimates and assumptions include loss contingencies, share-based compensations, useful lives and realizability of long-lived assets, deferred revenue and revenue recognition related to breakage, deferred franchise costs, calculation of ROU assets and liabilities related to leases, realizability of deferred tax assets, impairment of goodwill, intangible assets, other long-lived assets, and purchase price allocations and related valuations.

***Recently Adopted Accounting Guidance and Accounting Pronouncements Not Yet Adopted***

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires public entities to provide greater disaggregation within their annual rate reconciliation, including new requirements to present reconciling items on a gross basis in specified categories, disclose both percentages and dollar amounts, and disaggregate individual reconciling items by jurisdiction and nature when the effect of the items meet a quantitative threshold. The guidance also requires disaggregating the annual disclosure of income taxes paid, net of refunds received, by federal (national), state, and foreign taxes, with separate presentation of individual jurisdictions that meet a quantitative threshold. The guidance is effective for annual periods beginning after December 15, 2024 on a prospective basis, with a retrospective option, and early adoption is permitted. We are currently evaluating the impact of adoption of this standard on our consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities with a single reportable segment to provide all the disclosures required by this standard and all existing segment disclosures in Topic 280 on an interim and annual basis, including new requirements to disclose significant segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within the reported measure(s) of a segment's profit or loss, the amount and composition of any other segment items, the title and position of the CODM, and how the CODM uses the reported measure(s) of a segment's profit or loss to assess performance and decide how to allocate resources. The guidance is effective for annual periods beginning after December 15, 2023, and interim periods beginning after December 15, 2024, applied retrospectively with early adoption permitted. We are currently evaluating the impact of adoption of this standard on our consolidated financial statements and disclosures.

**Note 2: Revenue Disclosures**

*Company-Owned or Managed Clinics*

The Company earns revenues from clinics that it owns and operates or manages throughout the United States. Revenues are recognized when services are performed. The Company offers a variety of membership and wellness packages which feature discounted pricing as compared with its single-visit pricing. Amounts collected in advance for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed in accordance with the Company's breakage policy, as discussed in Note 1," Revenue Recognition."

*Franchising Fees, Royalty Fees, Advertising Fund Revenue, and Software Fees*

As of December 31, 2023, we had 800 franchised clinics in operation, 132 clinic licenses sold but not yet developed and 40 executed letters of intent for future clinic licenses. The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees, (b) continuing franchise fees (royalties), (c) advertising fees, and (d) software fees. Generally, the revenue accounting standard requires the reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price. However, the revenue accounting standard provides an exception, and it allows a reporting entity to recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs: (i) the subsequent sale or usage occurs, or (ii) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied). In accordance with the revenue accounting standard exception, royalty and advertising revenue are recognized when the franchisee's sales occur.

The Company recognizes the primary components of the transaction price as follows:

- Initial and renewal franchise fees, as well as transfer fees, are recognized as revenue ratably on a straight-line basis over the term of the respective franchise agreement commencing with the execution of the franchise, renewal, or transfer agreement. As these fees are typically received in cash at or near the beginning of the contract term, the cash received is initially recorded as a contract liability until recognized as revenue over time.

- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's sales occur. Depending on timing within a fiscal period, the recognition of revenue results in either what is considered a contract asset (unbilled receivable) or, once billed, accounts receivable, on the consolidated balance sheet.

- The Company is entitled to a software fee, which is charged monthly. The Company recognizes revenue related to software fees ratably on a straight-line basis over the term of the franchise agreement.

In determining the amount and timing of revenue from contracts with customers, the Company exercises significant judgment with respect to collectability of the amount; however, the timing of recognition does not require significant judgment as it is based on either the franchise term or the reported sales of the franchisee, neither of which requires estimation. The Company believes its franchising arrangements do not contain a significant financing component.

The Company recognizes advertising fees received under franchise agreements as advertising fund revenue.

*Disaggregation of Revenue*

The Company believes that the captions contained on the consolidated income statements appropriately reflect the disaggregation of its revenue by major type for the years ended December 31, 2023 and 2022. Other revenues primarily consist of merchant income associated with preferred vendor royalties associated with franchisees' credit card transactions.

The following table shows the Company's revenues disaggregated according to the timing of transfer of services:

| | December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Revenue recognized at a point in time | $ 109,726,899 | $ 94,520,246 |
| Revenue recognized over time | $ 7,969,457 | $ 6,732,064 |
| Total Revenue | $ 117,696,356 | $ 101,252,310 |

*Rollforward of Contract Liabilities and Contract Costs*

Changes in the Company's contract liability for deferred revenue from company clinics during the years ended December 31, 2023 and 2022 were as follows:

| | Deferred Revenue from company clinics |
|---|---|
| Balance at December 31, 2021 | $ 5,235,745 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (4,553,086) |
| Net increase during the year ended December 31, 2022 | 6,788,890 |
| Balance at December 31, 2022 | $ 7,471,549 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (6,455,934) |
| Net increase during the year ended December 31, 2023 | 3,448,132 |
| Balance at December 31, 2023 | $ 4,463,747 |

Changes in the Company's contract liability for deferred franchise fees during the years ended December 31, 2023 and 2022 were as follows:

| | Deferred Revenue short and long-term |
|---|---|
| Balance at December 31, 2021 | $ 15,375,151 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (2,250,471) |
| Net increase during the year ended December 31, 2022 | 3,505,055 |
| Balance at December 31, 2022 | $ 16,629,735 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (2,709,080) |
| Net increase during the year ended December 31, 2023 | 2,193,224 |
| Balance at December 31, 2023 | $ 16,113,879 |

The Company's deferred franchise and development costs represent capitalized sales commissions. Changes during the years ended December 31, 2023 and 2022 were as follows:

| | Deferred Franchise and Development Costs short and long-term |
|---|---|
| Balance at December 31, 2021 | $ 6,500,007 |
| Recognized as cost of revenue during the year | (938,736) |
| Net increase during the year ended December 31, 2022 | 1,200,467 |
| Balance at December 31, 2022 | $ 6,761,738 |
| Recognized as cost of revenue during the year | (1,135,592) |
| Net increase during the year ended December 31, 2023 | 625,220 |
| Balance at December 31, 2023 | $ 6,251,366 |

The following table illustrates revenues expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2023:

| Contract liabilities expected to be recognized in | Amount |
|---|---|
| 2024 | $ 2,516,554 |
| 2025 | 2,383,487 |
| 2026 | 2,289,250 |
| 2027 | 2,216,125 |
| 2028 | 2,080,555 |
| Thereafter | 4,627,908 |
| Total | $ 16,113,879 |

**Note 3: Acquisitions and Assets Held for Sale**

**2023 Acquisitions**

On May 22, 2023, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the sellers three operating franchised clinics in California (the "2023 CA Clinics Purchase"). As of the acquisition date, the Company operates the franchises as company-managed clinics. The total purchase price for the transaction was $1,188,764 to the seller less $28,997 of net deferred revenue, resulting in total purchase consideration of $1,159,767.

Based on the terms of the purchase agreement, the 2023 CA Clinics Purchase has been treated as an asset purchase under GAAP as there were no outputs or processes to generate outputs acquired as part of these transactions. Under an asset purchase, assets are recognized based on their cost to the acquiring entity. Cost is allocated to the individual assets acquired or liabilities assumed based on their relative fair values and does not give rise to goodwill.

The allocation of the total purchase price of the 2023 CA Clinics Purchase was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 313,995 |
| Operating lease right-of-use asset | | 317,662 |
| Intangible assets | | 1,004,513 |
| Total assets acquired | | 1,636,170 |
| Deferred revenue | | (158,365) |
| Operating lease liability - current portion | | (118,081) |
| Operating lease liability - net of current portion | | (199,957) |
| Net purchase consideration | $ | 1,159,767 |

Intangible assets in the table above primarily consist of reacquired franchise rights of $0.7 million amortized over their estimated useful lives of six to seven years, customer relationships of $0.1 million amortized over an estimated useful life of two years and assembled workforce of $0.2 million amortized over an estimated useful life of two years.

**2022 Acquisitions**

On May 19, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller four operating franchises in Arizona. The Company operates the franchises as company-owned clinics. The total purchase price for the transaction was $5,761,256, less $70,484 of net deferred revenue, resulting in total purchase consideration of $5,690,772.

On July 5, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller one operating franchise in Arizona (collectively, including the May 19th purchase, the "AZ Clinics Purchase"). The Company operates the franchise as a company-owned clinic. The total purchase price for the transaction was $1,205,667, less $13,241 of net deferred revenue, resulting in total purchase consideration of $1,192,426.

Based on the terms of the purchase agreements, the AZ Clinics Purchase has been treated as a business combination under GAAP using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at

the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

The allocation of the total purchase price of AZ Clinics Purchase was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 241,511 |
| Operating lease right-of-use asset | | 912,937 |
| Intangible assets | | 3,689,100 |
| Total assets acquired | | 4,843,548 |
| Goodwill | | 3,408,205 |
| Deferred revenue | | (455,317) |
| Operating lease liability - current portion | | (128,516) |
| Operating lease liability - net of current portion | | (784,722) |
| Net purchase consideration | $ | 6,883,198 |

Intangible assets in the table above consist of re-acquired franchise rights of $2,892,100, amortized over estimated useful lives of approximately four to eight years and customer relationships of $797,000, amortized over estimated useful lives of two to three years. The fair value of re-acquired franchise rights are estimated using the multi-period excess earnings method. The multi-period excess earnings method model estimates revenues and cash flows derived from the primary asset and then deducts portions of the cash flow that can be attributed to supporting assets, such as assembled workforce and working capital that contributed to the generation of the cash flows. The resulting cash flow, which is attributable solely to the primary asset acquired, is then discounted at a rate of return commensurate with the risk of the asset to calculate a present value. Customer relationships are also calculated using the multi-period excess earnings method.

The valuation method involved the use of significant estimates and assumptions primarily related to forecasted revenue growth rates, gross margin, contributory asset charges, customer attrition rates, and market-participant discount rates. These measures are based on significant Level 3 inputs not observable in the market. Key assumptions developed based on the Company's historical experience, future projections and comparable market data include future cash flows, long-term growth rates, attrition rates and discount rates

Goodwill represents the excess of the purchase consideration over the fair value of the underlying acquired net tangible and intangible assets. The factors that contributed to the recognition of goodwill included synergies and benefits expected to be gained from leveraging the Company's existing operations and infrastructures, as well as the expected associated revenue and cash flow projections. Goodwill has been allocated to the Company's Corporate Clinics segment based on such expected benefits. Goodwill related to the acquisition is expected to be deductible for income tax purposes over 15 years. The Company completed the purchase price allocation during the fourth quarter of 2022.

On July 29, 2022, the Company entered into Asset and Franchise Purchase Agreements under which the Company repurchased from the sellers three operating franchises in North Carolina. The Company operates the franchises as company-managed clinics. The total purchase price for the transactions was $1,317,312, less $31,647 of net deferred revenue, resulting in total purchase consideration of $1,285,665.

On October 13, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller an operating franchise in North Carolina. The Company operates the franchise as a company-managed clinic. The total purchase price for the transaction was $761,384, less $5,108 of net deferred revenue, resulting in total purchase consideration of $756,276.

On October 24, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller an operating franchise in North Carolina (collectively, including the July 29th and October 13th purchases, the "NC Clinics Purchase"). The Company operates the franchise as a company-managed clinic. The total purchase price for the transaction was $1,391,112, less $9,262 of net deferred revenue, resulting in total purchase consideration of $1,381,850.

On December 23, 2022, the Company entered into Asset and Franchise Purchase Agreements under which the Company repurchased from the sellers six operating franchises and one undeveloped clinic in California (the "2022 CA Clinics

Purchase"). The Company operates the franchises as company-managed clinics. The total purchase price for the transactions was $1,965,755, less $70,628 of net deferred revenue, resulting in total purchase consideration of $1,895,127.

Based on the terms of the purchase agreement, the NC and 2022 CA Clinics Purchases have been treated as asset purchases under GAAP as there were no outputs or processes to generate outputs acquired as part of these transactions. Under an asset purchase, assets are recognized based on their cost to the acquiring entity. Cost is allocated to the individual assets acquired or liabilities assumed based on their relative fair values and does not give rise to goodwill.

The allocation of the total purchase price of NC Clinics Purchase was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 198,236 |
| Operating lease right-of-use asset | | 521,222 |
| Intangible assets | | 3,544,456 |
| Total assets acquired | | 4,263,914 |
| Deferred revenue | | (326,332) |
| Operating lease liability - current portion | | (146,255) |
| Operating lease liability - net of current portion | | (367,536) |
| Net purchase consideration | $ | 3,423,791 |

Intangible assets in the table above consist of reacquired franchise rights of $2,042,658 amortized over their estimated useful lives of two to nine years, customer relationships of $909,828 amortized over an estimated useful life of two to three years, and assembled workforce of $591,970 amortized over an estimated useful life of two years.

The allocation of the total purchase price of 2022 CA Clinics Purchase was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 677,518 |
| Tenant improvement allowance | | 55,790 |
| Operating lease right-of-use asset | | 1,520,353 |
| Intangible assets | | 1,480,359 |
| Total assets acquired | | 3,734,020 |
| Deferred revenue | | (215,555) |
| Operating lease liability - current portion | | (200,877) |
| Operating lease liability - net of current portion | | (1,422,461) |
| Net purchase consideration | $ | 1,895,127 |

Intangible assets in the table above primarily consist of reacquired franchise rights of $1,151,272 amortized over their estimated useful lives of six to seven years, customer relationships of $20,531 amortized over an estimated useful life of two years, and assembled workforce of $308,556 amortized over an estimated useful life of two years.

**Assets Held for Sale**

In June 2023, the Company entered into negotiations to sell one of its company-managed clinics in California to a franchisee for a total of $0.1 million. The Company executed an LOI with the buyer in October 2023 and the sale closed February 2024. This transaction did not represent a major strategic shift for the Company, and, therefore, it does not meet the criteria to be classified as a discontinued operation. As a result, the results of this clinic are reported in the Company's operating results and in its Corporate Clinics segment until the sale finalized in February 2024. Effective with the designation as held for sale in June 2023, the Company discontinued recording depreciation on property and equipment, net and amortization of ROU assets for the clinic as required by GAAP. The Company also separately classified the related assets and liabilities of the clinics as held for sale in its December 31, 2023 consolidated balance sheet.

During Q3 2023, the Company committed to a plan to sell specific corporate owned or managed clinics making up under 10% of the corporate clinic portfolio with an estimated fair value of $1.6 million. The clinics are in varying stages of sales negotiations with all of them expected to close within one year. The clinics identified to commit to sell during Q3 2023 did not

represent a major strategic shift and therefore, they do not meet the criteria to be classified as a discontinued operation. As a result, the results of these clinics will continue to be reported in the Company's operating results and in its Corporate Clinics segment until the sales are each finalized. Effective with the designation as held for sale in September 2023, the Company discontinued recording depreciation on property and equipment, net, amortization of intangible assets, net and amortization of ROU assets for the clinics as required by GAAP. The Company also separately classified the related assets and liabilities of the clinics as held for sale in its December 31, 2023 consolidated balance sheet.

In November 2023, the Company initiated a plan to re-franchise the majority of its corporate-owned or managed clinics with plans to retain a small portion of high-performing clinics. The clinics identified in the plan to re-franchise make up approximately 67% (excluding the clinics previously committed to sell during Q3 2023) of the corporate owned or managed clinic portfolio. The clinics are in varying stages of sales negotiations with 42 of them expected to close within one year with an estimated fair value of $29.0 million at December 31, 2023. The clinics identified to commit to sell and expected to close within one year did not represent a major strategic shift because the clinics identified to commit to sell and expected to close within one year do not involve exiting a major line of business or exiting a major geographic area. As a result, the results of these clinics will continue to be reported in the Company's operating results and in its Corporate Clinics segment until the sales are each finalized. Effective with the designation as held for sale in November 2023, the Company discontinued recording depreciation on property and equipment, net, amortization of intangible assets, net and amortization of ROU assets for the clinics as required by GAAP. The Company also separately classified the related assets and liabilities of the clinics as held for sale in its December 31, 2023 consolidated balance sheet.

Long-lived assets that meet the criteria for the held for sale designation are reported at the lower of their carrying value or fair value less estimated cost to sell. As a result of its evaluation of the recoverability of the carrying value of the assets and liabilities held for sale relative to the agreed upon sales prices or the clinics estimated fair values, the Company recorded an estimated loss on disposal of $0.7 million for the year ended December 31, 2023 as Net loss on disposition or impairment in its consolidated income statement and a valuation allowance included in assets held for sale on its consolidated balance sheet.

The principal components of the held for sale assets and liabilities as of December 31, 2023 were as follows:

| | December 31, 2023 | |
|---|---|---|
| Assets | | |
| Property and equipment, net | $ | 4,887,220 |
| Operating lease right-of-use asset | | 9,193,496 |
| Intangible assets, net | | 3,351,430 |
| Goodwill | | 1,140,529 |
| Valuation allowance | | (657,620) |
| Total assets held for sale | $ | 17,915,055 |
| | | |
| Liabilities | | |
| Operating lease liability, current and non-current | $ | 10,209,382 |
| Deferred revenue from company clinics | | 3,622,481 |
| Total liabilities to be disposed of | $ | 13,831,863 |

The pre-tax income of the clinics designated as held for sale is $4.4 million and $3.6 million for the years ended December 31, 2023 and 2022, respectively, the results of which exclude the allocation of overhead.

**Note 4: Property and Equipment**

Property and equipment consist of the following:

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Office and computer equipment | $ 4,169,576 | $ 5,207,833 |
| Leasehold improvements | 12,013,250 | 17,842,901 |
| Internally developed software | 5,399,698 | 5,843,758 |
| Finance lease assets | 151,396 | 151,396 |
| | 21,733,920 | 29,045,888 |
| Accumulated depreciation and amortization | (12,005,459) | (12,675,085) |
| | 9,728,461 | 16,370,803 |
| Construction in progress | 1,315,856 | 1,104,349 |
| Property and Equipment, net | $ 11,044,317 | $ 17,475,152 |

Depreciation expense was $5,117,723 and $4,092,669 for the years ended December 31, 2023 and 2022, respectively.

Amortization expense related to finance lease assets was $30,279 and $55,572 for the years ended December 31, 2023 and 2022, respectively.

Construction in progress at December 31, 2023 and December 31, 2022 principally related to development and construction costs for the Company-owned or managed clinics.

**Note 5: Fair Value Consideration**

The Company's financial instruments include cash, restricted cash, accounts receivable, accounts payable, accrued expenses and debt under the Credit Agreement. The carrying amounts of its financial instruments, excluding the debt under the Credit Agreement, approximate their fair value due to their short maturities. The carrying value of the Company's debt under the Credit Agreement approximates fair value due to its interest rate being calculated from observable quoted prices for similar instruments, which is considered a Level 2 fair value measurement.

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on reliability of the inputs as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of December 31, 2023 and 2022, the Company did not have any financial instruments that were measured on a recurring basis as Level 1, 2 or 3.

The Company's non-financial assets, which primarily consist of goodwill, intangible assets, property, plant and equipment, and operating lease ROU assets, are not required to be measured at fair value on a recurring basis, and instead are reported at their carrying amount. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying amount may not be fully recoverable (and at least annually for goodwill), non-financial assets are assessed for impairment. If the fair value is determined to be lower than the carrying amount, an impairment charge is recorded to write down the asset to its fair value, which is considered Level 3 within the fair value hierarchy.

The assets and liabilities resulting from the Acquisitions (see Note 3, Acquisitions and Assets Held for Sale) were recorded at fair values on a nonrecurring basis at the date of acquisition and are considered Level 3 within the fair value hierarchy.

During the year ended December 31, 2023, intangible assets related to a clinic planned for closure with a total carrying amount of approximately $0.1 million was written down to zero. The remaining life of the intangible assets related to the clinic extended through December 2025. However, the clinic closed at the end of its lease term in November 2023. The Company considered the intangible assets fully impaired at that time as the ability to obtain economic benefits in the period the clinic remained open was unlikely. As a result, the Company recorded a noncash impairment loss of approximately $0.1 million during the year ended December 31, 2023 as Net loss on disposition or impairment in its consolidated income statement.

In connection with the planned sale of certain company-owned and managed clinics, the Company reclassified $4.9 million of net property and equipment, $3.4 million of intangible assets, net, $1.1 million of goodwill and $9.2 million of ROU assets to Assets held for sale and reclassified $10.2 million of lease liability and $3.6 million of deferred revenue from Company clinics to Liabilities to be disposed of in the consolidated balance sheet as of December 31, 2023. Long-lived assets that meet the held for sale criteria are reported at the lower of their carrying value or fair value, less estimated costs to sell. The estimated fair value of the company-owned or managed clinics classified as Held for Sale (see Note 3, Acquisitions and Assets Held for Sale) were recorded at fair values on a nonrecurring basis and are based upon Level 2 inputs, which includes a potential buyer agreed upon selling price or Level 3 inputs, which include historical and future expected financial performance of the clinic and historical acquisition trends based on previous reacquired franchise clinic purchases. The fair value measurement of the assets held for sale was recorded as $0.2 million based upon Level 2 inputs and $30.4 million based upon Level 3 inputs. As a result, the Company recorded a valuation allowance of $0.7 million to adjust the carrying value of the disposal group to fair value less cost to sell during the year ended December 31, 2023.

In connection with the planned sale or determined closure of certain company-owned and managed clinics, the Company recorded an impairment loss of $1.7 million included in the net loss, disposition and impairment on the consolidated income statement for impairment of long-lived assets classified as held and used where the asset group was not determined to be recoverable. The asset group was determined to be the clinic level, as this is the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The long lived assets fair values were determined by the following: Level 2 inputs where available, which included using a valuation multiple (e.g, price per square foot) based on observable prices for comparable long lived assets; and Level 3 inputs, which included the multiple earnings approach using the Company's historical earnings trend data, comparable historical asset sales by the Company and franchisees that were not exact matches, and (for calculating the fair value of intangible assets specifically) the Company's historical experience, future projections and comparable market data include future cash flows, long-term growth rates, attrition rates and discount rates. The carrying values of these asset groups impaired to their fair value included fixed assets of $2.9 million that were written down to $1.2 million determined by the Level 3 inputs discussed above.

During the year ended December 31, 2022, an operating lease ROU assets related to a closed clinic with a total carrying amount of $0.2 million was written down to zero. The associated operating lease liability had a life of 39 months at the time of impairment. However, the ROU asset was fully impaired due to the abandonment of the lease in 2022. The Company considers the ROU asset as abandoned as it lacks the ability to sublease the underlying asset and obtain economic benefits. As a result, the Company recorded a noncash impairment loss of approximately $0.2 million as Net loss on disposition or impairment in its consolidated income statement during the year ended December 31, 2022.

**Note 6: Intangible Assets and Goodwill**

During 2023, the Company recognized $0.7 million, $0.1 million, and $0.2 million of reacquired franchise rights, customer relationships, and assembled workforce, respectively, from the acquisitions as disclosed in Note 3, "Acquisitions." Intangible assets consisted of the following:

| | December 31, 2023 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Intangible assets subject to amortization: | | | |
| Reacquired franchise rights | $ 7,385,830 | $ 2,926,595 | $ 4,459,235 |
| Customer relationships | 1,682,807 | 1,349,938 | 332,869 |
| Assembled workforce | 440,844 | 212,022 | 228,822 |
| | $ 9,509,481 | $ 4,488,555 | $ 5,020,926 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Intangible assets subject to amortization: | | | |
| Reacquired franchise rights | $ 12,881,894 | $ 4,755,286 | $ 8,126,608 |
| Customer relationships | 4,330,365 | 2,352,500 | 1,977,865 |
| Assembled workforce | 959,837 | 136,015 | 823,822 |
| | $ 18,172,096 | $ 7,243,801 | $ 10,928,295 |

The following is the weighted average amortization period for the Company's intangible assets:

| | Amortization (Years) |
|---|---|
| Reacquired franchise rights | 5.9 |
| Customer relationships | 2.6 |
| Assembled workforce | 2.0 |
| All intangible assets | 4.9 |

Amortization expense related to the Company's intangible assets was $3,434,201 and 2,498,390 for the years ended December 31, 2023 and 2022, respectively.

Estimated amortization expense for 2024 and subsequent years is as follows:

| | |
|---|---|
| 2024 | $ 1,500,619 |
| 2025 | 1,100,700 |
| 2026 | 958,290 |
| 2027 | 565,521 |
| 2028 | 454,120 |
| Thereafter | 441,676 |
| Total | $ 5,020,926 |

The changes in the carrying amount of goodwill were as follows:

| | Corporate Clinic Segment |
|---|---|
| **Balance as of December 31, 2022** | |
| Goodwill, gross | 8,548,401 |
| Accumulated impairment losses | (54,994) |
| Goodwill, net | 8,493,407 |
| 2023 acquisition | — |
| **Balance as of December 31, 2023** | |
| Goodwill, gross | 8,548,401 |
| Accumulated impairment losses | (54,994) |
| Goodwill reclassified to Held for sale | (1,140,529) |
| Goodwill, net | 7,352,879 |

**Note 7: Debt**

***Credit Agreement***

On February 28, 2020, the Company entered into a Credit Agreement (the "Credit Agreement"), with JPMorgan Chase Bank, N.A., individually, and as Administrative Agent and Issuing Bank ("JPMorgan Chase" or the "Lender"). The Credit Agreement provided for senior secured credit facilities (the "Credit Facilities") in the amount of $7,500,000, including a $2,000,000

revolver (the "Revolver") and $5,500,000 development line of credit (the "Line of Credit"). The Revolver included amounts available for letters of credit of up to $1,000,000 and an uncommitted additional amount of $2,500,000. All outstanding principal and interest on the Revolver were due on February 28, 2022.

On February 28, 2022, the Company entered into an amendment to its Credit Facilities (as amended, the "2022 Credit Facility") with the Lender. Under the 2022 Credit Facility, the Revolver increased to $20,000,000 (from $2,000,000), the portion of the Revolver available for letters of credit increased to $5,000,000 (from $1,000,000), the uncommitted additional amount increased to $30,000,000 (from $2,500,000) and the developmental line of credit of $5,500,000 was terminated. The Revolver will be used for working capital needs, general corporate purposes and for acquisitions, development and capital improvement uses. At the option of the Company, borrowings under the 2022 Credit Facility bear interest at: (i) the adjusted Secured Overnight Financing Rate ("SOFR"), which is the daily simple SOFR, plus 0.10%, plus 1.75%, payable on the last day of the selected interest period of one, three or six months, and on the three-month anniversary of the beginning of any six-month interest period, if applicable; or (ii) an Alternative Base Rate (ABR), plus 1.00%, payable monthly. The ABR is the greatest of: (A) the prime rate (as published by the Wall Street Journal), (B) the Federal Reserve Bank of New York rate, plus 0.5%, and (C) the adjusted one-month term SOFR rate. Amounts outstanding under the Revolver on February 28, 2022 continued to bear interest at the rate selected under the Credit Facilities prior to the amendment until the last day of the interest period in effect, at which time, if not repaid, the amounts outstanding under the Revolver will bear interest at the 2022 Credit Facility rate. As a result of this refinance, $2,000,000 of current maturity of long-term debt has been reclassified to long-term as of December 31, 2022. The 2022 Credit Facility will terminate and all principal and interest will become due and payable on the fifth anniversary of the amendment (February 28, 2027). On January 17, 2024, the Company paid down the outstanding balance on its Debt under the Credit Agreement of $2,000,000. As a result of this pay down, $2,000,000 of the long-term debt has been reclassified as current as of December 31, 2023.

The Credit Facilities contain customary events of default, including but not limited to nonpayment; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; cross-default to material indebtedness; certain material judgments; and certain fundamental changes such as a merger or sale of substantially all assets (as further defined in the Credit Facilities). The Credit Facilities require the Company to comply with customary affirmative, negative and financial covenants, including minimum interest coverage and maximum net leverage. A breach of any of these operating or financial covenants would result in a default under the Credit Facilities. If an event of default occurs and is continuing, the lenders could elect to declare all amounts then outstanding, together with accrued interest, to be immediately due and payable. The Credit Facilities are collateralized by substantially all of the Company's assets, including the assets in the Company's company-owned or managed clinics. The Company intends to use the Revolver for general working capital needs. The interest rate on funds borrowed under the Revolver as of December 31, 2023 was 7.2%. As of December 31, 2023, the Company was in compliance with all applicable financial and non-financial covenants under the Credit Agreement, and $2,000,000 remains outstanding as of December 31, 2023.

In connection with the issuance of the Credit Facilities and the 2022 Credit Facility, the Company incurred debt issuance costs of $52,648 and $76,415, respectively. Interest expense and amortization expense related to debt issuance costs are being amortized to "Other expense, net" and was $207,555 and $129,118 for the years ended December 31, 2023 and 2022, respectively.

**Note 8: Stock-Based Compensation**

The Company grants stock-based awards under its 2014 Incentive Stock Plan (the "2014 Plan"). The shares issued as a result of stock-based compensation transactions generally have been funded with the issuance of new shares of the Company's common stock.

The Company may grant the following types of incentive awards under the 2014 Plan: (i) non-qualified stock options; (ii) incentive stock options; (iii) stock appreciation rights; (iv) restricted stock; and (v) restricted stock units. Each award granted under the 2014 Plan is subject to an award agreement that incorporates, as applicable, the exercise price, the term of the award, the periods of restriction, the number of shares to which the award pertains, and such other terms and conditions as the plan committee determines. Awards granted under the 2014 Plan are classified as equity awards, which are recorded in stockholders' equity in the Company's consolidated balance sheets. Through December 31, 2023, the Company has granted under the 2014 Plan (i) non-qualified stock options; (ii) incentive stock options; and (iii) restricted stock. There were no stock appreciation rights and restricted stock units granted under the 2014 Plan as of December 31, 2023.

***Stock Options***

The Company's closing price on the date of grant is the basis of fair value of its common stock used in determining the value of share-based awards. To the extent the value of the Company's share-based awards involves a measure of volatility, the Company uses available historical volatility of the Company's common stock over a period of time corresponding to the expected stock option term. The Company uses the simplified method to calculate the expected term of stock option grants to employees as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term of stock options granted to employees. Accordingly, the expected life of the options granted is based on the average of the vesting term, which is generally four years and the contractual term, which is generally ten years. The Company will continue to evaluate the appropriateness of utilizing such method. The risk-free interest rate is based on United States Treasury yields in effect at the date of grant for periods corresponding to the expected stock option term. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%.

The Company did not grant options during the years ended December 31, 2023 and 2022.

The information below summarizes the stock options activity:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2021 | 595,089 | $ 9.72 | 5.9 | $ 33,336,794 |
| Granted at market price | — | | | |
| Exercised | (43,380) | 8.86 | | $ 657,058 |
| Expired | (2,795) | 28.45 | | |
| Cancelled | (16,991) | 24.96 | | |
| Outstanding at December 31, 2022 | 531,923 | $ 9.2 | 4.7 | $ 3,797,904 |
| Granted at market price | — | | | |
| Exercised | (25,623) | 7.90 | | $ 205,191 |
| Expired | (12,591) | 13.07 | | |
| Cancelled | (7,375) | 28.58 | | |
| Outstanding at December 31, 2023 | 486,334 | $ 8.88 | 3.7 | $ 1,903,699 |
| Exercisable at December 31, 2023 | 453,465 | $ 7.34 | 3.5 | $ 1,903,699 |
| Vested and expected to vest at December 31, 2023 | 485,643 | $ 8.83 | 3.7 | $ 1,903,699 |

The aggregate fair value of the Company's stock options vested during 2023 and 2022 was $407,166 and $631,512, respectively.

The Company recognizes compensation costs ratably over the period of service using the straight-line method. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%. For the years ended December 31, 2023 and 2022, stock-based compensation expense for stock options was $322,574 and $515,279, respectively.

Unrecognized stock-based compensation expense for stock options as of December 31, 2023 was $275,792, which is expected to be recognized ratably over the next 1.2 years.

***Restricted Stock***

Restricted stock awards granted to employees generally vest in four equal annual installments, although on May 25, 2023, the Company granted 51,401 shares of restricted stock as part of a special award to certain high performing employees that vest in one installment on the first anniversary of the grant. Restricted stock awards granted to non-employee directors vest on the earlier of (i) one year from the grant date and (ii) the date of the next annual meeting of the shareholders of the Company occurring after the date of grant.

The information below summaries the restricted stock activity:

| Restricted Stock Awards | Shares | Weighted Average Grant-Date Fair Value per Award |
|---|---|---|
| Non-vested at December 31, 2021 | 27,720 | $ 28.51 |
| Granted | 68,125 | 29.47 |
| Vested | (17,240) | 29.13 |
| Cancelled | (8,293) | 30.51 |
| Non-vested at December 31, 2022 | 70,312 | 29.05 |
| Granted | 204,122 | 14.54 |
| Vested | (33,869) | 22.06 |
| Cancelled | (8,664) | 28.46 |
| Non-vested at December 31, 2023 | 231,901 | $ 17.32 |

For the years ended December 31, 2023 and 2022, stock-based compensation expense for restricted stock was $1,415,108 and $758,710, respectively. Unrecognized stock-based compensation expense for restricted stock awards as of December 31, 2023 was $2,799,213 to be recognized ratably over 2.5 years.

***Tax Benefits***

Net (loss) income for 2023 and 2022 included pre-tax expense related to stock-based compensation of $1.7 million and $1.3 million, respectively. The Company recognized federal income tax benefits of $0 and $0.1 million from the exercises of stock options and restricted stock awards for 2023 and 2022, respectively.

**Note 9: Income Taxes**

Income tax expense (benefit) reported in the consolidated income statements is comprised of the following:

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Current expense:** | | |
| Federal | $ 178,152 | $ 377,281 |
| State, net of state tax credits | 251,428 | 132,520 |
| Total current expense | 429,580 | 509,801 |
| **Deferred expense (benefit):** | | |
| Federal | 8,606,677 | (295,011) |
| State | 2,354,696 | (146,342) |
| Total deferred expense (benefit) | 10,961,373 | (441,353) |
| Total income tax expense | $ 11,390,953 | $ 68,448 |

The following are the components of the Company's deferred tax assets (liabilities) for federal and state income taxes:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Deferred income tax assets:** | | |
| Accrued expenses | $ 426,218 | $ 97,148 |
| Deferred revenue | 5,414,824 | 5,338,821 |
| Lease liability | 6,697,111 | 6,582,122 |
| Goodwill - component 2 | 63,328 | 72,033 |
| Nonqualified stock options | 378,208 | 339,075 |
| Interest expense limitation | — | 35,031 |
| Net operating loss carryforwards | 3,383,391 | 5,285,726 |
| Tax credits | 35,850 | 35,850 |
| Intangibles | 3,907,623 | 3,166,533 |
| Total deferred income tax assets | 20,306,553 | 20,952,339 |
| **Deferred income tax liabilities:** | | |
| Lease right-of-use asset | (5,852,353) | (5,694,797) |
| Deferred franchise costs | (108,148) | (100,558) |
| Goodwill - component 1 | (673,278) | (537,421) |
| Asset basis difference related to property and equipment | (1,853,103) | (2,545,455) |
| Restricted stock compensation | 65,886 | (145,956) |
| Total deferred income tax liabilities | (8,420,996) | (9,024,187) |
| Valuation allowance | (10,853,909) | — |
| Net deferred tax asset ($1.1 million and $1.0 million attributable to VIEs as of December 31, 2023 and 2022) | $ 1,031,648 | $ 11,928,152 |

A valuation allowance of $10.9 million and $0 was recorded against the deferred tax asset balance of The Joint Corp., without its VIEs, as of December 31, 2023 and 2022, respectively. As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets in each reporting jurisdiction. A significant piece of objective evidence evaluated was the cumulative loss incurred in each jurisdiction over the three-year period ended December 31, 2023. Such objective evidence limits the ability to consider other subjective evidence, such as projections for future growth, in evaluating the need for a valuation allowance. As a result, management has determined that it is more likely than not that The Joint Corp. will not realize its deferred tax assets as of December 31, 2023, and has recorded a valuation allowance after consideration of any recorded deferred tax liabilities

The Joint Corp, without the VIE, has federal gross net operating loss carryforwards of $13.4 million and $21.6 million as of December 31, 2023 and 2022, respectively. Federal tax effected of these net operating losses were $2.8 million and $4.5 million as of December 31, 2023 and 2022, respectively. $8.3 million of the federal net operating loss is subject to a 20-year carryforward, with a portion beginning to expire in 2036. $5.1 million of the federal net operating loss has an indefinite carryforward period.

The Joint Corp., without its consolidated VIEs, has various state net operating loss carryforwards. The determination of the state net operating loss carryforwards is dependent upon apportionment percentages and state laws that can change from year to year and impact the amount of such carryforwards. If such net operating loss carryforwards are not utilized, they will begin to expire in 2025.

The Joint Corp. has research and development credits of $14,229 that will begin to expire in 2031 and $21,621 California AMT credits that do not expire.

The VIE's have net operating loss carryforwards of $0.2 million and $0.5 million as of December 31, 2023 and 2022, respectively. No federal net operating loss is subject to a 20 year carryforward. $0.2 million of the federal net operating loss has an indefinite carryforward period.

The VIE's have various state net operating loss carryforwards. The determination of the state net operating loss carryforwards is dependent upon apportionment percentages and state laws that can change from year to year and impact the amount of such carryforwards. If such net operating loss carryforwards are not utilized, they will begin to expire in 2036.

The following is a reconciliation of the statutory federal income tax rate applied to pre-tax accounting net income, compared to the income tax benefit in the consolidated income statements:

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Amount | Percent | Amount | Percent |
| Expected federal tax expense | $ 344,139 | 21.0 % | $ 145,982 | 21.0 % |
| Meals and entertainment | 31,057 | 1.9 % | — | — % |
| State tax provision (benefit), net of federal benefit | 163,657 | 10.0 % | 41,660 | 6.0 % |
| Other permanent differences | 12,651 | 0.8 % | 15,458 | 2.2 % |
| Change in VA | 10,849,714 | 662.1 % | — | — % |
| Stock compensation | (2,030) | (0.1)% | (91,454) | (13.2)% |
| Change in tax rate | 147,911 | 9.0 % | (64,756) | (9.3)% |
| Return to provision | (153,254) | (9.4)% | — | — % |
| Other adjustments | (2,892) | (0.2)% | 21,558 | 3.1 % |
| Expense | $ 11,390,953 | 695.1 % | $ 68,448 | 9.8 % |

Changes in the Company's income tax expense relate primarily to states taxes, change in valuation allowance, changes in tax rates, return-to-provision adjustments, as well as changes in pre-tax income during the year ended December 31, 2023, as compared to the year ended December 31, 2022. For the years ended December 31, 2023 and December 31, 2022, effective tax rates were 695.1% and 9.8%, respectively. The difference between the statutory federal income tax rate and the Company's effective tax rate was primarily due to the valuation allowance, and state taxes.

For the years ended December 31, 2023 and December 31, 2022, the Company had gross uncertain tax positions attributable to the VIEs of $1.2 million and $1.3 million, respectively.

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| **Beginning balances** | $ 1,314,351 | $ 1,314,351 |
| Increases related to tax positions taken during a prior year | — | — |
| Decreases related to tax positions taken during a prior year | — | — |
| Increases related to tax positions taken during a current year | — | — |
| Decreases related to settlements with taxing authorities | — | — |
| Decreases related to expiration of the statute of limitations | (138,585) | — |
| **Ending balances** | $ 1,175,766 | $ 1,314,351 |

At December 31, 2023 and December 31, 2022, there were $19,433 and $19,433, respectively, of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

Interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses. Accrued interest and penalties was $142,213 and $143,584 for the years ended December 31, 2023 and December 31, 2022 and recorded as other liabilities.

With exceptions due to the generation and utilization of net operating losses or credits, as of December 31, 2023, the Company is no longer subject to federal and state examinations by taxing authorities for tax years before 2020 and 2019, respectively.

**Note 10: Commitments and Contingencies**

***Leases***

The table below summarizes the components of lease expense and income statement location for the years ended December 31, 2023 and December 31, 2022:

| | Line Item in the Company's Consolidated Income Statements | Years Ended December 31, 2023 | 2022 |
|---|---|---|---|
| **Finance lease costs:** | | | |
| Amortization of assets | Depreciation and amortization | $ 30,279 | $ 55,572 |
| Interest on lease liabilities | Other expense, net | 3,167 | 4,516 |
| Total finance lease costs | | $ 33,446 | $ 60,088 |
| Operating lease costs | General and administrative expenses | $ 6,075,254 | $ 5,647,185 |
| Total lease costs | | $ 6,108,700 | $ 5,707,273 |

Supplemental information and balance sheet location related to leases for the years ended December 31, 2023 and December 31, 2022 was as follows:

| | Years Ended December 31, 2023 | 2022 |
|---|---|---|
| **Operating Leases:** | | |
| Operating lease right-of -use asset | $12,413,221 | $20,587,199 |
| Operating lease liability, current portion | $ 3,756,328 | $ 5,295,830 |
| Operating lease liability, net of current portion | 10,914,997 | 18,672,719 |
| Total operating lease liability | $14,671,325 | $23,968,549 |
| **Finance Leases:** | | |
| Property and equipment, at cost | $ 151,396 | $ 151,396 |
| Less accumulated amortization | (117,932) | (87,652) |
| Property and equipment, net | $ 33,464 | $ 63,744 |
| | | |
| Finance lease liability, current portion | $ 25,491 | $ 24,433 |
| Finance lease liability, net of current portion | 38,016 | 63,507 |
| Total finance lease liabilities | $ 63,507 | $ 87,940 |
| | | |
| **Weighted average remaining lease term (in years):** | | |
| Operating leases | 4.8 | 5.4 |
| Finance lease | 2.4 | 3.4 |
| | | |
| **Weighted average discount rate:** | | |
| Operating leases | 5.4 % | 4.8 % |
| Finance leases | 4.3 % | 4.3 % |

Supplemental cash flow information related to leases for the years ended December 31, 2023 and December 31, 2022 were as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Cash paid for amounts included in measurement of liabilities: | | |
| Operating cash flows from operating leases | $ 6,567,992 | $ 5,931,114 |
| Operating cash flows from finance leases | 3,167 | 4,516 |
| Financing cash flows from finance leases | 24,432 | 49,855 |
| | | |
| Non-cash transactions: ROU assets obtained in exchange for lease liabilities | | |
| Operating lease | 4,645,810 | 7,222,822 |
| Finance lease | — | — |

Maturities of lease liabilities as of December 31, 2023 were as follows:

| | Operating Leases | Finance Lease |
|---|---|---|
| 2024 | $ 4,424,754 | $ 27,600 |
| 2025 | 4,052,720 | 27,600 |
| 2026 | 2,753,979 | 11,500 |
| 2027 | 2,026,045 | — |
| 2028 | 1,202,912 | — |
| Thereafter | 2,233,735 | — |
| Total lease payments | 16,694,145 | 66,700 |
| Less: Imputed interest | (2,022,820) | (3,193) |
| Total lease obligations | 14,671,325 | 63,507 |
| Less: Current obligations | (3,756,328) | (25,491) |
| Long-term lease obligation | $ 10,914,997 | $ 38,016 |

The Company entered into a lease for its new corporate clinic's space that had not yet commenced as of the year ended December 31, 2023. This lease is expected to result in additional ROU asset and liability of approximately $0.6 million. This lease is expected to commence during the first or second quarter of 2024, with lease terms ten years.

***Guarantee in Connection with the Sale of the Divested Business***

In connection with the sale of a company-managed clinic in 2022, the Company guaranteed one future operating lease commitment assumed by the buyers. The Company is obligated to perform under the guarantee if the buyers fail to perform under the lease agreement at any time during the remainder of the lease agreement, which expires on May 31, 2027. At the date of sale, the undiscounted maximum potential future payments totaled $247,296. As of the year ended December 31, 2023, the undiscounted remaining lease payments under the agreement totaled $184,296. The Company had not recorded a liability with respect to the guarantee obligation as of December 31, 2023, as the Company concluded that payment under the lease guarantee was not probable.

***Litigation***

In the normal course of business, the Company is party to litigation and claims from time to time. The Company maintains insurance to cover certain litigation and claims, subject to policy limits.

**Note 11: Segment Reporting**

An operating segment is defined as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the Chief Operating Decision Maker ("CODM") to evaluate performance and make operating decisions. The Company has identified its CODM as the Chief Executive Officer.

The Company has two operating business segments. The Corporate Clinics segment is comprised of the operating activities of the company-owned or managed clinics. As of December 31, 2023, the Company operated or managed 135 clinics under this segment. The Franchise Operations segment is comprised of the operating activities of the franchise business unit. As of December 31, 2023, the franchise system consisted of 800 clinics in operation. Corporate is a non-operating segment that develops and implements strategic initiatives and supports the Company's two operating business segments by centralizing key administrative functions such as finance and treasury, information technology, insurance and risk management, legal and human resources. Corporate also provides the necessary administrative functions to support the Company as a publicly-traded company. A portion of the expenses incurred by Corporate are allocated to the operating segments.

The tables below present financial information for the Company's two operating business segments.

| | Year Ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Revenues: | | |
| Corporate clinics | $ 70,718,880 | $ 59,422,294 |
| Franchise operations | 46,977,476 | 41,830,016 |
| Total revenues | $ 117,696,356 | $ 101,252,310 |
| | | |
| Depreciation and amortization: | | |
| Corporate clinics | $ 7,415,395 | $ 5,557,494 |
| Franchise operations | 809,135 | 744,172 |
| Corporate administration | 357,673 | 344,956 |
| Total depreciation and amortization | $ 8,582,203 | $ 6,646,622 |
| | | |
| Segment operating (loss) income: | | |
| Corporate clinics | $ (2,502,643) | $ 110,257 |
| Franchise operations | 20,332,354 | 17,340,402 |
| Unallocated corporate | (19,902,798) | (16,622,405) |
| Total segment operating (loss) income | $ (2,073,087) | $ 828,254 |
| | | |
| Reconciliation of total segment operating (loss) income to consolidated earnings before income taxes: | | |
| Total segment operating (loss) income | $ (2,073,087) | $ 828,254 |
| Other income (expense), net | 3,711,843 | (133,101) |
| Income before income tax expense | $ 1,638,756 | $ 695,153 |

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Segment assets: | | |
| Corporate clinics | $ 52,210,617 | $ 56,008,234 |
| Franchise operations | 10,521,582 | 12,360,878 |
| Total segment assets | $ 62,732,199 | $ 68,369,112 |
| | | |
| Unallocated cash and cash equivalents and restricted cash | $ 19,214,292 | $ 10,550,417 |
| Unallocated property and equipment | 2,843,491 | 915,216 |
| Other unallocated assets | 2,360,877 | 13,655,632 |
| Total assets | $ 87,150,859 | $ 93,490,377 |

"Unallocated cash and cash equivalents and restricted cash" relates primarily to corporate cash and cash equivalents and restricted cash as discussed at Note 1, "Cash and Cash Equivalents," "unallocated property and equipment" relates primarily to corporate fixed assets, and "other unallocated assets" relates primarily to deposits, prepaid and other assets.

**Note 12: Employee Retention Credit**

The employee retention credit ("ERC"), as originally enacted through the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") on March 27, 2020, is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The Disaster Tax Relief Act, enacted on December 27, 2020, extended the ERC for qualified wages paid from January 1, 2021 to June 30, 2021 and the credit was increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the ERC through December 31, 2021.

In October 2022, the Company filed an application with the IRS for the ERC. Employers are eligible for the credit if they experienced full or partial suspension or modification of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on a comparison of quarterly revenue results for 2020 and/or 2021 with the comparable quarter in 2019. The Company's ERC application was equal to 70% of qualified wages paid to employees during the period from January 1, 2021 to June 30, 2021 for a maximum quarterly credit of $7,000 per employee. In March 2023, the Company received notice and refunds from the IRS related to the overpayment of Federal Employment Tax plus interest in the amount of $4.8 million related to the ERC application. The $4.8 million ERC is subject to a 20% consulting fee. The Company's eligibility remains subject to audit by the IRS for a period of five years.

Since there are no generally accepted accounting principles for for-profit business entities that receive government assistance that is not in the form of a loan, an income tax credit or revenue from a contract with a customer, we determined the appropriate accounting treatment by analogy to other guidance. We accounted for the ERC by analogy to International Accounting Standards ("IAS") 20, Accounting for Government Grants and Disclosure of Government Assistance, of International Financial Reporting Standards.

Under an IAS 20 analogy, a business entity would recognize the ERC on a systematic basis over the periods in which the entity recognizes the payroll expenses for which the grant (i.e., tax credit) is intended to compensate when there is reasonable assurance (i.e., it is probable) that the entity will comply with any conditions attached to the grant and the grant (i.e., tax credit) will be received.

We have accounted for the $3.8 million ERC, net of the consulting fee, for the year ended December 31, 2023 as other income on the Statement of Income when the Company was reasonably assured that the Company met all requirements of the ERC and the grant would be received. The ERC refund is not taxable; however, the credit is subject to expense disallowance rules which increased income tax expense as a discrete item by $0.9 million, net of the consulting expense deduction, for the year ended December 31, 2023.

**Note 13: Related Party Transaction**

Mr. Jefferson Gramm, Managing Partner of Bandera Partners LLC who is a beneficial holder of more than 5% of our outstanding common stock (approximately 27% as of December 31, 2023) was appointed to the Board of Directors effective as of January 2, 2024, to serve until the election and qualification of his successor at the 2024 Annual Meeting.

In December 2020, we sold two franchise licenses at $39,900 and $29,900 each (which reflects the $10,000 multi-unit discount for the second license per the Franchise Disclosure Document) to Marshall Gramm, who is a family member of Mr. Jefferson Gramm. In April 2020 and 2021, we sold two franchise licenses at $39,900 and $29,900, respectively (which reflects the $10,000 multi-unit discount for the second license per the Franchise Disclosure Document), to a franchisee of which Mr. Jefferson Gramm is a 50% co-partner in the business.

These transactions involved terms no less favorable to us than those that would have been obtained in the absence of such affiliation. Although we have no way of estimating the aggregate amount of franchise fees, royalties, advertising fund fees, IT related income and computer software fees that these franchisees will pay over the life of the franchise licenses, the franchisees affiliated with Mr. Gramm are subject to such fees under the same terms and conditions as all other franchisees. These franchisees affiliated with Mr. Gramm paid $124,275 and $92,767 in 2023 and 2022, respectively, for such royalties and other fees.

In October 2020, Mr. Gramm loaned approximately $370,000 to an unaffiliated franchisee that owns and operates one franchise clinic. The loan is not secured by the assets of the business and there are no foreclosure rights.

**Note 14: Subsequent Events**

On January 17, 2024, the Company paid down the outstanding balance on its Debt under the Credit Agreement of $2,000,000.

**The Joint Corp. 10-K/A -Annual Report, Item 8**

**Financial Statements and Supplementary Data**

**For the Fiscal Years Ended**

**December 31, 2022 and 2021**

**Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors
The Joint Corp.
Scottsdale, Arizona

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of The Joint Corp. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Restatement of Consolidated Financial Statements**

As discussed in Note 2 to the consolidated financial statements, the 2022 and 2021 financial statements have been restated to correct misstatements.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

**Revenue growth rate utilized in the determination of the fair value of acquired member relationships and reacquired franchise rights for certain acquisitions**

As described in Note 4 of the consolidated financial statements, the Company acquired certain clinics during the current year. As a result of the acquisitions, management was required to determine the estimated fair values of assets acquired and liabilities assumed, including certain identifiable intangible assets. Management utilized third-party valuation specialists to assist in the preparation of the valuation of certain identifiable intangible assets. Management exercised judgment to develop and select revenue growth rates in the measurement of the fair value of the acquired member relationships and reacquired franchise rights.

We identified the revenue growth rates utilized in the determination of the fair value of acquired member relationships and reacquired franchise rights for certain acquisitions as a critical audit matter. The principal considerations for our determination

included the subjectivity and judgment required to determine the revenue growth rates used in the fair value measurement of acquired member relationships and reacquired franchise rights for certain acquisitions. Auditing these revenue growth rates involved especially subjective auditor judgment due to the nature and extent of audit effort required.
The primary procedures we performed to address this critical audit matter included:

Evaluating the reasonableness of the revenue growth rates by (i) reviewing the historical performance of the Company using its audited financial statements, (ii) assessing revenue projections against industry metrics, and (iii) comparing the actual post-acquisition net revenue to the forecast revenue.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2021.
Phoenix, Arizona

March 10, 2023, except for the effects of the restatement discussed in Note 2, as to which the date is September 26, 2023

**THE JOINT CORP.**

**CONSOLIDATED BALANCE SHEETS**

| ASSETS | December 31, 2022 (As Restated) | December 31, 2021 (As Restated) |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 9,745,066 | $ 19,526,119 |
| Restricted cash | 805,351 | 386,219 |
| Accounts receivable | 3,911,272 | 3,700,810 |
| Deferred franchise and regional development costs, current portion | 1,054,060 | 994,587 |
| Prepaid expenses and other current assets | 2,098,359 | 2,281,765 |
| Total current assets | 17,614,108 | 26,889,500 |
| Property and equipment, net | 17,475,152 | 14,388,946 |
| Operating lease right-of-use asset | 20,587,199 | 18,425,914 |
| Deferred franchise and regional development costs, net of current portion | 5,707,678 | 5,505,420 |
| Intangible assets, net | 10,928,295 | 4,712,763 |
| Goodwill | 8,493,407 | 5,085,203 |
| Deferred tax assets | 11,928,152 | 11,486,799 |
| Deposits and other assets | 756,386 | 567,202 |
| Total assets | $ 93,490,377 | $ 87,061,747 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 2,966,589 | $ 1,705,568 |
| Accrued expenses | 1,069,610 | 1,809,460 |
| Co-op funds liability | 805,351 | 386,219 |
| Payroll liabilities ($0.6 million and $0.4 million attributable to VIEs as of December 31, 2022 and 2021) | 2,030,510 | 3,906,317 |
| Operating lease liability, current portion | 5,295,830 | 4,613,843 |
| Finance lease liability, current portion | 24,433 | 49,855 |
| Deferred franchise fee revenue, current portion | 2,468,601 | 2,421,721 |
| Deferred revenue from company clinics ($4.7 million and $3.5 million attributable to VIEs as of December 31, 2022 and 2021) | 7,471,549 | 5,235,745 |
| Upfront regional developer fees, current portion | 487,250 | 770,171 |
| Other current liabilities | 597,294 | 539,500 |
| Total current liabilities | 23,217,017 | 21,438,399 |
| Operating lease liability, net of current portion | 18,672,719 | 16,872,093 |
| Finance lease liability, net of current portion | 63,507 | 87,939 |
| Debt under the Credit Agreement | 2,000,000 | 2,000,000 |
| Deferred franchise fee revenue, net of current portion | 14,161,134 | 12,953,430 |
| Upfront regional developer fees, net of current portion | 1,500,278 | 2,505,491 |
| Other liabilities | 1,287,879 | 895,711 |
| Total liabilities | 60,902,534 | 56,753,063 |
| Commitments and contingencies (note 11) | | |
| Stockholders' equity: | | |
| Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of December 31, 2022 and 2021 | — | — |
| Common stock, $0.001 par value; 20,000,000 shares authorized, 14,560,353 shares issued and 14,528,487 shares outstanding as of December 31, 2022 and 14,451,355 shares issued and 14,419,712 outstanding as of December 31, 2021 | 14,560 | 14,450 |
| Additional paid-in capital | 45,558,305 | 43,900,157 |
| Treasury stock 31,866 shares as of December 31, 2022 and 31,643 shares as of December 31, 2021, at cost | (856,642) | (850,838) |
| Accumulated deficit | (12,153,380) | (12,780,085) |
| Total The Joint Corp. stockholders' equity | 32,562,843 | 30,283,684 |
| Non-controlling Interest | 25,000 | 25,000 |
| Total equity | 32,587,843 | 30,308,684 |
| Total liabilities and stockholders' equity | $ 93,490,377 | $ 87,061,747 |

*See notes to consolidated financial statements.*

**THE JOINT CORP.**
**CONSOLIDATED INCOME STATEMENTS**

| | Year Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| | *(As Restated)* | *(As Restated)* |
| Revenues: | | |
| Revenues from company-owned or managed clinics | $ 59,422,294 | $ 44,348,234 |
| Royalty fees | 26,190,531 | 22,062,989 |
| Franchise fees | 2,441,325 | 2,659,097 |
| Advertising fund revenue | 7,456,696 | 6,298,924 |
| Software fees | 4,290,739 | 3,383,856 |
| Other revenues | 1,450,725 | 1,257,913 |
| Total revenues | 101,252,310 | 80,011,013 |
| Cost of revenues: | | |
| Franchise and regional developer cost of revenues | 7,803,404 | 6,559,486 |
| IT cost of revenues | 1,367,659 | 1,105,652 |
| Total cost of revenues | 9,171,063 | 7,665,138 |
| Selling and marketing expenses | 13,962,709 | 11,424,416 |
| Depreciation and amortization | 6,646,622 | 3,921,887 |
| General and administrative expenses | 70,233,447 | 50,846,818 |
| Total selling, general and administrative expenses | 90,842,778 | 66,193,121 |
| Net loss on disposition or impairment | 410,215 | 26,789 |
| Income from operations | 828,254 | 6,125,965 |
| Other expense, net | (133,101) | (69,878) |
| Income before income tax expense (benefit) | 695,153 | 6,056,087 |
| Income tax expense (benefit) | 68,448 | (1,508,960) |
| Net income | $ 626,705 | $ 7,565,047 |
| | | |
| Earnings per share: | | |
| Basic earnings per share | $ 0.04 | $ 0.53 |
| Diluted earnings per share | $ 0.04 | $ 0.51 |
| | | |
| Basic weighted average shares | 14,488,314 | 14,319,448 |
| Diluted weighted average shares | 14,868,093 | 14,935,577 |

*See notes to consolidated financial statements.*

**THE JOINT CORP.**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

| | Common Stock | | | Treasury Stock | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid In Capital | Shares | Amount | Accumulated Deficit | Total The Joint Corp. stockholder's equity | Non-controlling Interest | Total |
| | | | | | | *(As Restated)* | *(As Restated)* | | *(As Restated)* |
| Balances, December 31, 2020 (as restated) | 14,174,237 | 14,174 | 41,350,001 | 17,167 | (143,111) | (20,345,132) | 20,875,932 | 100 | 20,876,032 |
| Stock-based compensation expense | — | — | 1,056,015 | — | — | — | 1,056,015 | — | 1,056,015 |
| Issuance of restricted stock | 17,074 | 17 | (17) | — | — | — | — | — | — |
| Exercise of stock options | 260,044 | 259 | 1,519,058 | — | — | — | 1,519,317 | — | 1,519,317 |
| Purchases of treasury stock under employee stock plans | — | — | — | 14,476 | (707,727) | — | (707,727) | — | (707,727) |
| Change in non-controlling interest | — | — | (24,900) | — | — | — | (24,900) | 24,900 | — |
| Net income (as restated) | — | — | — | — | — | 7,565,047 | 7,565,047 | — | 7,565,047 |
| Balances, December 31, 2021 (as restated) | 14,451,355 | 14,450 | 43,900,157 | 31,643 | (850,838) | (12,780,085) | 30,283,684 | 25,000 | 30,308,684 |
| Stock-based compensation expense | | | 1,273,989 | | | | 1,273,989 | — | 1,273,989 |
| Issuance of restricted stock | 65,618 | 66 | (66) | | | | — | — | — |
| Exercise of stock options | 43,380 | 44 | 384,225 | | | | 384,269 | — | 384,269 |
| Purchases of treasury stock under employee stock plans | | | | 223 | (5,804) | | (5,804) | — | (5,804) |
| Net Income (as restated) | | | | | | 626,705 | 626,705 | — | 626,705 |
| Balances, December 31, 2022 (as restated) | 14,560,353 | $ 14,560 | $45,558,305 | 31,866 | $(856,642) | $ (12,153,380) | $ 32,562,843 | $ 25,000 | $32,587,843 |

*See notes to consolidated financial statements.*

**THE JOINT CORP.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| | *(As Restated)* | *(As Restated)* |
| Cash flows from operating activities: | | |
| Net (loss) income | $ 626,705 | $ 7,565,047 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,646,622 | 3,921,887 |
| Net loss on disposition or impairment (non-cash portion) | 410,215 | 125,237 |
| Net franchise fees recognized upon termination of franchise agreements | (68,537) | (133,007) |
| Deferred income taxes | (441,353) | (1,778,157) |
| Stock based compensation expense | 1,273,989 | 1,056,015 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (154,672) | (1,637,589) |
| Prepaid expenses and other current assets | 183,406 | (715,740) |
| Deferred franchise costs | (351,151) | (1,418,235) |
| Deposits and other assets | (189,184) | (148,516) |
| Accounts payable | 818,265 | (14,373) |
| Accrued expenses | (1,170,070) | 886,738 |
| Payroll liabilities | (1,875,807) | 1,130,281 |
| Upfront regional developer fees | (1,288,134) | (572,944) |
| Deferred revenue | 2,889,139 | 4,162,209 |
| Other liabilities | 900,151 | 1,415,227 |
| Net cash provided by operating activities | 8,209,584 | 13,844,080 |
| Cash flows from investing activities: | | |
| Acquisition of AZ clinics | (6,966,923) | (1,925,000) |
| Acquisition of NC clinics | (3,289,312) | (3,840,135) |
| Acquisition of CA clinics | (1,850,000) | — |
| Proceeds from sale of clinics | 105,200 | — |
| Purchase of property and equipment | (5,899,080) | (6,989,534) |
| Net cash used in investing activities | (17,900,115) | (12,754,669) |
| Cash flows from financing activities: | | |
| Payments of finance lease obligation | (49,855) | (80,322) |
| Purchases of treasury stock under employee stock plans | (5,804) | (707,727) |
| Proceeds from exercise of stock options | 384,269 | 1,519,317 |
| Repayment of debt under the Paycheck Protection Program | — | (2,727,970) |
| Net cash provided by (used in) financing activities | 328,610 | (1,996,702) |
| Decrease in cash | (9,361,921) | (907,291) |
| Cash, cash equivalents and restricted cash, beginning of period | 19,912,338 | 20,819,629 |
| Cash, cash equivalents and restricted cash, end of period | $ 10,550,417 | $ 19,912,338 |

| | **December 31, 2022** | **December 31, 2021** |
|---|---|---|
| Reconciliation of cash, cash equivalents and restricted cash: | | |
| Cash and cash equivalents | $ 9,745,066 | $ 19,526,119 |
| Restricted cash | 805,351 | 386,219 |
| | $ 10,550,417 | $ 19,912,338 |

During the years ended December 31, 2022 and 2021, cash refunded for income taxes was $369,481 and cash paid for income taxes was $566,808, respectively. During the years ended December 31, 2022 and 2021, cash paid for interest was $71,255 and $69,273, respectively.

*See notes to consolidated financial statements.*

Supplemental disclosure of non-cash activity:

As of December 31, 2022, accounts payable and accrued expenses included property and equipment purchases of $442,756 and $133,969, respectively. As of December 31, 2021, accounts payable and accrued expenses included property and equipment purchases of $158,293 and $152,501, respectively.

In connection with the acquisitions during the years ended December 31, 2022 and December 31, 2021, net deferred revenue of $200,371 and $134,539, respectively, relating to unrecognized net franchise fees collected upon the execution of the franchise agreements reduced the purchase price of the acquisitions.

**THE JOINT CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Basis of Presentation***

These financial statements represent the consolidated financial statements of The Joint Corp. ("The Joint"), which includes its variable interest entities ("VIEs"), and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC (collectively, the "Company"). The preparation of financial statements in conformity with accounting principles generally accepted in the Unites States of America ("GAAP") requires management to make estimates and assumptions that affect the amount of assets, liabilities, revenue, costs, expenses, other (expenses) income, and income taxes that are reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates. For a discussion of significant estimates and judgments made in recognizing revenue, accounting for leases, and accounting for income taxes, see Note 3, "Revenue Disclosures", Note 10, "Income Taxes", and Note 11, "Commitments and Contingencies".

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of The Joint and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC, which was dormant for all periods presented. The Company consolidates VIEs in which the Company is the primary beneficiary in accordance with Accounting Standards Codification 810, Consolidations ("ASC 810"). Non-controlling interests represent third-party equity ownership interests in VIEs. All significant inter-affiliate accounts and transactions between The Joint and its VIEs have been eliminated in consolidation.

***Comprehensive Income***

Net income and comprehensive income are the same for the years ended December 31, 2022 and 2021.

***Nature of Operations***

The Joint Corp., a Delaware corporation, was formed on March 10, 2010 for the principal purpose of franchising, developing, selling regional developer rights, supporting the operations of franchised chiropractic clinics, and operating and managing corporate chiropractic clinics at locations throughout the United States of America. The franchising of chiropractic clinics is regulated by the Federal Trade Commission and various state authorities.

The following table summarizes the number of clinics in operation under franchise agreements and as company-owned or managed for the years ended December 31, 2022 and 2021:

| | Year Ended December 31, | |
|---|---|---|
| **Franchised clinics:** | **2022** | **2021** |
| Clinics open at beginning of period | 610 | 515 |
| Opened during the period | 121 | 110 |
| Acquired during the period | 2 | — |
| Sold during the period | (16) | (12) |
| Closed during the period | (5) | (3) |
| Clinics in operation at the end of the period | 712 | 610 |

| | Year Ended December 31, | |
|---|---|---|
| **Company-owned or managed clinics:** | **2022** | **2021** |
| Clinics open at beginning of period | 96 | 64 |
| Opened during the period | 16 | 20 |
| Acquired during the period | 16 | 12 |
| Sold during the period | (2) | — |
| Closed during the period | — | — |
| Clinics in operation at the end of the period | 126 | 96 |
| Total clinics in operation at the end of the period | 838 | 706 |
| Clinic licenses sold but not yet developed | 197 | 245 |
| Executed letters of intent for future clinic licenses | 38 | 38 |

***Variable Interest Entities***

Certain states prohibit the "corporate practice of chiropractic," which restricts business corporations from practicing chiropractic care by exercising control over clinical decisions by chiropractic doctors. In states which prohibit the corporate practice of chiropractic, the Company typically enters into long-term management services agreements ("MSAs") with professional corporations ("PCs") that are owned by licensed chiropractic doctors, which, in turn, employ or contract with doctors who provide professional chiropractic care in its clinics. Under these management agreements with PCs, the Company provides, on an exclusive basis, all non-clinical services of the chiropractic practice. The Company has entered into such management agreements with three PCs, including one in Kansas, in connection with the opening of company-managed clinics in August 2022. An entity deemed to be the primary beneficiary of a VIE is required to consolidate the VIE in its financial statements. An entity is deemed to be the primary beneficiary of a VIE if it has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIEs economic performance and (b) the obligation to absorb the majority of losses of the VIE or the right to receive the majority of benefits from the VIE. In accordance with relevant accounting guidance, these PCs were determined to be VIEs. Such PCs are VIEs, as fees paid by the PCs to the Company as its management service provider are considered variable interests because the fees do not meet all the following criteria: 1) The fees are compensation for services provided and are commensurate with the level of effort required to provide those services; 2) The decision maker or service provider does not hold other interests in the VIE that individually, or in the aggregate, would absorb more than an insignificant amount of the VIE's expected losses or receive more than an insignificant amount of the VIE's expected residual returns; 3) The service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm's length. Additionally, the Company has determined that it has the ability to direct the activities that most significantly impact the performance of these PCs and have an obligation to absorb losses or receive benefits which could potentially be significant to the PCs. Accordingly, the PCs are variable interest entities for which the Company is the primary beneficiary and are consolidated by the Company.

The revenues of VIEs represent the revenues of Company-managed clinics in states that prohibit the corporate practice of chiropractic. The Company's involvement with VIEs affects its financial performance and cash flows primarily through amounts recorded in Revenues from company-owned or managed clinics and General and administrative expenses, which are principally comprised of payroll and related expenses. The management fees/income provided by the MSAs are considered intercompany transactions and therefore eliminated upon consolidation of VIEs.

The VIEs' total revenue and payroll and related expenses for the year ended December 31, 2022 were $34.8 million and $14.0 million, respectively. The VIE's total revenue and payroll and related expenses for the year ended December 31, 2021 were $28.6 million and $8.5 million, respectively.

The VIEs' deferred revenue liability balance for amounts collected in advance for membership and wellness packages was $4.7 million and $3.5 million as of December 31, 2022 and December 31, 2021, respectively. The VIEs' payroll liability balance as of December 31, 2022 and December 31, 2021 was $0.6 million and $0.4 million, respectively. The carrying amount of the other VIEs' assets and liabilities was immaterial as of December 31, 2022 and December 31, 2021.

***Cash and Cash Equivalents***

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and credit quality of, the financial institutions with which it invests. As of the balance sheet date and periodically throughout the period, the Company has maintained balances in various operating accounts in excess of federally insured limits. The Company has invested substantially all its cash in short-term bank deposits. The Company had no cash equivalents as of December 31, 2022 and 2021.

***Restricted Cash***

Restricted cash relates to cash that franchisees and company-owned or managed clinics contribute to the Company's National Marketing Fund and cash that franchisees provide to various voluntary regional Co-Op Marketing Funds. Cash contributed by franchisees to the National Marketing Fund is to be used in accordance with the Company's Franchise Disclosure Document with a focus on regional and national marketing and advertising. While such cash balance is not legally segregated and restricted as to withdrawal or usage, the Company's accounting policy is to classify these funds as restricted cash.

***Accounts Receivable***

Accounts receivable primarily represent amounts due from franchisees for royalty and software fees. The Company records an allowance for credit losses as a reduction to its accounts receivables for amounts that the Company does not expect to recover. An allowance for credit losses is determined through assessments of collectability based on historical trends, the financial condition of the Company's franchisees, including any known or anticipated bankruptcies, and an evaluation of current economic conditions, as well as the Company's expectations of conditions in the future. Actual losses ultimately could differ materially in the near term from the amounts estimated in determining the allowance. As of December 31, 2022, and 2021, the Company had no allowance for credit losses on accounts receivable.

***Deferred Franchise Costs and Regional Development Costs***

Deferred franchise and regional development costs represent commissions that are direct and incremental to the Company and are paid in conjunction with the sale of a franchise license or regional development rights. These costs are recognized as an expense, in franchise and regional development cost of revenues when the respective revenue is recognized, which is generally over the term of the related franchise or regional developer agreement.

***Property and Equipment***

Property and equipment are stated at cost or for property acquired as part of franchise acquisitions at fair value at the date of closing. Depreciation is computed using the straight-line method over estimated useful lives, which is generally three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

***Capitalized Software***

The Company capitalizes certain software development cost, including costs to implement cloud computing arrangements that is a service contract. These capitalized costs are primarily related to software used by clinics for operations and by the Company for the management of operations. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct, are capitalized as assets in progress until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Software developed is recorded as part of property and equipment. Maintenance and training costs are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life, which is generally three to five years. Implementation costs incurred in connection with a cloud computing arrangement that is a service contract are included in prepaid expenses in the Company's consolidated balance sheets.

***Leases***

The Company leases property and equipment under operating and finance leases. The Company leases its corporate office space and the space for each of the company-owned or managed clinic in the portfolio. The Company recognizes a right-of-use

("ROU") asset and lease liability for all leases. Certain leases include one or more renewal options, generally for the same period as the initial term of the lease. The exercise of lease renewal options is generally at the Company's sole discretion and, as such, the Company typically determines that exercise of these renewal options is not reasonably certain. As a result, the Company does not include the renewal option period in the expected lease term and the associated lease payments are not included in the measurement of the right-of-use asset and lease liability. When available, the Company uses the rate implicit in the lease to discount lease payments; however, the rate implicit in the lease is not readily determinable for substantially all of its leases. In such cases, the Company estimates its incremental borrowing rate as the interest rate it would pay to borrow an amount equal to the lease payments over a similar term, with similar collateral as in the lease, and in a similar economic environment. The Company estimates these rates using available evidence such as rates imposed by third-party lenders to the Company in recent financings or observable risk-free interest rate and credit spreads for commercial debt of a similar duration, with credit spreads correlating to the Company's estimated creditworthiness.

For operating leases that include rent holidays and rent escalation clauses, the Company recognizes lease expense on a straight-line basis over the lease term from the date it takes possession of the leased property. Pre-opening costs are recorded as incurred in general and administrative expenses. Variable lease payments, such as percentage rentals based on location sales, periodic adjustments for inflation, reimbursement of real estate taxes, any variable common area maintenance and any other variable costs associated with the leased property are expensed as incurred and are also included in general and administrative expenses on the consolidated income statements.

***Intangible Assets***

Intangible assets consist primarily of re-acquired franchise rights and customer relationships. The Company amortizes the fair value of re-acquired franchise rights over the remaining contractual terms of the re-acquired franchise rights at the time of the acquisition, which generally range from one to nine years. The fair value of customer relationships is amortized over their estimated useful life of two to four years.

***Goodwill***

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired in the acquisitions of franchises. Goodwill and intangible assets deemed to have indefinite lives are not amortized but are tested for impairment annually and more frequently if a triggering event occurs that makes it more likely than not that the fair value of a reporting unit is below carrying value. As required, the Company performs an annual impairment test of goodwill as of the first day of the fourth quarter or more frequently if a triggering event occurs. No impairments of goodwill were recorded for the years ended December 31, 2022 and 2021.

***Long-Lived Assets***

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to estimated undiscounted future cash flows in its assessment of whether or not long-lived assets are recoverable. The Company records an impairment loss when the carrying amount of the asset is not recoverable and exceeds its fair value. During the year ended December 31, 2022, an operating lease ROU asset related to a closed clinic with a total carrying amount of approximately $250,000 was written down to zero. As a result, the Company recorded a noncash impairment loss of approximately $250,000 during the year ended December 31, 2022. During the year ended December 31, 2021, certain operating lease right-of-use assets related to closed clinics with a total carrying amount of $0.5 million were written down to their fair value of $0.4 million. As a result, the Company recorded a noncash impairment loss of approximately $0.1 million during the year ended December 31, 2021.

In connection with the sale of two company-managed clinics to franchisees, the Company reclassified $288,192 of property and equipment and $359,807 of ROU assets to Assets held for sale and reclassified $428,593 of ROU liability and $54,351 of deferred revenue from company clinics to Liabilities to be disposed of in the consolidated balance sheet as of June 30, 2022. Long-lived assets that meet the held for sale criteria are reported at the lower of their carrying value or fair value, less estimated costs to sell. As a result, the Company recorded a valuation allowance of $79,400 to adjust the carrying value of the disposal group to fair value less cost to sell during the year ended December 31, 2022. One of the two clinics was sold during August 2022, and the second clinic was sold in October 2022.

***Advertising Fund***

The Company has established an advertising fund for national or regional marketing and advertising of services offered by its clinics. The monthly marketing fee is 2% of clinic sales. The Company segregates the marketing funds collected which are

included in restricted cash on its consolidated balance sheets. As amounts are expended from the fund, the Company recognizes a related expense. Such costs are included in selling and marketing expenses on the consolidated income statements.

***Co-Op Marketing Funds***

Some franchises have established regional Co-Ops for advertising within their local and regional markets. The Company maintains a custodial relationship under which the Co-Op Marketing Funds collected are segregated and used for the purposes specified by the Co-Ops' officers. The Co-Op Marketing Funds are included in restricted cash on the Company's consolidated balance sheets.

***Revenue Recognition***

The Company generates revenue primarily through its company-owned and managed clinics and through royalties, franchise fees, advertising fund contributions, IT related income and computer software fees from its franchisees.

*Revenues from Company-Owned or Managed Clinics.* The Company earns revenues from clinics that it owns and operates or manages throughout the United States. Revenues are recognized when services are performed. The Company offers a variety of membership and wellness packages which feature discounted pricing as compared with its single-visit pricing. Amounts collected in advance for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed. Any unused visits associated with monthly memberships are recognized on a month-to-month basis. The Company recognizes a contract liability (or a deferred revenue liability) related to the prepaid treatment plans for which the Company has an ongoing performance obligation. The Company derecognizes this contract liability, and recognizes revenue, as the patient consumes his or her visits related to the package and the Company transfers its services. If the Company determines that it is not subject to unclaimed property laws for the portion of wellness package that it does not expect to be redeemed (referred to as "breakage") then it recognizes breakage revenue in proportion to the pattern of exercised rights by the patient.

*Royalties and Advertising Fund Revenue.* The Company collects royalties, as stipulated in the franchise agreement, equal to 7% of gross sales, and a marketing and advertising fee currently equal to 2% of gross sales. Royalties, including franchisee contributions to advertising funds, are calculated as a percentage of clinic sales over the term of the franchise agreement. The revenue accounting standard provides an exception for the recognition of sales-based royalties promised in exchange for a license (which generally requires a reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price). As the franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement, such sales-based royalties are recognized as franchisee clinic level sales occur. Royalties are collected semi-monthly, two working days after each sales period has ended.

*Franchise Fees.* The Company requires the entire non-refundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of ten years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company's services under the franchise agreement include training of franchisees and staff, site selection, construction/vendor management and ongoing operations support. The Company provides no financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Renewal franchise fees, as well as transfer fees, are also recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

*Software Fees.* The Company collects a monthly fee from its franchisees for use of its proprietary chiropractic software, computer support, and internet services support. These fees are recognized ratably on a straight-line basis over the term of the respective franchise agreement.

*Capitalized Sales Commissions.* Sales commissions earned by the regional developers and the Company's sales force are considered incremental and recoverable costs of obtaining a franchise agreement with a franchisee. These costs are deferred and then amortized as the respective franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement.

***Upfront Regional Developer Rights Fees (as restated)***

The Company has a regional developer program where regional developers are granted an exclusive geographical territory and commit to a minimum development obligation within that defined territory. Upon granting of the exclusive rights to develop a territory, a regional developer will pay an upfront fee to the Company. Upfront regional developer fees represent consideration received from a vendor to act as the Company's agent within an exclusive territory. The upfront regional developer rights fee is

accounted for as a reduction of cost of revenues, in franchise and regional development cost of revenues, to offset the respective future commissions paid to the regional developer. The fees are ratably recognized over the term of the related regional developer agreement.

Regional developers receive fees which are funded by the initial franchise fees collected from franchisees upon the sale of franchises within their exclusive geographical territory and a royalty of 3% of sales generated by franchised clinics in their exclusive geographical territory. Initial fees related to the sale of franchises within their exclusive geographical territory are initially deferred as deferred franchise costs and are recognized as an expense in franchise cost of revenues when the respective revenue is recognized, which is generally over the term of the related franchise agreement. Royalties of 3% of sales generated by franchised clinics in their regions are also recognized as franchise cost of revenues as franchisee clinic level sales occur. This 3% fee is funded by the 7% royalties we collect from the franchisees in their regions. Certain regional developer agreements result in the regional developer acquiring the rights to existing royalty streams from clinics already open in the respective territory. In those instances, fees collected from the sale of the royalty stream is recognized as a decrease to franchise and regional developer cost of revenues over the remaining life of the respective franchise agreements.

***Regional Developer Rights Contract Termination Costs (as restated)***

From time to time, subject to the Company's strategy, regional developer rights are reacquired by the Company, resulting in a termination of the contract. The termination costs to reacquire the regional developer rights are recognized at fair value, less any unrecognized upfront regional developer fee liability balance, as a general and administrative expense in the period in which the contract is terminated in accordance with the contract terms and are recorded within general and administrative expenses.

***Advertising Costs***

Advertising costs are advertising and marketing expenses incurred by the Company, primarily through advertising funds. The Company expenses production costs of commercial advertising upon first airing and expenses the costs of communicating the advertising in the period in which the advertising occurs. Advertising expenses were $5,163,381 and $4,116,740, for the years ended December 31, 2022 and 2021, respectively.

***Income Taxes (as restated)***

Income taxes are accounted for using a balance sheet approach known as the asset and liability method. The asset and liability method accounts for deferred income taxes by applying the statutory tax rates in effect at the date of the consolidated balance sheets to differences between the book basis and the tax basis of assets and liabilities. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate principally to depreciation of property and equipment and treatment of revenue for franchise fees and regional developer fees collected. Tax positions are reviewed at least quarterly and adjusted as new information becomes available. The recoverability of deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These estimates of future taxable income inherently require significant judgment. To the extent it is considered more likely than not that a deferred tax asset will be not recovered, a valuation allowance is established.

The Company accounts for uncertainty in income taxes by recognizing the tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits and expenses recognized in the consolidated financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company has identified $1.3 million and $1.3 million in uncertain tax positions as of December 31, 2022 and 2021, respectively. Interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses.

With exceptions due to the generation and utilization of net operating losses or credits, as of December 31, 2022, the Company is no longer subject to federal and state examinations by taxing authorities for tax years before 2018 and 2017, respectively.

***Earnings per Common Share***

Basic earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is computed by giving effect to all potentially dilutive common shares including restricted stock and stock options.

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (As Restated) | (As Restated) |
| Net income | $ 626,705 | $ 7,565,047 |
| Weighted average common shares outstanding - basic | 14,488,314 | 14,319,448 |
| Effect of dilutive securities: | | |
| Unvested restricted stock and stock options | 379,779 | 616,129 |
| Weighted average common shares outstanding - diluted | 14,868,093 | 14,935,577 |
| Basic earnings per share | $ 0.04 | $ 0.53 |
| Diluted earnings per share | $ 0.04 | $ 0.51 |

Potentially dilutive securities excluded from the calculation of diluted net income per common share as the effect would be anti-dilutive were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Unvested restricted stock | — | 58 |
| Stock options | 40,349 | 4,658 |

***Stock-Based Compensation***

The Company accounts for share-based payments by recognizing compensation expense based upon the estimated fair value of the awards on the date of grant. The Company determines the estimated grant-date fair value of restricted shares using the closing price on the date of the grant and the grant-date fair value of stock options using the Black-Scholes-Merton model. In order to calculate the fair value of the options, certain assumptions are made regarding the components of the model, including risk-free interest rate, volatility, expected dividend yield and expected option life. Changes to the assumptions could cause significant adjustments to the valuation. The Company recognizes compensation costs ratably over the period of service using the straight-line method. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%.

***Retirement Benefit Plan***

Employees of the Company are eligible to participate in a defined contribution retirement plan, the Joint Corp. 401(k) Retirement Plan (the "401(k) Plan"), under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, employees may contribute their eligible compensation, not to exceed the annual limits set by the IRS. The 401(k) Plan allows the Company to match participants' contributions in an amount determined at the sole discretion of the Company. The Company matched participants' contributions for the years ended December 31, 2022 and 2021, up to a maximum of 4% of the employee's eligible compensation. Employer contributions totaled $478,277 and $346,561, for the years ended December 31, 2022 and 2021, respectively.

***Loss Contingencies***

ASC Topic 450 governs the disclosure of loss contingencies and accrual of loss contingencies in respect of litigation and other claims. The Company records an accrual for a potential loss when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. When the reasonable estimate of the potential loss is within a range of amounts, the minimum of the range of potential loss is accrued, unless a higher amount within the range is a better estimate than any other amount within the range. Moreover, even if an accrual is not required, the Company provides additional disclosure related to litigation and other claims when it is reasonably possible (i.e., more than remote) that the outcomes of such litigation and other claims include potential material adverse impacts on the Company. Legal costs to be incurred in connection with a loss contingency are expensed as such costs are incurred.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Items subject to significant estimates and assumptions include loss contingencies, share-based compensations, useful lives and realizability of long-lived assets, deferred revenue and revenue recognition related to breakage, deferred franchise costs, calculation of ROU assets and liabilities related to leases, realizability of deferred tax assets, impairment of goodwill, intangible assets, other long-lived assets, and purchase price allocations and related valuations.

***Recently Adopted Accounting Guidance and Accounting Pronouncements Not Yet Adopted***

None.

**Note 2: Restatement of Previously Issued Annual Consolidated Financial Statements for the Fiscal Years Ended December 31, 2022 and December 31, 2021**

Subsequent to the issuance of the Company's consolidated financial statements as of and for the year ended December 31, 2022, included in the Form 10-K filed with the SEC on March 10, 2023, the following errors were identified:

- The Company has historically recorded the re-acquired Regional Developer Rights as an intangible asset and amortized the re-acquired Regional Developer Rights over the contractual terms under the RD Agreement remaining at the time of the re-acquisition. The Company has concluded that this treatment was incorrect in accordance with U.S. GAAP. The Company should not have capitalized the re-acquired Regional Developer Rights but instead should have recognized the full cost of the re-acquisition as an expense in the respective period.

- The Company has historically recorded the upfront fee paid by the regional developer as a deferred liability, which was then recognized ratably to revenue as the regional developer performed various service obligations. However, the Company concluded that the deferred liability should be ratably recognized against cost of revenue as an offset against future commissions instead of revenue.

- The Company has historically charged the VIEs a management fee for the benefit of the Company providing non-clinical administrative services needed by the professional corporation chiropractic practice. The economic compensation or profitability resulting from an intercompany transaction between two or more parties is based on each party's relative contribution to the economic activity under analysis. The standalone professional corporations have not historically been profitable from an income tax perspective and are fully valuing their deferred tax assets and related attributes for ASC 740 purposes. The professional corporations' earned annual losses were not consistent with their function, risk, and asset profile for transfer pricing. As such, the Company has estimated transfer pricing adjustments which were computed based on assumed targets of profitability. The resulting operating profit, after incorporating estimated transfer pricing adjustments, were further used as a means for computing overall potential tax exposure and correlative benefit.

The Company assessed the impact of these errors on its previously issued financial statements and determined them to be quantitatively and qualitatively material to 2022 and 2021 based on its analysis of Staff Accounting Bulletin ("SAB") No. 99, "Materiality," and SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". These errors have been corrected in the accompanying consolidated balance sheets as of December 31, 2022 and 2021 and the consolidated income statements, statements of changes in stockholders' equity, and statements of cash flows for the years then ended.

The following table summarizes the effect of the errors on the Company's consolidated balance sheet as of December 31, 2022:

| | December 31, 2022 | | December 31, 2022 |
|---|---|---|---|
| | As Previously Reported | Adjustments | As Restated |
| Intangible assets, net | $ 12,867,529 | $ (1,939,234) | $ 10,928,295 |
| Deferred tax assets | 8,441,713 | 3,486,439 | 11,928,152 |
| Total assets | 91,943,172 | 1,547,205 | 93,490,377 |
| Current liabilities: | | | |
| Deferred franchise and regional development fee revenue, current portion | 2,955,851 | (2,955,851) | — |
| Deferred franchise fee revenue, current portion | — | 2,468,601 | 2,468,601 |
| Upfront regional developer fees, current portion | — | 487,250 | 487,250 |
| Other current liabilities | 499,250 | 98,044 | 597,294 |
| Total current liabilities | 23,118,973 | 98,044 | 23,217,017 |
| Deferred franchise and regional development fee revenue, net of current portion | 15,661,412 | (15,661,412) | — |
| Deferred franchise fee revenue, net of current portion | — | 14,161,134 | 14,161,134 |
| Upfront regional developer fees, net of current portion | — | 1,500,278 | 1,500,278 |
| Other liabilities | 27,230 | 1,260,649 | 1,287,879 |
| Total liabilities | 59,543,841 | 1,358,693 | 60,902,534 |
| Accumulated deficit | (12,341,892) | 188,512 | (12,153,380) |
| Total The Joint Corp. stockholders' equity | 32,374,331 | 188,512 | 32,562,843 |
| Total equity | 32,399,331 | 188,512 | 32,587,843 |
| Total liabilities and stockholders' equity | 91,943,172 | 1,547,205 | 93,490,377 |

The following table summarizes the effect of the errors on the Company's consolidated income statement for the year ended December 31, 2022:

| | Year Ended December 31, 2022 | | Year Ended December 31, 2022 |
|---|---|---|---|
| | As Previously Reported | Adjustments | As Restated |
| Revenues: | | | |
| Regional developer fees | $ 659,099 | $ (659,099) | $ — |
| Total revenues | 101,911,409 | (659,099) | 101,252,310 |
| Cost of revenues: | | | |
| Franchise and regional developer cost of revenues | 8,462,503 | (659,099) | 7,803,404 |
| Total cost of revenues | 9,830,162 | (659,099) | 9,171,063 |
| Depreciation and amortization | 7,643,980 | (997,358) | 6,646,622 |
| General and administrative expenses | 67,987,482 | 2,245,965 | 70,233,447 |
| Total selling, general and administrative expenses | 89,594,171 | 1,248,607 | 90,842,778 |
| Income from operations | 2,076,861 | (1,248,607) | 828,254 |
| Income before income tax expense (benefit) | 1,943,760 | (1,248,607) | 695,153 |
| Income tax expense (benefit) | 766,510 | (698,062) | 68,448 |
| Net income | 1,177,250 | (550,545) | 626,705 |
| Earnings per share: | | | |
| Basic earnings per share | $ 0.08 | $ (0.04) | $ 0.04 |
| Diluted earnings per share | $ 0.08 | $ (0.04) | $ 0.04 |

The following table summarizes the effect of the errors on the Company's consolidated statements of stockholders' equity as of December 31, 2022, December 31, 2021, and December 31, 2020:

| | Accumulated Deficit | Total The Joint Corp. stockholder's equity | Total Equity |
|---|---|---|---|
| 12/31/2020 (as previously reported) | (20,094,912) | 21,126,152 | 21,126,252 |
| Adjustment due to cumulative error correction | (250,220) | (250,220) | (250,220) |
| 12/31/2020 (as restated) | (20,345,132) | 20,875,932 | 20,876,032 |
| 12/31/2021 (as previously reported) | (13,519,142) | 29,544,627 | 29,569,627 |
| Adjustment due to cumulative error correction | 739,057 | 739,057 | 739,057 |
| 12/31/2021 (as restated) | (12,780,085) | 30,283,684 | 30,308,684 |
| 12/31/2022 (as previously reported) | (12,341,892) | 32,374,331 | 32,399,331 |
| Adjustment due to cumulative error correction | 188,512 | 188,512 | 188,512 |
| 12/31/2022 (as restated) | (12,153,380) | 32,562,843 | 32,587,843 |

The following table summarizes the effect of the errors on the Company's consolidated statement of cash flows for the year ended December 31, 2022:

| | **Year Ended December 31, 2022** | | **Year Ended December 31, 2022** |
|---|---|---|---|
| | As Previously Reported | Adjustments | As Restated |
| Cash flows from operating activities: | | | |
| Net income | $ 1,177,250 | (550,545) | $ 626,705 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 7,643,980 | (997,358) | 6,646,622 |
| Deferred income taxes | 746,921 | (1,188,274) | (441,353) |
| Changes in operating assets and liabilities: | | | |
| Upfront regional developer fees | — | (1,288,134) | (1,288,134) |
| Deferred revenue | 2,230,041 | 659,098 | 2,889,139 |
| Other liabilities | 409,938 | 490,213 | 900,151 |
| Net cash provided by operating activities | 11,084,584 | (2,875,000) | 8,209,584 |
| Cash flows from investing activities: | | | |
| Reacquisition and termination of regional developer rights | (2,875,000) | 2,875,000 | — |
| Net cash used in investing activities | (20,775,115) | 2,875,000 | (17,900,115) |
| Decrease in cash | (9,361,921) | — | (9,361,921) |

The following table summarizes the effect of the errors on the Company's consolidated balance sheet as of December 31, 2021:

| | December 31, 2021 | | December 31, 2021 |
|---|---|---|---|
| | As Previously Reported | Adjustments | As Restated |
| Intangible assets, net | 5,403,390 | (690,627) | 4,712,763 |
| Deferred tax assets | 9,188,634 | 2,298,165 | 11,486,799 |
| Total assets | 85,454,209 | 1,607,538 | 87,061,747 |
| Current liabilities: | | | |
| Deferred franchise and regional development fee revenue, current portion | 3,191,892 | (3,191,892) | — |
| Deferred franchise fee revenue, current portion | — | 2,421,721 | 2,421,721 |
| Upfront regional developer fees, current portion | — | 770,171 | 770,171 |
| Other current liabilities | 539,500 | — | 539,500 |
| Total current liabilities | 21,438,399 | — | 21,438,399 |
| Deferred franchise and regional development fee revenue, net of current portion | 15,458,921 | (15,458,921) | — |
| Deferred franchise fee revenue, net of current portion | — | 12,953,430 | 12,953,430 |
| Upfront regional developer fees, net of current portion | — | 2,505,491 | 2,505,491 |
| Other liabilities | 27,230 | 868,481 | 895,711 |
| Total liabilities | 55,884,582 | 868,481 | 56,753,063 |
| Accumulated deficit | (13,519,142) | 739,057 | (12,780,085) |
| Total The Joint Corp. stockholders' equity | 29,544,627 | 739,057 | 30,283,684 |
| Total equity | 29,569,627 | 739,057 | 30,308,684 |
| Total liabilities and stockholders' equity | 85,454,209 | 1,607,538 | 87,061,747 |

The following table summarizes the effect of the errors on the Company's consolidated income statement for the year ended December 31, 2021:

| | Year Ended December 31, 2021 | | Year Ended December 31, 2021 |
|---|---|---|---|
| | As Previously Reported | Adjustments | As Restated |
| Revenues: | | | |
| Regional developer fees | 848,640 | (848,640) | — |
| Total revenues | 80,859,653 | (848,640) | 80,011,013 |
| Cost of revenues: | | | |
| Franchise and regional developer cost of revenues | 7,408,125 | (848,639) | 6,559,486 |
| Total cost of revenues | 8,513,777 | (848,639) | 7,665,138 |
| Depreciation and amortization | 6,088,947 | (2,167,060) | 3,921,887 |
| General and administrative expenses | 49,453,305 | 1,393,513 | 50,846,818 |
| Total selling, general and administrative expenses | 66,966,668 | (773,547) | 66,193,121 |
| Income from operations | 5,352,419 | 773,546 | 6,125,965 |
| Income before income tax expense (benefit) | 5,282,541 | 773,546 | 6,056,087 |
| Income tax (benefit) | (1,293,229) | (215,731) | (1,508,960) |
| Net income | 6,575,770 | 989,277 | 7,565,047 |
| | | | |
| Earnings per share: | | | |
| Basic earnings per share | $ 0.46 | $ 0.07 | $ 0.53 |
| Diluted earnings per share | $ 0.44 | $ 0.07 | $ 0.51 |

The following table summarizes the effect of the errors on the Company's consolidated statement of cash flows for the year ended December 31, 2021:

| | Year Ended December 31, 2021 As Previously Reported | Adjustments | Year Ended December 31, 2021 As Restated |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 6,575,770 | 989,277 | $ 7,565,047 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 6,088,947 | (2,167,060) | 3,921,887 |
| Deferred income taxes | (1,247,199) | (530,958) | (1,778,157) |
| Changes in operating assets and liabilities: | | | |
| Upfront regional developer fees | — | (572,944) | (572,944) |
| Deferred revenue | 3,624,944 | 537,265 | 4,162,209 |
| Other liabilities | 1,059,507 | 355,720 | 1,415,227 |
| Net cash provided by operating activities | 15,232,780 | (1,388,700) | 13,844,080 |
| Cash flows from investing activities: | | | |
| Reacquisition and termination of regional developer rights | (1,388,700) | 1,388,700 | — |
| Net cash used in investing activities | (14,143,369) | 1,388,700 | (12,754,669) |
| Decrease in cash | (907,291) | — | (907,291) |

**Note 3: Revenue Disclosures**

*Company-owned or Managed Clinics*

The Company earns revenues from clinics that it owns and operates or manages throughout the United States. Revenues are recognized when services are performed. The Company offers a variety of membership and wellness packages which feature discounted pricing as compared with its single-visit pricing. Amounts collected in advance for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed in accordance with the Company's breakage policy, as discussed in Note 1, Revenue Recognition.

*Franchising Fees, Royalty Fees, Advertising Fund Revenue, and Software Fees*

The Company currently franchises its concept across 39 states. The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); (c) advertising fees; and (d) software fees. Generally, the revenue accounting standard requires the reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price. However, the revenue accounting standard provides an exception, and it allows a reporting entity to recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs: (i) the subsequent sale or usage occurs, (ii) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied). In accordance with the revenue accounting standard exception, royalty and advertising revenue are recognized when the franchisee's sales occur.

The Company recognizes the primary components of the transaction price as follows:

- Initial and renewal franchise fees, as well as transfer fees, are recognized as revenue ratably on a straight-line basis over the term of the respective franchise agreement commencing with the execution of the franchise, renewal, or transfer agreement. As these fees are typically received in cash at or near the beginning of the contract term, the cash received is initially recorded as a contract liability until recognized as revenue over time.

- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's sales occur. Depending on timing within a fiscal period, the recognition of revenue results in either what is considered a contract asset (unbilled receivable) or, once billed, accounts receivable, on the consolidated balance sheet.

- The Company is entitled to a software fee, which is charged monthly. The Company recognizes revenue related to software fees ratably on a straight-line basis over the term of the franchise agreement.

In determining the amount and timing of revenue from contracts with customers, the Company exercises significant judgment with respect to collectability of the amount; however, the timing of recognition does not require significant judgment as it is based on either the franchise term or the reported sales of the franchisee, neither of which requires estimation. The Company believes its franchising arrangements do not contain a significant financing component.

The Company recognizes advertising fees received under franchise agreements as advertising fund revenue.

*Disaggregation of Revenue*

The Company believes that the captions contained on the consolidated income statements appropriately reflect the disaggregation of its revenue by major type for the years ended December 31, 2022 and 2021. Other revenues primarily consist of merchant income associated with credit card transactions.

The following table shows the Company's revenues disaggregated according to the timing of transfer of services:

| | December 31, | |
|---|---|---|
| | **2022** | **2021** |
| | *(As Restated)* | *(As Restated)* |
| Revenue recognized at a point in time | $ 94,520,246 | $ 73,968,060 |
| Revenue recognized over time | $ 6,732,064 | $ 6,042,953 |
| Total Revenue | $ 101,252,310 | $ 80,011,013 |

*Rollforward of Contract Liabilities and Contract Costs*

Changes in the Company's contract liability for deferred franchise fees during the years ended December 31, 2022 and 2021 were as follows:

| | Deferred Revenue short and long-term |
|---|---|
| | *(As Restated)* |
| Balance at December 31, 2020 | $ 12,655,508 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (2,619,098) |
| Net increase during the year ended December 31, 2021 | 5,338,741 |
| Balance at December 31, 2021 | $ 15,375,151 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (2,250,471) |
| Net increase during the year ended December 31, 2022 | 3,505,055 |
| Balance at December 31, 2022 | $ 16,629,735 |

The Company's deferred franchise and development costs represent capitalized sales commissions. Changes during the years ended December 31, 2022 and 2021 were as follows:

| | Deferred Franchise and Development Costs short and long-term |
|---|---|
| Balance at December 31, 2020 | $ 5,238,307 |
| Recognized as cost of revenue during the year | (1,099,892) |
| Net increase during the year ended December 31, 2021 | 2,361,592 |
| Balance at December 31, 2021 | $ 6,500,007 |
| Recognized as cost of revenue during the year | (938,736) |
| Net increase during the year ended December 31, 2022 | 1,200,467 |
| Balance at December 31, 2022 | $ 6,761,738 |

The following table illustrates revenues expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2022:

| Contract liabilities expected to be recognized in | Amount *(As Restated)* |
|---|---|
| 2023 | $ 2,468,601 |
| 2024 | 2,354,521 |
| 2025 | 2,208,462 |
| 2026 | 2,112,532 |
| 2027 | 2,033,031 |
| Thereafter | 5,452,588 |
| Total | $ 16,629,735 |

**Note 4: Acquisitions**

**2022 Acquisitions**

On May 19, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller four operating franchises in Arizona. The Company operates the franchises as company-owned

clinics. The total purchase price for the transaction was $5,761,256, less $70,484 of net deferred revenue, resulting in total purchase consideration of $5,690,772.

On July 5, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller one operating franchise in Arizona (collectively, including the May 19th purchase, the "AZ Clinics Purchase"). The Company operates the franchise as a company-owned clinic. The total purchase price for the transaction was $1,205,667, less $13,241 of net deferred revenue, resulting in total purchase consideration of $1,192,426.

Based on the terms of the purchase agreements, the AZ Clinics Purchase has been treated as a business combination under U.S. GAAP using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

The allocation of the total purchase price of AZ Clinics Purchase was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 241,511 |
| Operating lease right-of-use asset | | 912,937 |
| Intangible assets | | 3,689,100 |
| Total assets acquired | | 4,843,548 |
| Goodwill | | 3,408,205 |
| Deferred revenue | | (455,317) |
| Operating lease liability - current portion | | (128,516) |
| Operating lease liability - net of current portion | | (784,722) |
| Net purchase consideration | $ | 6,883,198 |

Intangible assets in the table above consist of re-acquired franchise rights of $2,892,100, amortized over estimated useful lives of approximately four to eight years and customer relationships of $797,000, amortized over estimated useful lives of two to three years. The fair value of re-acquired franchise rights are estimated using the multi-period excess earnings method. The multi-period excess earnings method model estimates revenues and cash flows derived from the primary asset and then deducts portions of the cash flow that can be attributed to supporting assets, such as assembled workforce and working capital that contributed to the generation of the cash flows. The resulting cash flow, which is attributable solely to the primary asset acquired, is then discounted at a rate of return commensurate with the risk of the asset to calculate a present value. Customer relationships are also calculated using the multi-period excess earnings method.

The valuation method involved the use of significant estimates and assumptions primarily related to forecasted revenue growth rates, gross margin, contributory asset charges, customer attrition rates, and market-participant discount rates. These measures are based on significant Level 3 inputs not observable in the market. Key assumptions developed based on the Company's historical experience, future projections and comparable market data include future cash flows, long-term growth rates, attrition rates and discount rates

Goodwill represents the excess of the purchase consideration over the fair value of the underlying acquired net tangible and intangible assets. The factors that contributed to the recognition of goodwill included synergies and benefits expected to be gained from leveraging the Company's existing operations and infrastructures, as well as the expected associated revenue and cash flow projections. Goodwill has been allocated to the Company's Corporate Clinics segment based on such expected benefits. Goodwill related to the acquisition is expected to be deductible for income tax purposes over 15 years. The Company completed the purchase price allocation during the fourth quarter of 2022.

On July 29, 2022, the Company entered into Asset and Franchise Purchase Agreements under which the Company repurchased from the sellers three operating franchises in North Carolina. The Company operates the franchises as company-managed clinics. The total purchase price for the transactions was $1,317,312, less $31,647 of net deferred revenue, resulting in total purchase consideration of $1,285,665.

On October 13, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller an operating franchise in North Carolina. The Company operates the franchise as a company-

managed clinic. The total purchase price for the transaction was $761,384, less $5,108 of net deferred revenue, resulting in total purchase consideration of $756,276.

On October 24, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller an operating franchise in North Carolina (collectively, including the July 29th and October 13th purchases, the "NC Clinics Purchase"). The Company operates the franchise as a company-managed clinic. The total purchase price for the transaction was $1,391,112, less $9,262 of net deferred revenue, resulting in total purchase consideration of $1,381,850.

On December 23, 2022, the Company entered into Asset and Franchise Purchase Agreements under which the Company repurchased from the sellers six operating franchises and one undeveloped clinic in California (the "CA Clinics Purchase"). The Company operates the franchises as company-managed clinics. The total purchase price for the transactions was $1,965,755, less $70,628 of net deferred revenue, resulting in total purchase consideration of $1,895,127.

Based on the terms of the purchase agreement, the NC and CA Clinics Purchases have been treated as asset purchases under U.S. GAAP as there were no outputs or processes to generate outputs acquired as part of these transactions. Under an asset purchase, assets are recognized based on their cost to the acquiring entity. Cost is allocated to the individual assets acquired or liabilities assumed based on their relative fair values and does not give rise to goodwill.

The allocation of the total purchase price of NC Clinics Purchase was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 198,236 |
| Operating lease right-of-use asset | | 521,222 |
| Intangible assets | | 3,544,456 |
| Total assets acquired | | 4,263,914 |
| Deferred revenue | | (326,332) |
| Operating lease liability - current portion | | (146,255) |
| Operating lease liability - net of current portion | | (367,536) |
| Net purchase consideration | $ | 3,423,791 |

Intangible assets in the table above consist of reacquired franchise rights of $2,042,658 amortized over their estimated useful lives of two to nine years, customer relationships of $909,828 amortized over an estimated useful life of two to three years, and assembled workforce of $591,970 amortized over an estimated useful life of two years.

The allocation of the total purchase price of CA Clinics Purchase was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 677,518 |
| Tenant improvement allowance | | 55,790 |
| Operating lease right-of-use asset | | 1,520,353 |
| Intangible assets | | 1,480,359 |
| Total assets acquired | | 3,734,020 |
| Deferred revenue | | (215,555) |
| Operating lease liability - current portion | | (200,877) |
| Operating lease liability - net of current portion | | (1,422,461) |
| Net purchase consideration | $ | 1,895,127 |

Intangible assets in the table above primarily consist of reacquired franchise rights of $1,151,272 amortized over their estimated useful lives of six to seven years, customer relationships of $20,531 amortized over an estimated useful life of two years, and assembled workforce of $308,556 amortized over an estimated useful life of two years.

*Pro Forma Results of Operations (Unaudited)*

The following table summarizes selected unaudited pro forma consolidated income statements for the years ended December 31, 2022 and 2021 for all 2022 acquisitions, as if the AZ Clinics Purchase (which has been accounted for as a business combination) and the NC and CA Clinics Purchases (which have been accounted for as asset purchases) in 2022 had been completed on January 1, 2021.

| | Year Ended December 31, | |
|---|---|---|
| (Restated) | 2022 | 2021 |
| Revenues, net | $ 107,022,047 | $ 87,280,590 |
| Net (loss) income | 171,315 | 6,424,015 |

The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the purchases had taken place on January 1, 2021 or of results that may occur in the future. For 2022, this information includes actual data recorded in the Company's consolidated financial statements for the period subsequent to the date of the acquisition.

The Company's consolidated income statements for the year ended December 31, 2022 include net revenue and net income, excluding corporate clinics segment overhead costs, of the acquired clinics in Arizona, North Carolina, and California as follows:

| | Year Ended December 31, |
|---|---|
| | 2022 |
| Revenues, net | $ 3,351,521 |
| Net income | 947,551 |

**2021 Acquisitions**

On April 1, 2021, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller two operating franchises in Phoenix, Arizona (the "2021 AZ Clinics Purchase"). The Company operates the franchises as company-owned clinics. The total purchase price for the transaction was $1,925,000, less $29,417 of net deferred revenue, resulting in total purchase consideration of $1,895,583. Based on the terms of the purchase agreement, the 2021 AZ Clinics Purchase has been treated as a business combination under U.S. GAAP using the acquisition method of accounting.

The allocation of the purchase price was as follows:

| | |
|---|---|
| Property and equipment | $ 4,928 |
| Operating lease right-of-use asset | 651,197 |
| Intangible assets | 1,579,500 |
| Total assets acquired | 2,235,625 |
| Goodwill | 459,599 |
| Deferred revenue | (123,976) |
| Operating lease liability - current portion | (49,303) |
| Operating lease liability - net of current portion | (626,362) |
| Net purchase consideration | $ 1,895,583 |

Intangible assets in the table above consist of re-acquired franchise rights of $1,376,400 amortized over an estimated useful life of eight to nine years and customer relationships of $203,100 amortized over an estimated useful life of three years.

On April 1, 2021, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller six operating franchises in North Carolina. The Company operates the franchises as company-managed clinics. The total purchase price for the transaction was $2,568,028, less $58,441 of net deferred revenue, resulting in total purchase consideration of $2,509,587.

On November 1, 2021, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller four operating franchises in North Carolina (collectively, including the April 1 2021 purchase, the "2021 NC Clinics Purchase"). The Company operates the franchises as company-managed clinics. The total purchase price for the transaction was $1,272,107, less $46,681 of net deferred revenue, resulting in total purchase consideration of $1,225,426.

Based on the terms of the purchase agreement, the 2021 NC Clinics Purchase has been treated as an asset purchase under U.S. GAAP as there were no outputs or processes to generate outputs acquired as part of this transaction.

The allocation of the purchase price for the six North Carolina clinics on April 1, 2021 was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 524,046 |
| Operating lease right-of-use asset | | 865,813 |
| Intangible assets | | 2,187,472 |
| Total assets acquired | | 3,577,331 |
| Deferred revenue | | (244,998) |
| Operating lease liability - current portion | | (185,181) |
| Operating lease liability - net of current portion | | (637,565) |
| Net purchase consideration | $ | 2,509,587 |

Intangible assets in the table above consist of reacquired franchise rights of $1,195,327 amortized over an estimated useful life of three to four years and customer relationships of $992,145 amortized over an estimated useful life of three years.

The allocation of the purchase price for the four North Carolina clinics on November 1, 2021 was as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 252,631 |
| Operating lease right-of-use asset | | 1,341,482 |
| Intangible assets | | 1,092,341 |
| Total assets acquired | | 2,686,454 |
| Deferred revenue | | (144,383) |
| Operating lease liability - current portion | | (135,784) |
| Operating lease liability - net of current portion | | (1,180,861) |
| Net purchase consideration | $ | 1,225,426 |

Intangible assets in the table above primarily consist of reacquired franchise rights of $977,244 amortized over an estimated useful life of four to nine years and customer relationships of $55,786 amortized over an estimated useful life of two years.

In 2022 and 2021, acquisition-related costs were not significant. These costs are included in general and administrative expenses on the consolidated income statements.

**Note 5: Property and Equipment**

Property and equipment consist of the following:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Office and computer equipment | $ 5,207,833 | $ 3,704,4 |
| Leasehold improvements | 17,842,901 | 13,457,7 |
| Internally developed software | 5,843,758 | 5,044,3 |
| Finance lease assets | 151,396 | 267,2 |
| | 29,045,888 | 22,473,7 |
| Accumulated depreciation and amortization | (12,675,085) | (9,184,9 |
| | 16,370,803 | 13,288,8 |
| Construction in progress | 1,104,349 | 1,100,0 |
| Property and Equipment, net | $ 17,475,152 | $ 14,388,9 |

Depreciation expense was $4,092,669 and $2,329,697 for the years ended December 31, 2022 and 2021, respectively.

Amortization expense related to finance lease assets was $55,572 and $85,300 for the years ended December 31, 2022 and 2021, respectively.

Construction in progress at December 31, 2022 principally related to development and construction costs for the Company-owned or managed clinics. Construction in progress at December 31, 2021 principally relate to development costs for software used by clinics for operations and by the Company for the management of operations.

**Note 6: Fair Value Consideration**

The Company's financial instruments include cash, restricted cash, accounts receivable, notes receivable, accounts payable, accrued expenses and debt under the Credit Agreement. The carrying amounts of its financial instruments, excluding the debt under the Credit Agreement, approximate their fair value due to their short maturities. The carrying value of the Company's debt under the Credit Agreement approximates fair value due to its interest rate being calculated from observable quoted prices for similar instruments, which is considered a Level 2 fair value measurement.

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on reliability of the inputs as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of December 31, 2022 and 2021, the Company did not have any financial instruments that were measured on a recurring basis as Level 1, 2 or 3.

The Company's non-financial assets, which primarily consist of goodwill, intangible assets, property, plant and equipment, and operating lease right-of-use assets, are not required to be measured at fair value on a recurring basis, and instead are reported at their carrying amount. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying amount may not be fully recoverable (and at least annually for goodwill), non-financial assets are assessed for impairment. If the fair value is determined to be lower than the carrying amount, an impairment charge is recorded to write down the asset to its fair value, which is considered Level 3 within the fair value hierarchy.

During the years ended December 31, 2022 and 2021, certain operating lease right-of-use assets related to closed clinics with a total carrying amount of $0.2 million and $0.5 million, respectively, were written down to their respective fair value of zero and $0.4 million. Fair value of the Company's operating lease right-of-use assets was determined based on the discounted cash flows of the estimated market rents. As a result, the Company recorded a noncash impairment loss of approximately $0.2 million and $0.1 million during the years ended December 31, 2022 and 2021, respectively.

**Note 7: Intangible Assets and Goodwill**

During 2022, the Company recognized $6.1 million, $1.7 million, and $0.9 million of reacquired franchise rights, customer relationships, and assembled workforce, respectively, from the acquisitions (reference Note 4). Intangible assets consisted of the following:

| | December 31, 2022 | | |
|---|---|---|---|
| | | *(As Restated)* | |
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Intangible assets subject to amortization: | | | |
| Reacquired franchise rights | $ 12,881,894 | $ 4,755,286 | $ 8,126,608 |
| Customer relationships | 4,330,365 | 2,352,500 | 1,977,865 |
| Assembled workforce | 959,837 | 136,015 | 823,822 |
| | $ 18,172,096 | $ 7,243,801 | $ 10,928,295 |

| | December 31, 2021 | | |
|---|---|---|---|
| | | *(As Restated)* | |
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Intangible assets subject to amortization: | | | |
| Reacquired franchise rights | $ 6,795,865 | $ 3,153,037 | $ 3,642,828 |
| Customer relationships | 2,603,006 | 1,587,443 | 1,015,563 |
| Assembled workforce | 59,311 | 4,939 | 54,372 |
| | $ 9,458,182 | $ 4,745,419 | $ 4,712,763 |

The following is the weighted average amortization period for the Company's intangible assets (as restated):

| | Amortization (Years) |
|---|---|
| Reacquired franchise rights | 5.8 |
| Customer relationships | 2.6 |
| Assembled workforce | 2.0 |
| All intangible assets | 4.8 |

Restated amortization expense related to the Company's intangible assets was $2,498,390 and $1,506,881 for the years ended December 31, 2022 and 2021, respectively.

Estimated amortization expense for 2023 and subsequent years is as follows (as restated):

| | | |
|---|---|---|
| 2023 | $ | 3,643,736 |
| 2024 | | 2,578,510 |
| 2025 | | 1,542,251 |
| 2026 | | 1,225,152 |
| 2027 | | 670,120 |
| Thereafter | | 1,268,526 |
| Total | $ | 10,928,295 |

The changes in the carrying amount of goodwill were as follows:

| | | Corporate Clinic Segment |
|---|---|---|
| **Balance as of December 31, 2021** | | |
| Goodwill, gross | $ | 5,140,197 |
| Accumulated impairment losses | | (54,994) |
| Goodwill, net | | 5,085,203 |
| 2022 acquisition | | 3,408,204 |
| **Balance as of December 31, 2022** | | |
| Goodwill, gross | | 8,548,401 |
| Accumulated impairment losses | | (54,994) |
| Goodwill, net | $ | 8,493,407 |

**Note 8: Debt**

***Credit Agreement***

On February 28, 2020, the Company entered into a Credit Agreement (the "Credit Agreement"), with JPMorgan Chase Bank, N.A., individually, and as Administrative Agent and Issuing Bank ("JPMorgan Chase" or the "Lender"). The Credit Agreement provided for senior secured credit facilities (the "Credit Facilities") in the amount of $7,500,000, including a $2,000,000 revolver (the "Revolver") and $5,500,000 development line of credit (the "Line of Credit"). The Revolver included amounts available for letters of credit of up to $1,000,000 and an uncommitted additional amount of $2,500,000. All outstanding principal and interest on the Revolver were due on February 28, 2022.

On February 28, 2022, the Company entered into an amendment to its Credit Facilities (as amended, the "2022 Credit Facility") with the Lender. Under the 2022 Credit Facility, the Revolver increased to $20,000,000 (from $2,000,000), the portion of the Revolver available for letters of credit increased to $5,000,000 (from $1,000,000), the uncommitted additional amount increased to $30,000,000 (from $2,500,000) and the developmental line of credit of $5,500,000 was terminated. The Revolver will be used for working capital needs, general corporate purposes and for acquisitions, development and capital improvement uses. At the option of the Company, borrowings under the 2022 Credit Facility bear interest at: (i) the adjusted Secured Overnight Financing Rate ("SOFR"), which is the daily simple SOFR, plus 0.10%, plus 1.75%, payable on the last day of the selected interest period of one, three or six months, and on the three-month anniversary of the beginning of any six-month interest period, if applicable; or (ii) an Alternative Base Rate (ABR), plus 1.00%, payable monthly. The ABR is the greatest of: (A) the prime rate (as published by the Wall Street Journal), (B) the Federal Reserve Bank of New York rate, plus 0.5%, and (C) the adjusted one-month term SOFR rate. Amounts outstanding under the Revolver on February 28, 2022 continued to bear interest at the rate selected under the Credit Facilities prior to the amendment until the last day of the interest period in effect, at which time, if not repaid, the amounts outstanding under the Revolver will bear interest at the 2022 Credit Facility rate. As a result of this refinance, $2,000,000 of current maturity of long-term debt has been reclassified to long-term as of December 31, 2021. The 2022 Credit Facility will terminate and all principal and interest will become due and payable on the fifth anniversary of the amendment (February 28, 2027).

The Credit Facilities contain customary events of default, including but not limited to nonpayment; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; cross-default to material indebtedness; certain material judgments; and certain fundamental changes such as a merger or sale of substantially all assets

(as further defined in the Credit Facilities). The Credit Facilities require the Company to comply with customary affirmative, negative and financial covenants, including minimum interest coverage and maximum net leverage. A breach of any of these operating or financial covenants would result in a default under the Credit Facilities. If an event of default occurs and is continuing, the lenders could elect to declare all amounts then outstanding, together with accrued interest, to be immediately due and payable. The Credit Facilities are collateralized by substantially all of the Company's assets, including the assets in the Company's company-owned or managed clinics. The Company intends to use the Revolver for general working capital needs and for acquiring and developing new chiropractic clinics. The interest rate on funds borrowed under the Revolver as of December 31, 2022 was 6.43%. As of December 31, 2022, the Company was in compliance with all applicable financial and non-financial covenants under the Credit Agreement, and $2,000,000 remains outstanding as of December 31, 2022.

In connection with the issuance of the Credit Facilities and the 2022 Credit Facility, the Company incurred debt issuance costs of $52,648 and $76,415, respectively. Interest expense and amortization expense related to debt issuance costs are being amortized to "Other expense, net" and was $129,118 and $60,178 for the years ended December 31, 2022 and 2021, respectively.

***Paycheck Protection Program Loan***

On April 10, 2020, the Company received a loan in the amount of approximately $2.7 million from JPMorgan Chase Bank, N.A. (the "Loan"), pursuant to the Paycheck Protection Program (the "PPP") administered by the United States Small Business Administration. The PPP is part of the Coronavirus Aid, Relief, and Economic Security Act, which provides for forgiveness of up to the full principal amount and accrued interest of qualifying loans guaranteed under the PPP. The Loan was granted pursuant to a Note dated April 9, 2020 issued by the Company. The Note had a maturity date of April 11, 2022 and bore interest at a rate of 0.98% per annum. On March 4, 2021, the Company elected to repay the full principal and accrued interest on the PPP Loan of approximately $2.7 million without prepayment penalty, in accordance with the terms of the PPP loan.

**Note 9: Stock-Based Compensation**

The Company grants stock-based awards under its 2014 Incentive Stock Plan (the "2014 Plan"). The shares issued as a result of stock-based compensation transactions generally have been funded with the issuance of new shares of the Company's common stock.

The Company may grant the following types of incentive awards under the 2014 Plan: (i) non-qualified stock options; (ii) incentive stock options; (iii) stock appreciation rights; (iv) restricted stock; and (v) restricted stock units. Each award granted under the 2014 Plan is subject to an award agreement that incorporates, as applicable, the exercise price, the term of the award, the periods of restriction, the number of shares to which the award pertains, and such other terms and conditions as the plan committee determines. Awards granted under the 2014 Plan are classified as equity awards, which are recorded in stockholders' equity in the Company's consolidated balance sheets. Through December 31, 2022, the Company has granted under the 2014 Plan (i) non-qualified stock options; (ii) incentive stock options; and (iii) restricted stock. There were no stock appreciation rights and restricted stock units granted under the 2014 Plan as of December 31, 2022.

***Stock Options***

The Company's closing price on the date of grant is the basis of fair value of its common stock used in determining the value of share-based awards. To the extent the value of the Company's share-based awards involves a measure of volatility, the Company uses available historical volatility of the Company's common stock over a period of time corresponding to the expected stock option term. The Company uses the simplified method to calculate the expected term of stock option grants to employees as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term of stock options granted to employees. Accordingly, the expected life of the options granted is based on the average of the vesting term, which is generally four years and the contractual term, which is generally ten years. The Company will continue to evaluate the appropriateness of utilizing such method. The risk-free interest rate is based on United States Treasury yields in effect at the date of grant for periods corresponding to the expected stock option term. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%.

The Company did not grant options during the year ended December 31, 2022. The Company has computed the fair value of all options granted using the Black-Scholes-Merton model during the year ended December 31, 2021, using the following assumptions:

| | Year Ended December 31, 2021 |
|---|---|
| Expected volatility | 57% |
| Expected dividends | None |
| Expected term (years) | 7 |
| Risk-free rate | 0.97% to 1.27% |

The information below summarizes the stock options activity:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2020 | 835,601 | $ 6.65 | 6.6 | $ 16,153,117 |
| Granted at market price | 48,192 | 47.01 | | |
| Exercised | (260,044) | 5.84 | | $ 15,244,054 |
| Cancelled | (28,660) | 18.17 | | |
| Outstanding at December 31, 2021 | 595,089 | $ 9.72 | 5.9 | $ 33,336,794 |
| Granted at market price | — | | | |
| Exercised | (43,380) | 8.86 | | $ 657,058 |
| Expired | (2,795) | 28.45 | | |
| Cancelled | (16,991) | 24.96 | | |
| Outstanding at December 31, 2022 | 531,923 | $ 9.20 | 4.7 | $ 3,797,904 |
| Exercisable at December 31, 2022 | 454,315 | $ 6.43 | 4.3 | $ 3,772,164 |
| Vested and expected to vest at December 31, 2022 | 528,981 | $ 9.07 | 4.7 | $ 3,797,670 |

The weighted-average grant-date fair value of the Company's stock options granted during 2021 was $26.40.

The aggregate fair value of the Company's stock options vested during 2022 and 2021 was $631,512 and $481,404, respectively.

The Company recognizes compensation costs ratably over the period of service using the straight-line method. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%. For the years ended December 31, 2022 and 2021, stock-based compensation expense for stock options was $515,279 and $625,291, respectively.

Unrecognized stock-based compensation expense for stock options as of December 31, 2022 was $712,933, which is expected to be recognized ratably over the next 1.9 years.

***Restricted Stock***

Restricted stock awards granted to employees generally vest in four equal annual installments. Restricted stock awards granted to non-employee directors vest on the earlier of (i) one year from the grant date and (ii) the date of the next annual meeting of the shareholders of the Company occurring after the date of grant.

The information below summaries the restricted stock activity:

| Restricted Stock Awards | Shares | Weighted Average Grant-Date Fair Value per Award |
|---|---|---|
| Non-vested at December 31, 2020 | 45,595 | $ 13.13 |
| Granted | 10,010 | 58.25 |
| Vested | (26,143) | 13.61 |
| Cancelled | (1,742) | 20.63 |
| Non-vested at December 31, 2021 | 27,720 | 28.51 |
| Granted | 68,125 | 29.47 |
| Vested | (17,240) | 29.13 |
| Cancelled | (8,293) | 30.51 |
| Non-vested at December 31, 2022 | 70,312 | $ 29.05 |

For the years ended December 31, 2022 and 2021, stock-based compensation expense for restricted stock was $758,710 and $430,724, respectively. Unrecognized stock-based compensation expense for restricted stock awards as of December 31, 2022 was $1,492,530 to be recognized ratably over 2.8 years.

***Tax Benefits***

Net income for 2022 and 2021 included pre-tax expense related to stock-based compensation of $1.3 million and $1.1 million, respectively. The company recognized income tax benefits of $0.1 million and $3.3 million from the exercises of stock options and restricted stock awards for 2022 and 2021, respectively.

**Note 10: Income Taxes**

Income tax expense (benefit) reported in the consolidated income statements is comprised of the following:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | *(As Restated)* | *(As Restated)* |
| **Current expense (benefit):** | | |
| Federal | $ 377,281 | $ 241,243 |
| State, net of state tax credits | 132,520 | 27,954 |
| Total current expense (benefit) | 509,801 | 269,197 |
| **Deferred expense (benefit):** | | |
| Federal | (295,011) | (1,376,812) |
| State | (146,342) | (401,345) |
| Total deferred expense (benefit) | (441,353) | (1,778,157) |
| Total income tax expense (benefit) | $ 68,448 | $ (1,508,960) |

The following are the components of the Company's deferred tax assets (liabilities) for federal and state income taxes:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | *(As Restated)* | *(As Restated)* |
| **Deferred income tax assets:** | | |
| Accrued expenses | $ 97,148 | $ 938,916 |
| Deferred revenue | 5,338,821 | 4,546,130 |
| Lease liability | 6,582,122 | 5,839,233 |
| Goodwill - component 2 | 72,033 | 53,946 |
| Nonqualified stock options | 339,075 | 255,921 |
| Interest expense limitation | 35,031 | — |
| Net operating loss carryforwards | 5,285,726 | 5,461,650 |
| Tax credits | 35,850 | 35,850 |
| Intangibles | 3,166,533 | 1,906,947 |
| Total deferred income tax assets | 20,952,339 | 19,038,593 |
| **Deferred income tax liabilities:** | | |
| Lease right-of-use asset | (5,694,797) | (5,022,052) |
| Deferred franchise costs | (100,558) | (122,431) |
| Goodwill - component 1 | (537,421) | (405,964) |
| Asset basis difference related to property and equipment | (2,545,455) | (1,902,389) |
| Restricted stock compensation | (145,956) | (98,958) |
| Total deferred income tax liabilities | (9,024,187) | (7,551,794) |
| Valuation allowance | | |
| Net deferred tax asset | $ 11,928,152 | $ 11,486,799 |

Federal tax effected of these net operating losses were $4.5 million and $4.5 million as of December 31, 2022 and 2021, respectively. $11.1 million of the federal net operating loss is subject to a 20-year carryforward, with a portion beginning to expire in 2036. $10.5 million of the federal net operating loss has an indefinite carryforward period.

The Joint Corp., without its consolidated VIEs, has state tax effected net operating loss carryforwards of $0.7 million and $0.9 million as of December 31, 2022 and 2021, respectively. The determination of the state net operating loss carryforwards is dependent upon apportionment percentages and state laws that can change from year to year and impact the amount of such carryforwards. If such net operating loss carryforwards are not utilized, they will begin to expire in 2025.

The Joint Corp. has research and development credits of $14,229 that will begin to expire in 2031 and $21,621 California AMT credits that do not expire.

The following is a reconciliation of the statutory federal income tax rate applied to pre-tax accounting net income, compared to the income tax benefit in the consolidated income statements:

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | *(As Restated)* | | *(As Restated)* | |
| | Amount | Percent | Amount | Percent |
| Expected federal tax expense (benefit) | $ 145,982 | 21.0 % | $ 1,280,282 | 21.0 % |
| State tax provision (benefit), net of federal benefit | 41,660 | 6.0 % | (332,169) | (5.5)% |
| Other permanent differences | 15,458 | 2.2 % | 72,794 | 1.2 % |
| Stock compensation | (91,454) | (13.2)% | (2,519,083) | (41.4)% |
| Change in tax rate | (64,756) | (9.3)% | — | — % |
| Other adjustments | 21,558 | 3.1 % | (10,784) | (0.2)% |
| Expense (Benefit) | $ 68,448 | 9.8 % | $ (1,508,960) | (24.9)% |

Changes in the Company's income tax expense (benefit) relate primarily to state taxes and stock-based compensation, as well as changes in pre-tax income during the year ended December 31, 2022, as compared to the year ended December 31, 2021. For the years ended December 31, 2022 and December 31, 2021, effective tax rates were 9.8% and (24.9)%, respectively. The difference between the statutory federal income tax rate and the Company's effective tax rate was primarily due to state taxes, stock-based compensation, and other permanent differences.

For the years ended December 31, 2022 and December 31, 2021, the Company had gross uncertain tax positions of $1.3 million and $1.3 million, respectively.

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | *(As Restated)* | *(As Restated)* |
| **Beginning balances** | $ 1,314,351 | $ 729,837 |
| Increases related to tax positions taken during a prior year | — | — |
| Decreases related to tax positions taken during a prior year | — | — |
| Increases related to tax positions taken during a current year | — | 584,514 |
| Decreases related to settlements with taxing authorities | — | — |
| Decreases related to expiration of the statute of limitations | — | — |
| **Ending balances** | $ 1,314,351 | $ 1,314,351 |

At December 31, 2022 and December 31, 2021, there were $19,433 and $19,433, respectively of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

Interest and penalties associated with tax positions for the years ended December 31, 2022 and December 31, 2021 were $0 and $40,491, respectively and are recorded in the period assessed as general and administrative expenses. Accrued interest and penalties was $143,584 for both the years ended December 31, 2022 and December 31, 2021 and recorded as other liabilities.

With exceptions due to the generation and utilization of net operating losses or credits, as of December 31, 2022, the Company is no longer subject to federal and state examinations by taxing authorities for tax years before 2019 and 2018, respectively.

**Note 11: Commitments and Contingencies**

***Leases***

The table below summarizes the components of lease expense and income statement location for the years ended December 31, 2022 and December 31, 2021:

| | | Years Ended December 31, | |
|---|---|---|---|
| | **Line Item in the Company's Consolidated Income Statements** | **2022** | **2021** |
| **Finance lease costs:** | | | |
| Amortization of assets | Depreciation and amortization | $ 55,572 | $ 85,300 |
| Interest on lease liabilities | Other expense, net | 4,516 | 9,012 |
| Total finance lease costs | | $ 60,088 | $ 94,312 |
| Operating lease costs | General and administrative expenses | $ 5,647,185 | $ 4,590,571 |
| Total lease costs | | $ 5,707,273 | $ 4,684,883 |

Supplemental information and balance sheet location related to leases for the years ended December 31, 2022 and December 31, 2021 was as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| **Operating Leases:** | | |
| Operating lease right-of-use asset | $ 20,587,199 | $ 18,425,914 |
| Operating lease liability, current portion | $ 5,295,830 | $ 4,613,843 |
| Operating lease liability, net of current portion | 18,672,719 | 16,872,093 |
| Total operating lease liability | $ 23,968,549 | $ 21,485,936 |
| **Finance Leases:** | | |
| Property and equipment, at cost | $ 151,396 | $ 267,252 |
| Less accumulated amortization | (87,652) | (147,937) |
| Property and equipment, net | $ 63,744 | $ 119,315 |
| | | |
| Finance lease liability, current portion | $ 24,433 | $ 49,855 |
| Finance lease liability, net of current portion | 63,507 | 87,939 |
| Total finance lease liabilities | $ 87,940 | $ 137,794 |
| | | |
| **Weighted average remaining lease term (in years):** | | |
| Operating leases | 5.4 | 5.4 |
| Finance lease | 3.4 | 3.6 |
| | | |
| **Weighted average discount rate:** | | |
| Operating leases | 4.8% | 4.6% |
| Finance leases | 4.3% | 4.8% |

Supplemental cash flow information related to leases for the years ended December 31, 2022 and December 31, 2021 were as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Cash paid for amounts included in measurement of liabilities: | | |
| Operating cash flows from operating leases | $ 5,931,114 | $ 4,484,737 |
| Operating cash flows from finance leases | 4,516 | 9,012 |
| Financing cash flows from finance leases | 49,855 | 80,322 |
| | | |
| Non-cash transactions: ROU assets obtained in exchange for lease liabilities | | |
| Operating lease | 7,222,822 | 10,007,188 |
| Finance lease | — | 15,140 |

Maturities of lease liabilities as of December 31, 2022 were as follows:

| | Operating Leases | Finance Lease |
|---|---|---|
| 2023 | $ 6,280,108 | $ 27,600 |
| 2024 | 5,689,672 | 27,600 |
| 2025 | 5,084,585 | 27,600 |
| 2026 | 3,264,579 | 11,500 |
| 2027 | 2,268,960 | — |
| Thereafter | 4,561,694 | — |
| Total lease payments | 27,149,598 | 94,300 |
| Less: Imputed interest | (3,181,049) | (6,360) |
| Total lease obligations | 23,968,549 | 87,940 |
| Less: Current obligations | (5,295,830) | (24,433) |
| Long-term lease obligation | $ 18,672,719 | $ 63,507 |

The Company entered into various operating leases for its new corporate clinics' spaces that had not yet commenced as of the year ended December 31, 2022. These leases are expected to result in additional ROU asset and liability of approximately $1.5 million. These leases are expected to commence during the first and second quarter of 2023, with lease terms of five to ten years.

***Guarantee in Connection with the Sale of the Divested Business***

In connection with the sale of a company-managed clinic in 2022, the Company guaranteed one future operating lease commitment assumed by the buyers. The Company is obligated to perform under the guarantee if the buyers fail to perform under the lease agreement at any time during the remainder of the lease agreement, which expires on May 31, 2027. At the date of sale, the undiscounted maximum potential future payments totaled $247,296. As of the year ended December 31, 2022, the undiscounted remaining lease payments under the agreement totaled $234,696. The Company had not recorded a liability with respect to the guarantee obligation as of December 31, 2022, as the Company concluded that payment under the lease guarantee was not probable.

***Litigation***

In the normal course of business, the Company is party to litigation and claims from time to time. The Company maintains insurance to cover certain litigation and claims.

**Note 12: Segment Reporting**

An operating segment is defined as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the Chief Operating Decision Maker ("CODM") to evaluate performance and make operating decisions. The Company has identified its CODM as the Chief Executive Officer.

The Company has two operating business segments. The Corporate Clinics segment is comprised of the operating activities of the company-owned or managed clinics. As of December 31, 2022, the Company operated or managed 126 clinics under this segment. The Franchise Operations segment is comprised of the operating activities of the franchise business unit. As of December 31, 2022, the franchise system consisted of 712 clinics in operation. Corporate is a non-operating segment that develops and implements strategic initiatives and supports the Company's two operating business segments by centralizing key administrative functions such as finance and treasury, information technology, insurance and risk management, legal and human resources. Corporate also provides the necessary administrative functions to support the Company as a publicly-traded company. A portion of the expenses incurred by Corporate are allocated to the operating segments.

The tables below present financial information for the Company's two operating business segments.

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (As Restated) | (As Restated) |
| Revenues: | | |
| Corporate clinics | $ 59,422,294 | $ 44,348,234 |
| Franchise operations | 41,830,016 | 35,662,779 |
| Total revenues | $ 101,252,310 | $ 80,011,013 |
| Depreciation and amortization: | | |
| Corporate clinics | $ 5,557,494 | $ 3,279,603 |
| Franchise operations | 744,172 | 334,945 |
| Corporate administration | 344,956 | 307,339 |
| Total depreciation and amortization | $ 6,646,622 | $ 3,921,887 |
| Segment operating income: | | |
| Corporate clinics | $ 110,257 | $ 6,599,932 |
| Franchise operations | 17,340,402 | 15,353,621 |
| Unallocated corporate | (16,622,405) | (15,827,588 |
| Total segment operating income | $ 828,254 | $ 6,125,965 |
| Reconciliation of total segment operating income to consolidated earnings before income taxes: | | |
| Total segment operating income | $ 828,254 | $ 6,125,965 |
| Other (expense), net | (133,101) | (69,878 |
| Income before income tax expense (benefit) | $ 695,153 | $ 6,056,087 |

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | (As Restated) | (As Restated) |
| Segment assets: | | |
| Corporate clinics | $ 56,008,234 | $ 40,032,2 |
| Franchise operations | 12,360,878 | 12,593,9 |
| Total segment assets | $ 68,369,112 | $ 52,626,1 |
| Unallocated cash and cash equivalents and restricted cash | $ 10,550,417 | $ 19,912,3 |
| Unallocated property and equipment | 915,216 | 857,1 |
| Other unallocated assets | 13,655,632 | 13,666,0 |
| Total assets | $ 93,490,377 | $ 87,061,7 |

"Unallocated cash and cash equivalents and restricted cash" relates primarily to corporate cash and cash equivalents and restricted cash (see Note 1), "unallocated property and equipment" relates primarily to corporate fixed assets, and "other unallocated assets" relates primarily to deposits, prepaid and other assets.

**Note 13: Related Party Transaction**

In December 2020, we sold two franchise licenses at $39,900 and $29,900 each (which reflects the $10,000 multi-unit discount for the second license per the Franchise Disclosure Document) to Marshall Gramm, who is a family member of the Managing Partner of Bandera Partners LLC. Bandera Partners LLC was a significant shareholder of more than 5% of our outstanding common stock (approximately 17% as of December 31, 2022). The transaction involved terms no less favorable to us than those that would have been obtained in the absence of such affiliation. Although we have no way of estimating the aggregate

amount of franchise fees, royalties, advertising fund fees, IT related income and computer software fees that Mr. Gramm will pay over the life of the franchise licenses, Mr. Gramm is subject to such fees under the same terms and conditions as all other franchisees. Mr. Gramm paid $34,262 and $11,046 in 2022 and 2021, respectively, for such royalties and other fees.

**Note 14: Quarterly Financial Data (Unaudited and Restated)**

The Company is providing restated quarterly and year-to-date unaudited consolidated financial information for interim periods occurring within the years ended December 31, 2022 and December 31, 2021. See Note 2, Restatement of Previously Issued Consolidated Financial Statements for further background concerning the events preceding the restatement of financial information in this Comprehensive Form 10-K/A.

The Company assessed the impact of these errors on its previously issued interim financial statements and determined them to be quantitatively and qualitatively material to interim periods for 2022 and 2021 based on its analysis of Staff Accounting Bulletin ("SAB") No. 99, "Materiality," and SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". The impact of these errors is summarized in the tables that follow.

The following table summarizes the effect of the errors on the Company's consolidated balance sheets as of March 31, 2022, June 30, 2022, and September 30, 2022:

| | As Previously Reported | | | Adjustments | | | As Restated | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2022 | June 30, 2022 | September 30, 2022 | March 31, 2022 | June 30, 2022 | September 30, 2022 | March 31, 2022 | June 30, 2022 | September 30, 2022 |
| Intangible assets, net | $ 4,829,941 | $ 9,114,701 | $10,162,506 | $ (552,911) | $(2,356,584) | $(2,124,740) | $ 4,277,030 | $ 6,758,117 | $ 8,037,766 |
| Deferred tax assets | 9,205,410 | 9,116,248 | 9,115,231 | 2,493,018 | 3,202,634 | 3,333,327 | 11,698,428 | 12,318,882 | 12,448,558 |
| Total assets | 85,062,449 | 86,235,794 | 88,291,398 | 1,940,107 | 846,050 | 1,208,587 | 87,002,556 | 87,081,844 | 89,499,985 |
| Current liabilities: | | | | | | | | | |
| Deferred franchise and regional development fee revenue, current portion | 3,130,856 | 2,981,534 | 2,974,993 | (3,130,856) | (2,981,534) | (2,974,993) | — | — | — |
| Deferred franchise fee revenue, current portion | — | — | — | 2,408,266 | 2,393,993 | 2,410,951 | 2,408,266 | 2,393,993 | 2,410,951 |
| Upfront regional developer fees, current portion | — | — | — | 722,590 | 587,541 | 564,042 | 722,590 | 587,541 | 564,042 |
| Other current liabilities | 541,250 | 558,250 | 522,500 | 24,511 | 49,022 | 73,533 | 565,761 | 607,272 | 596,033 |
| Total current liabilities | 20,624,047 | 20,238,810 | 21,637,706 | 24,511 | 49,022 | 73,533 | 20,648,558 | 20,287,832 | 21,711,239 |
| Deferred franchise and regional development fee revenue, net of current portion | 15,410,136 | 15,447,554 | 15,604,180 | (15,410,136) | (15,447,554) | (15,604,180) | — | — | — |
| Deferred franchise fee revenue, net of current portion | — | — | — | 13,154,047 | 13,584,091 | 13,870,401 | 13,154,047 | 13,584,091 | 13,870,401 |
| Upfront regional developer fees, net of current portion | — | — | — | 2,256,089 | 1,863,463 | 1,733,779 | 2,256,089 | 1,863,463 | 1,733,779 |
| Other liabilities | 27,230 | 27,230 | 27,230 | 966,523 | 1,064,565 | 1,162,607 | 993,753 | 1,091,795 | 1,189,837 |
| Total liabilities | 55,328,037 | 55,752,399 | 56,765,925 | 991,034 | 1,113,587 | 1,236,140 | 56,319,071 | 56,865,986 | 58,002,065 |
| Accumulated deficit | (13,724,938) | (13,380,196) | (12,889,083) | 949,073 | (267,537) | (27,553) | (12,775,865) | (13,647,733) | (12,916,636) |
| Total The Joint Corp. stockholders' equity | 29,709,412 | 30,458,395 | 31,500,473 | 949,073 | (267,537) | (27,553) | 30,658,485 | 30,190,858 | 31,472,920 |
| Total equity | 29,734,412 | 30,483,395 | 31,525,473 | 949,073 | (267,537) | (27,553) | 30,683,485 | 30,215,858 | 31,497,920 |
| Total liabilities and stockholders' equity | 85,062,449 | 86,235,794 | 88,291,398 | 1,940,107 | 846,050 | 1,208,587 | 87,002,556 | 87,081,844 | 89,499,985 |

The following table summarizes the effect of the errors on the Company's consolidated income statements for the three-month periods ended March 31, 2022 (Q1), June 30, 2022 (Q2), and September 30, 2022 (Q3):

| | As Previously Reported | | | Adjustments | | | As Restated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Q1'22 | Q2'22 | Q3'22 | Q1'22 | Q2'22 | Q3'22 | Q1'22 | Q2'22 | Q3'22 |
| Revenues: | | | | | | | | | |
| Regional developer fees | $ 201,787 | $ 169,953 | $ 153,181 | $(201,787) | $ (169,953) | $(153,181) | $ — | $ — | $ — |
| Total revenues | 22,438,538 | 25,057,318 | 26,603,000 | (201,787) | (169,953) | (153,181) | 22,236,751 | 24,887,365 | 26,449,819 |
| Cost of revenues: | | | | | | | | | |
| Franchise and regional developer cost of revenues | 2,002,813 | 2,074,889 | 2,141,945 | (201,787) | (169,953) | (153,181) | 1,801,026 | 1,904,936 | 1,988,764 |
| Total cost of revenues | 2,312,771 | 2,427,045 | 2,490,276 | (201,787) | (169,953) | (153,181) | 2,110,984 | 2,257,092 | 2,337,095 |
| Depreciation and amortization | 1,629,176 | 1,700,476 | 2,011,768 | (292,520) | (238,606) | (231,844) | 1,336,656 | 1,461,870 | 1,779,924 |
| General and administrative expenses | 15,378,623 | 16,528,022 | 17,796,806 | 154,803 | 2,042,279 | — | 15,533,426 | 18,570,301 | 17,796,806 |
| Total selling, general and administrative expenses | 20,295,287 | 22,068,222 | 23,347,861 | (137,717) | 1,803,673 | (231,844) | 20,157,570 | 23,871,895 | 23,116,017 |
| Income from operations | (176,426) | 473,207 | 500,472 | 137,717 | (1,803,673) | 231,844 | (38,709) | (1,330,466) | 732,316 |
| Income before income tax expense (benefit) | (192,573) | 453,921 | 475,237 | 137,717 | (1,803,673) | 231,844 | (54,856) | (1,349,752) | 707,081 |
| Income tax expense (benefit) | 13,224 | 109,179 | (15,876) | (72,300) | (587,064) | (8,139) | (59,076) | (477,885) | (24,015) |
| Net income (loss) | (205,797) | 344,742 | 491,113 | 210,017 | (1,216,609) | 239,983 | 4,220 | (871,867) | 731,096 |
| Earnings per share: | | | | | | | | | |
| Basic earnings (loss) per share | $ (0.01) | $ 0.02 | $ 0.03 | $ 0.01 | $ (0.08) | $ 0.02 | $ — | $ (0.06) | $ 0.05 |
| Diluted earnings (loss) per share | $ (0.01) | $ 0.02 | $ 0.03 | $ 0.01 | $ (0.08) | $ 0.02 | $ — | $ (0.06) | $ 0.05 |

The following table summarizes the effect of the errors on the Company's consolidated income statements for the six-month period ended June 30, 2022 and the nine-month period ended September 30, 2022:

| | As Previously Reported | | Adjustments | | As Restated | |
|---|---|---|---|---|---|---|
| | Six Months Ended June 30, 2022 | Nine Months Ended September 30, 2022 | Six Months Ended June 30, 2022 | Nine Months Ended September 30, 2022 | Six Months Ended June 30, 2022 | Nine Months Ended September 30, 2022 |
| Revenues: | | | | | | |
| Regional developer fees | $ 371,740 | $ 524,923 | $ (371,740) | $ (524,923) | $ — | $ — |
| Total revenues | 47,495,856 | 74,098,856 | (371,740) | (524,923) | 47,124,116 | 73,573,933 |
| Cost of revenues: | | | | | | |
| Franchise and regional developer cost of revenues | 4,077,701 | 6,219,646 | (371,740) | (524,923) | 3,705,961 | 5,694,723 |
| Total cost of revenues | 4,739,816 | 7,230,092 | (371,740) | (524,923) | 4,368,076 | 6,705,169 |
| Depreciation and amortization | 3,329,653 | 5,341,420 | (531,126) | (762,970) | 2,798,527 | 4,578,450 |
| General and administrative expenses | 31,906,644 | 49,703,451 | 2,197,082 | 2,197,082 | 34,103,726 | 51,900,533 |
| Total selling, general and administrative expenses | 42,363,509 | 65,711,371 | 1,665,956 | 1,434,112 | 44,029,465 | 67,145,483 |
| Income from operations | 296,782 | 797,253 | (1,665,956) | (1,434,112) | (1,369,174) | (636,859) |
| Income before income tax expense (benefit) | 261,348 | 736,585 | (1,665,956) | (1,434,112) | (1,404,608) | (697,527) |
| Income tax expense (benefit) | 122,403 | 106,527 | (659,363) | (667,503) | (536,960) | (560,976) |
| Net income (loss) | 138,945 | 630,058 | (1,006,593) | (766,609) | (867,648) | (136,551) |
| Earnings per share: | | | | | | |
| Basic earnings (loss) per share | $ 0.01 | $ 0.04 | $ (0.07) | $ (0.05) | $ (0.06) | $ (0.01) |
| Diluted earnings (loss) per share | $ 0.01 | $ 0.04 | $ (0.07) | $ (0.05) | $ (0.06) | $ (0.01) |

The following table summarizes the effect of the errors on the Company's consolidated statements of stockholders' equity for the first through third fiscal quarters of 2022:

| | Accumulated Deficit | Total The Joint Corp. stockholder's equity | Total Equity |
|---|---|---|---|
| Balances, December 31, 2021 (as previously reported) | $ (13,519,142) | $ 29,544,627 | $ 29,569,627 |
| Adjustment due to cumulative error correction | 739,057 | 739,057 | 739,057 |
| 12/31/2021 (as restated) | $ (12,780,085) | $ 30,283,684 | $ 30,308,684 |
| Balances, March 31, 2022 (as previously reported) | $ (13,724,938) | $ 29,709,412 | $ 29,734,412 |
| Adjustment due to cumulative error correction | 949,073 | 949,073 | 949,073 |
| Balances, March 31, 2022 (as restated) | $ (12,775,865) | $ 30,658,485 | $ 30,683,485 |
| Balances, June 30, 2022 (as previously reported) | $ (13,380,196) | $ 30,458,395 | $ 30,483,395 |
| Adjustment due to cumulative error correction | (267,537) | (267,537) | (267,537) |
| Balances, June 30, 2022 (as restated) | $ (13,647,733) | $ 30,190,858 | $ 30,215,858 |
| Balances, September 30, 2022 (as previously reported) | $ (12,889,083) | $ 31,500,473 | $ 31,525,473 |
| Adjustment due to cumulative error correction | (27,553) | (27,553) | (27,553) |
| Balances, September 30, 2022 (as restated) | $ (12,916,636) | $ 31,472,920 | $ 31,497,920 |

The following table summarizes the effect of the errors on the Company's consolidated statements of cash flows for the three-month period ended March 31, 2022, the six-month period ended June 30, 2022, and the nine-month period ended September 30, 2022:

| | As Previously Reported | | | Adjustments | | | As Restated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Three Months Ended March, 31, 2022 | Six Months Ended June 30, 2022 | Nine Months Ended September 30, 2022 | Three Months Ended March, 31, 2022 | Six Months Ended June 30, 2022 | Nine Months Ended September 30, 2022 | Three Months Ended March, 31, 2022 | Six Months Ended June 30, 2022 | Nine Months Ended September 30, 2022 |
| Cash flows from operating activities: | | | | | | | | | |
| Net income (loss) | $ (205,797) | $ 138,945 | $ 630,058 | 210,017 | (1,006,593) | (766,609) | $ 4,220 | $ (867,648) | $ (136,551) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | | | | | |
| Depreciation and amortization | 1,629,176 | 3,329,653 | 5,341,420 | (292,520) | (531,126) | (762,970) | 1,336,656 | 2,798,527 | 4,578,450 |
| Deferred income taxes | (16,776) | 72,386 | 73,403 | (194,853) | (904,469) | (1,035,162) | (211,629) | (832,083) | (961,759) |
| Changes in operating assets and liabilities: | | | | | | | | | |
| Upfront regional developer fees | — | — | — | (296,983) | (824,658) | (977,841) | (296,983) | (824,658) | (977,841) |
| Deferred revenue | 296,487 | 492,473 | 636,470 | 201,786 | 371,740 | 524,923 | 498,273 | 864,213 | 1,161,393 |
| Other liabilities | 280,162 | 404,329 | 360,790 | 122,553 | 245,106 | 367,659 | 402,715 | 649,435 | 728,449 |
| Net cash provided by (used in) operating activities | 447,878 | 1,465,160 | 5,682,415 | (250,000) | (2,650,000) | (2,650,000) | 197,878 | (1,184,840) | 3,032,415 |
| Cash flows from investing activities: | | | | | | | | | |
| Reacquisition and termination of regional developer rights | (250,000) | (2,650,000) | (2,650,000) | 250,000 | 2,650,000 | 2,650,000 | — | — | — |
| Net cash used in investing activities | (1,539,943) | (11,414,961) | (14,938,929) | 250,000 | 2,650,000 | 2,650,000 | (1,289,943) | (8,764,961) | (12,288,929) |
| Decrease in cash | (1,066,427) | (9,876,748) | (8,944,196) | — | — | — | (1,066,427) | (9,876,748) | (8,944,196) |

The following table summarizes the effect of the errors on the Company's consolidated balance sheets as of March 31, 2021, June 30, 2021, and September 30, 2021:

| | As Previously Reported | | | Adjustments | | | As Restated | | |
|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2021 | June 30, 2021 | September 30, 2021 | March 31, 2021 | June 30, 2021 | September 30, 2021 | March 31, 2021 | June 30, 2021 | September 30, 2021 |
| Intangible assets, net | $ 3,444,538 | $ 6,176,429 | $ 5,280,024 | $(2,315,922) | $(1,774,158) | $(1,232,393) | $ 1,128,616 | $ 4,402,271 | $ 4,047,631 |
| Deferred tax assets | 8,360,245 | 9,322,066 | 9,850,676 | 2,092,559 | 2,040,446 | 1,894,666 | 10,452,804 | 11,362,512 | 11,745,342 |
| Total assets | 67,054,083 | 78,211,226 | 81,044,983 | (223,364) | 266,288 | 662,273 | 66,830,719 | 78,477,514 | 81,707,256 |
| Current liabilities: | | | | | | | | | |
| Deferred franchise and regional development fee revenue, current portion | 3,045,868 | 3,162,710 | 3,198,750 | (3,045,868) | (3,162,710) | (3,198,750) | — | — | — |
| Deferred franchise fee revenue, current portion | — | — | — | 2,229,101 | 2,347,990 | 2,405,300 | 2,229,101 | 2,347,990 | 2,405,300 |
| Upfront regional developer fees, current portion | — | — | — | 816,767 | 814,720 | 793,450 | 816,767 | 814,720 | 793,450 |
| Other current liabilities | 707,763 | 551,035 | 404,901 | — | — | — | 707,763 | 551,035 | 404,901 |
| Total current liabilities | 17,414,714 | 21,778,714 | 20,934,744 | — | — | — | 17,414,714 | 21,778,714 | 20,934,744 |
| Deferred franchise and regional development fee revenue, net of current portion | 13,560,449 | 14,708,216 | 15,349,878 | (13,560,449) | (14,708,216) | (15,349,878) | — | — | — |
| Deferred franchise fee revenue, net of current portion | — | — | — | 10,672,244 | 11,887,275 | 12,671,068 | 10,672,244 | 11,887,275 | 12,671,068 |
| Upfront regional developer fees, net of current portion | — | — | — | 2,888,205 | 2,820,941 | 2,678,810 | 2,888,205 | 2,820,941 | 2,678,810 |
| Other liabilities | 27,230 | 27,230 | 27,231 | 601,690 | 690,621 | 779,551 | 628,920 | 717,851 | 806,782 |
| Total liabilities | 43,364,021 | 50,911,850 | 51,383,166 | 601,690 | 690,621 | 779,551 | 43,965,711 | 51,602,471 | 52,162,717 |
| Accumulated deficit | (17,780,218) | (15,096,255) | (13,184,061) | (825,054) | (424,333) | (117,278) | (18,605,272) | (15,520,588) | (13,301,339) |
| Total The Joint Corp. stockholders' equity | 23,689,962 | 27,299,276 | 29,636,817 | (825,054) | (424,333) | (117,278) | 22,864,908 | 26,874,943 | 29,519,539 |
| Total equity | 23,690,062 | 27,299,376 | 29,661,817 | (825,054) | (424,333) | (117,278) | 22,865,008 | 26,875,043 | 29,544,539 |
| Total liabilities and stockholders' equity | 67,054,083 | 78,211,226 | 81,044,983 | (223,364) | 266,288 | 662,273 | 66,830,719 | 78,477,514 | 81,707,256 |

The following table summarizes the effect of the errors on the Company's consolidated income statements for the three-month periods ended March 31, 2021, June 30, 2021, and September 30, 2021:

| | As Previously Reported | | | Adjustments | | | As Restated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Q1'21 | Q2'21 | Q3'21 | Q1'21 | Q2'21 | Q3'21 | Q1'21 | Q2'21 | Q3'21 |
| Revenues: | | | | | | | | | |
| Regional developer fees | $ 217,956 | $ 214,434 | $ 209,651 | $(217,956) | $(214,434) | $(209,651) | $ — | $ — | $ — |
| Total revenues | 17,547,965 | 20,218,798 | 20,991,621 | (217,956) | (214,434) | (209,651) | 17,330,009 | 20,004,364 | 20,781,970 |
| Cost of revenues: | | | | | | | | | |
| Franchise and regional developer cost of revenues | 1,624,572 | 1,786,833 | 1,907,874 | (217,956) | (214,434) | (209,651) | 1,406,616 | 1,572,399 | 1,698,223 |
| Total cost of revenues | 1,765,317 | 2,038,538 | 2,300,122 | (217,956) | (214,434) | (209,651) | 1,547,361 | 1,824,104 | 2,090,471 |
| Depreciation and amortization | 1,169,866 | 1,443,018 | 1,662,255 | (541,765) | (541,765) | (541,764) | 628,101 | 901,253 | 1,120,491 |
| General and administrative expenses | 10,087,060 | 11,614,444 | 12,812,331 | 1,363,144 | 10,123 | 10,123 | 11,450,204 | 11,624,567 | 12,822,454 |
| Total selling, general and administrative expenses | 13,746,205 | 16,190,177 | 17,356,161 | 821,379 | (531,642) | (531,641) | 14,567,584 | 15,658,535 | 16,824,520 |
| Income from operations | 1,971,676 | 2,034,343 | 1,338,878 | (821,379) | 531,642 | 531,641 | 1,150,297 | 2,565,985 | 1,870,519 |
| Income before income tax expense (benefit) | 1,950,139 | 2,017,970 | 1,322,739 | (821,379) | 531,642 | 531,641 | 1,128,760 | 2,549,612 | 1,854,380 |
| Income tax expense (benefit) | (364,148) | (665,992) | (614,356) | (246,546) | 130,920 | 224,587 | (610,694) | (535,072) | (389,769) |
| Net income | 2,314,287 | 2,683,962 | 1,937,095 | (574,833) | 400,722 | 307,054 | 1,739,454 | 3,084,684 | 2,244,149 |
| Earnings per share: | | | | | | | | | |
| Basic earnings per share | $ 0.16 | $ 0.19 | $ 0.13 | $ (0.04) | $ 0.03 | $ 0.03 | $ 0.12 | $ 0.22 | $ 0.16 |
| Diluted earnings per share | $ 0.16 | $ 0.18 | $ 0.13 | $ (0.04) | $ 0.03 | $ 0.02 | $ 0.12 | $ 0.21 | $ 0.15 |

The following table summarizes the effect of the errors on the Company's consolidated income statements for the six-month period ended June 30, 2021 and the nine-month period ended September 30, 2021:

| | As Previously Reported | | Adjustments | | As Restated | |
|---|---|---|---|---|---|---|
| | Six Months Ended June 30, 2021 | Nine Months Ended September 30, 2021 | Six Months Ended June 30, 2021 | Nine Months Ended September 30, 2021 | Six Months Ended June 30, 2021 | Nine Months Ended September 30, 2021 |
| Revenues: | | | | | | |
| Regional developer fees | $ 432,390 | $ 642,041 | $ (432,390) | $ (642,041) | $ — | $ — |
| Total revenues | 37,766,762 | 58,758,383 | (432,390) | (642,041) | 37,334,372 | 58,116,342 |
| Cost of revenues: | | | | | | |
| Franchise and regional developer cost of revenues | 3,411,404 | 5,319,278 | (432,390) | (642,041) | 2,979,014 | 4,677,237 |
| Total cost of revenues | 3,803,854 | 6,103,976 | (432,390) | (642,041) | 3,371,464 | 5,461,935 |
| Depreciation and amortization | 2,612,884 | 4,275,140 | (1,083,530) | (1,625,295) | 1,529,354 | 2,649,845 |
| General and administrative expenses | 21,701,047 | 34,513,378 | 1,373,267 | 1,383,389 | 23,074,314 | 35,896,767 |
| Total selling, general and administrative expenses | 29,935,974 | 47,292,135 | 289,737 | (241,906) | 30,225,711 | 47,050,229 |
| Income from operations | 4,006,426 | 5,345,305 | (289,737) | 241,906 | 3,716,689 | 5,587,211 |
| Income before income tax expense (benefit) | 3,968,517 | 5,291,255 | (289,737) | 241,906 | 3,678,780 | 5,533,161 |
| Income tax expense (benefit) | (1,030,140) | (1,644,496) | (115,626) | 108,961 | (1,145,766) | (1,535,535) |
| Net income | 4,998,657 | 6,935,751 | (174,111) | 132,945 | 4,824,546 | 7,068,696 |
| Earnings per share: | | | | | | |
| Basic earnings per share | $ 0.35 | $ 0.49 | $ (0.01) | $ — | $ 0.34 | $ 0.49 |
| Diluted earnings per share | $ 0.34 | $ 0.46 | $ (0.02) | $ 0.01 | $ 0.32 | $ 0.47 |

The following table summarizes the effect of the errors on the Company's consolidated statements of stockholders' equity for the first through third fiscal quarters of 2021:

| | Accumulated Deficit | Total The Joint Corp. stockholder's equity | Total Equity |
|---|---|---|---|
| Balances, December 31, 2020 (as previously reported) | $ (20,094,912) | $ 21,126,152 | $ 21,126,252 |
| Adjustment due to cumulative error correction | (250,220) | (250,220) | (250,220) |
| Balances, December 31, 2020 (as restated) | $ (20,345,132) | $ 20,875,932 | $ 20,876,032 |
| Balances, March 31, 2021 (as previously reported) | $ (17,780,218) | $ 23,689,962 | $ 23,690,062 |
| Adjustment due to cumulative error correction | (825,054) | (825,054) | (825,054) |
| Balances, March 31, 2021 (as restated) | $ (18,605,272) | $ 22,864,908 | $ 22,865,008 |
| Balances, June 30, 2021 (as previously reported) | $ (15,096,255) | $ 27,299,276 | $ 27,299,376 |
| Adjustment due to cumulative error correction | (424,333) | (424,333) | (424,333) |
| Balances, June 30, 2021 (as restated) | $ (15,520,588) | $ 26,874,943 | $ 26,875,043 |
| Balances, September 30, 2021 (as previously reported) | $ (13,184,061) | $ 29,636,817 | $ 29,661,817 |
| Adjustment due to cumulative error correction | (117,278) | (117,278) | (117,278) |
| Balances, September 30, 2021 (as restated) | $ (13,301,339) | $ 29,519,539 | $ 29,544,539 |

The following table summarizes the effect of the errors on the Company's consolidated statements of cash flows for the three-month period ended March 31, 2021, the six-month period ended June 30, 2021, and the nine-month period ended September 30, 2021:

| | As Previously Reported | | | Adjustments | | | As Restated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Three Months Ended March, 31, 2021 | Six Months Ended June 30, 2021 | Nine Months Ended September 30, 2021 | Three Months Ended March, 31, 2021 | Six Months Ended June 30, 2021 | Nine Months Ended September 30, 2021 | Three Months Ended March, 31, 2021 | Six Months Ended June 30, 2021 | Nine Months Ended September 30, 2021 |
| Cash flows from operating activities: | | | | | | | | | |
| Net income | $2,314,287 | $4,998,657 | $ 6,935,751 | $ (574,833) | $ (174,111) | $ 132,945 | $1,739,454 | $4,824,546 | $7,068,696 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | | | | |
| Depreciation and amortization | 1,169,866 | 2,612,884 | 4,275,140 | (541,765) | (1,083,530) | (1,625,295) | 628,101 | 1,529,354 | 2,649,845 |
| Deferred income taxes | (418,810) | (1,380,631) | (1,909,241) | (325,352) | (273,239) | (127,459) | (744,162) | (1,653,870) | (2,036,700) |
| Changes in operating assets and liabilities: | | | | | | | | | |
| Upfront regional developer fees | — | — | — | (143,634) | (212,945) | (376,346) | (143,634) | (212,945) | (376,346) |
| Deferred revenue | 329,383 | 1,757,294 | 2,410,202 | 107,955 | 177,266 | 340,666 | 437,338 | 1,934,560 | 2,750,868 |
| Other liabilities | 235,116 | 565,779 | 852,924 | 88,929 | 177,859 | 266,789 | 324,045 | 743,638 | 1,119,713 |
| Net cash provided by operating activities | 2,271,448 | 9,014,529 | 12,451,587 | (1,388,700) | (1,388,700) | (1,388,700) | 882,748 | 7,625,829 | 11,062,887 |
| Cash flows from investing activities: | | | | | | | | | |
| Reacquisition and termination of regional developer rights | (1,388,700) | (1,388,700) | (1,388,700) | 1,388,700 | 1,388,700 | 1,388,700 | — | — | — |
| Net cash used in investing activities | (2,340,341) | (8,877,659) | (11,264,585) | 1,388,700 | 1,388,700 | 1,388,700 | (951,641) | (7,488,959) | (9,875,885) |
| Decrease in cash | (2,812,479) | (1,985,284) | (827,347) | — | — | — | (2,812,479) | (1,985,284) | (827,347) |

**Note 15: Subsequent Events**

The employee retention credit ("ERC"), as originally enacted through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020, is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The Disaster Tax Relief Act, enacted on December 27, 2020, extended the employee retention credit for qualified wages paid from January 1, 2021 to June 30, 2021, and the credit was increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the employee retention credit through December 31, 2021.

In October 2022, the Company filed an application with the IRS for the ERC. Employers are eligible for the credit if they experienced full or partial suspension or modification of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on a comparison of quarterly revenue results for 2020 and/or 2021 with the comparable quarter in 2019. The Company's ERC application was equal to 70% of qualified wages paid to employees during the period from January 1, 2021 to June 30, 2021 for a maximum quarterly credit of $7,000 per employee. In March 2023, the Company received notice from the IRS related to the overpayment of Federal Employment Tax plus interest in the amount of $4.8 million related to the ERC application. The $4.8 million ERC is subject to a 20% consulting fee. The Company's eligibility remains subject to audit by the IRS for a period of five years.

# EXHIBIT E

## LIST OF REGIONAL DEVELOPERS

Part A: List of Regional Developer Businesses/Franchisees as of December 31, 2023:

| Region State(s) | Region/Area | Regional Dev | Phone | Owner |
|---|---|---|---|---|
| Alabama (and Louisiana and Mississippi) | Alabama, Louisiana & Mississippi | Alabama - Alabama, Mississippi, Louisiana - Pat Greco, Pat, Weathers - PPG Health Solutions, LLC | 404-797-6088 | Pat Greco, Pat, Weathers - PPG Health Solutions, LLC |
| Arkansas (and Oklahoma and Texas) | Texas, Oklahoma, Arkansas | Multiple States - Texas, Oklahoma, Arkansas - Kevin Stutz - Stutz Wealthcorp, INC | 512-970-5979 | Kevin Stutz - Stutz Wealthcorp, INC |
| California | Northern California (6 Counties-Santa Clara, Solano, Yolo, Sacramento, Placer and San Joaquin) | California - Northern California (6 Counties-Santa Clara, Solano, Yolo, Sacramento, Placer and San Joaquin) - Chris O'Neal (Joint Ventures) | 775-200-9928 | Chris O'Neal (Joint Ventures) |
| Colorado | Denver and North, Colorado Springs and Pueblo MSA's ( counties include Larimer, Weld, Boulder, Broomfield, Adams, Denver, Arapahoe, Jefferson, Douglas, El Paso, Pueblo) | Colorado - Denver and North, Colorado Springs and Pueblo MSA's ( counties include Larimer, Weld, Boulder, Broomfield, Adams, Denver, Arapahoe, Jefferson, Douglas, El Paso, Pueblo) - Brad Remington (Remington Joint, LLC) | 303-968-5408 | Brad Remington (Remington Joint, LLC) |
| Florida | Indian River, Okeechobee, St. Lucie, Marin, Palm Beach, Broward, Miami Dade, and Monroe including the Florida Keys. | Florida - Indian River, Okeechobee, St. Lucie, Marin, Palm Beach, Broward, Miami Dade, and Monroe including the Florida Keys. - Walter Booth, Joe Burum and Kevin Minter - KCI Wellness Development, LLC | 404.556.5882 | Walter Booth, Joe Burum and Kevin Minter - KCI Wellness Development, LLC |
| Florida | Tampa/Orlando (Counties of Baker, Duval, Clay, St. Johns, Putnam, Bradford, Alachua, Marion, Flagler, Volusia, Lake, Sumter, Seminole, Orange, Osceola, Brevard, Polk, Citrus, Pinellas, Hillsborough, Pasco, Hernando, Manatee, Sarasota, Charlotte, Lee, Collier) | Florida - Tampa/Orlando (Counties of Baker, Duval, Clay, St. Johns, Putnam, Bradford, Alachua, Marion, Flagler, Volusia, Lake, Sumter, Seminole, Orange, Osceola, Brevard, Polk, Citrus, Pinellas, Hillsborough, Pasco, Hernando, Manatee, Sarasota, Charlotte, Lee, Collier) - Shane Weber, Barry Goodman, Jeff McGinty, Duane Cantrell, Michael Cantrell | 404-964-3182 | Shane Weber, Barry Goodman, Jeff McGinty, Duane Cantrell, Michael Cantrell |
| Idaho (and Washington) | Entire State of Washington (excluding Clark and Skamania Counties) Including Kootenai County Idaho | Washington - Entire State of Washington (excluding Clark and Skamania Counties) Including Kootenai County Idaho - Kevin Kelly, Wynn, Faith - Pack Joint Development, LLC | 610-659-4968 | Kevin Kelly, Wynn, Faith - Pack Joint Development, LLC |
| Illinois* | Southern Illinois (counties of St. Claire, Monroe, Madison, Macoupin, Jersey, Clinton and Calhoun) | Illinois - Southern Illinois (counties of St. Claire, Monroe, Madison, Macoupin, Jersey, Clinton and Calhoun) - Mike Klearman | 636-675-0366 | Mike Klearman |
| Indiana (and Illinois and Wisconsin) | ILLINOIS – Cook, DuPage, Grundy, Kendall, McHenry, Will, DeKalb, Kane, Lake WISCONSIN – Kenosha INDIANA – Jasper, Lake, Newton, Porter | Illinois - ILLINOIS – Cook, DuPage, Grundy, Kendall, McHenry, Will, DeKalb, Kane, Lake WISCONSIN – Kenosha INDIANA – Jasper, Lake, Newton, Porter - Jim Fender GM for Don, Larry and Jody -( Porter Partners, LLC) | 815-342-4203 | Jim Fender GM for Don, Larry and Jody -( Porter Partners, LLC) |
| Indiana (and Kentucky and | Kentucky, West Virginia counties of Cabell, Putnam, Kanawha. Indiana, | Kentucky - Kentucky, West Virginia counties of Cabell, Putnam, Kanawha. Indiana, Warrick, Dearborn, Clark | 423-987-6980 | Taylor Abrams - Abrams Management |

| Region State(s) | Region/Area | Regional Dev | Phone | Owner |
|---|---|---|---|---|
| West Virginia) | Warrick, Dearborn, Clark Vanderburgh | Vanderburgh - Taylor Abrams - Abrams Management Systems, Inc. | | Systems, Inc. |
| Iowa, Nebraska, South Dakota | Iowa- Nebraska-South Dakota- County of Rock Island Illinois | Iowa- Nebraska-South Dakota- County of Rock Island Illinois - Jerry Akers - MOCA RD, LLC | (319) 929-7853 | MOCA RD, LLC<br>Jerry Akers |
| Maryland<br>(and Washington DC) | State of Maryland and Washington DC | Maryland - State of Maryland and Washington DC - Gordon and Marvin Thornton - Giselle Regional Management Group, LLC | 910.495.6877 | Gordon and Marvin Thornton - Giselle Regional Management Group, LLC |
| Minnesota<br>(and Washington) | Minnesota counties of Anoka, Henepin, Scott, Dakota, Ramsey, Carver and Washington | Minnesota - Minnesota counties of Anoka, Henepin, Scott, Dakota, Ramsey, Carver and Washington - Craig Selander, Angela, Selander, Robb Quinlan, Dr. John McKeague | (612) 703.0224 | S&Q RD LLC Craig Selander, Angela , Selander, Ryan Christopherson |
| Missouri* | State of MO except for Kansas City, MO portion of MSA (excluded from RD are the counties of Cliniton, Caldewll, Platte, Clay, Ray, Lafayette, Jackson, Cass, and Bates) | Missouri - State of MO except for Kansas City, MO portion of MSA (excluded from RD are the counties of Cliniton, Caldewll, Platte, Clay, Ray, Lafayette, Jackson, Cass, and Bates) - Mike Klearman (CW Wellness) | 636-675-0366 | Mike Klearman (CW Wellness) |
| Nevada *<br>(and Utah) | UTAH-Weber and Davis Counties AND NEVADA: Washoe and Carson City Counties | Utah - UTAH-Weber and Davis Counties AND NEVADA: Washoe and Carson City Counties - Chris O'Neal | 775-200-9928 | Chris O'Neal |
| Ohio | State of Ohio | Ohio - State of Ohio - Chad Warner - Justera Company | 614-204-4319 | Chad Warner - Justera Company |
| Oregon* | OREGON counties consist of: Clackamas, Columbia, Multnomah, Washington, Yamhill and Marion | Oregon - OREGON counties consist of: Clackamas, Columbia, Multnomah, Washington, Yamhill and Marion - Chris O'Neal | 775-200-9928 | Chris O'Neal |
| Tennessee | Tennessee with additional counties, Crittenden AR, DeSoto MS, Dade, Walker, WhitfieldGA, Catoosa County, GA Bristol and WashingtonVA | Tennessee - Tennessee with additional counites, Crittenden AR, DeSoto MS, Dade, Walker, WhitfieldGA, Catoosa County, GA Bristol and WashingtonVA - Paul Trindel and Chad Eads | 336-601-2926 | Paul Trindel and Chad Eads |
| Texas* | Austin / Round Rock / San Marcos MSA (counties consist of Williamson, Travis, Hays, Bastrop and Caldwell) | Texas - Austin / Round Rock / San Marcos MSA (counties consist of Williamson, Travis, Hays, Bastrop and Caldwell) - David and Anne Glover (The Joint Franchising Austin) | 713-829-5198 | David and Anne Glover (The Joint Franchising Austin) |
| Texas* | Dallas / Fort Worth / Arlington MSA (counties consist of Wise, Denton, Collin, Hunt, Rockwall, Dallas, Tarrant, Parker, Hood, Johnson, Ellis, Kaufman) | Texas - Dallas / Fort Worth / Arlington MSA (counties consist of Wise, Denton, Collin, Hunt, Rockwall, Dallas, Tarrant, Parker, Hood, Johnson, Ellis, Kaufman) - David and Anne Glover (The Joint Franchising Dallas) | 713-829-5198 | David and Anne Glover (The Joint Franchising Dallas) |
| Texas* | Houston / Sugarland / Baytown (counties consist of Austin, Waller, Montgomery, Libery, Harris, | Texas - Houston / Sugarland / Baytown (counties consist of Austin, Waller, Montgomery, Libery, Harris, Chambers, | 713-829-5198 | David and Anne Glover (The joint Franchising |

| Region State(s) | Region/Area | Regional Dev | Phone | Owner |
|---|---|---|---|---|
| | Chambers, Fort Bend, Brazoria and Galveston) | Fort Bend, Brazoria and Galveston) - David and Anne Glover (The joint Franchising Houston) | | Houston) |
| Texas* | San Antonio / New Braunfels MSA (counties consist of Bandera, Medina, Bexar, Kendall, Comal, Guadalupe, Wilson, Atascosa) | Texas - San Antonio / New Braunfels MSA (counties consist of Bandera, Medina, Bexar, Kendall, Comal, Guadalupe, Wilson, Atascosa) - David and Anne Glover (The Joint Franchising San Antonio) | 713-829-5198 | David and Anne Glover (The Joint Franchising San Antonio) |
| Washington* | WASHINGTON-Clark and Skamania Counties | Washington - WASHINGTON-Clark and Skamania Counties - Chris O'Neal | 775-200-9928 | Chris O'Neal |
| West Virginia | West Virginia (excluded from RD are the counties of Cabell, Putnam and Kanawha); Virginia (excluded from RD are the counties of Washington and Bristol, Chesapeake, Virginia Beach, Norfolk, Portsmouth, Suffolk, Isle of Wright, Hampton, Newport News, Poquoson, York, Williamsburg, James City, Franklin City, Gloucester, Matthews, North Hampton and Accoomack ); and Pennsylvania (counties consist of Allegheny, Beaver, Westmoreland, Washington and Fayette) | West Virginia (excluded from RD are the counties of Cabell, Putnam and Kanawha); Virginia (excluded from RD are the counties of Washington and Bristol, Chesapeake, Virginia Beach, Norfolk, Portsmouth, Suffolk, Isle of Wright, Hampton, Newport News, Poquoson, York, Williamsburg, James City, Franklin City, Gloucester, Matthews, North Hampton and Accoomack ); and Pennsylvania (counties consist of Allegheny, Beaver, Westmoreland, Washington and Fayette) - Paul Trindel (Wellness Inc) | 336-601-2926 | Paul Trindel (Wellness Inc) |

*The following areas are counted together as a single outlet for purposes of Item 20:

- 4 areas in Texas
- 2 areas in Illinois/Missouri
- 3 areas in Nevada/Oregon/Washington

Part B: List of Regional Developer Businesses/Franchisees that left the system in 2023:

| Region State(s) | City of Residency | Phone | Owner |
|---|---|---|---|
| Wisconsin & Central Illinois | De Forest, Wisconsin | (608) 234-3955 | Michael “Jeffrey” Bosco<br>Laura Bosco |

# EXHIBIT F

## STATE-SPECIFIC DISCLOSURES

## REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA CORPORATIONS CODE SECTION 31125 REQUIRES THAT THE FRANCHISOR GIVE THE FRANCHISEE A DISCLOSURE DOCUMENT APPROVED BY THE DEPARTMENT OF CORPORATIONS PRIOR TO A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Neither we nor any person or franchise broker identified in Item 2 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 that association or exchange.

Item 5 of the Disclosure Document is modified to include the following paragraph:

> We apply the initial Regional Developer fee to our general operating revenues, which we use, among other purposes, to cover the costs of marketing to prospective Regional Developer franchisees, training new Regional Developer franchisees and assisting new Regional Developer franchisees in opening their businesses.

The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination and non-renewal of a franchise. If the Regional Developer Agreement contains a provision that in inconsistent with the law, the law will control. We may not terminate your Regional Developer franchise except for good cause, and we must give you a notice of default and a reasonable opportunity to cure the defects (except for certain defects specified in the statute, for which no opportunity to cure is required by law). The statute also requires that we give you notice of any intention not to renew your Regional Developer franchise at least 180 days before expiration of the Regional Developer Agreement.

You must sign a general release if you renew or transfer your Regional Developer 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).

The Regional Developer Agreement contains a covenant not to compete, which extends beyond the termination of your Regional Developer franchise. This provision may not be enforceable under California law.

THE REGIONAL DEVELOPER AGREEMENT REQUIRES APPLICATION OF THE LAW OF ARIZONA. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW. To the extent permitted by law, you and we waive any right to or claim for any punitive or exemplary damages against each other and agree that in the event of a dispute between us, each will be limited to the recovery of actual damages only (except in limited circumstances). Each party further waives trial by jury and, to the extent permitted by law, all claims arising out of or relating to the Regional Developer Agreement must be brought within one year from the date on which you or we knew or should have known of the facts giving rise to such claims (except for claims relating to nonpayment or underpayment of amounts you owe us).

The Regional Developer Agreement requires binding arbitration. The arbitration will occur at the

office of the American Arbitration Office closest to our principal executive offices. 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.

OUR WEBSITE (www.thejoint.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION at https://dfpi.ca.gov/.

**REQUIRED BY THE STATE OF HAWAII**

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.

Item 20 of this Disclosure Document will be amended by the addition of the following paragraph:

This franchise offering is or will be effective in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Washington and Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

**REQUIRED BY THE STATE OF ILLINOIS**

Item 5 of this disclosure document is amended to add the following language at the end of the section:

**Fee Deferral**

All fees referenced in the Franchise Agreement and Regional Developer Agreement are subject to deferral pursuant to order of the Illinois Attorney General's Office based upon their review of our financial condition as reflected in our financial statements. Accordingly,

you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the first franchised business.

Item 17 of this disclosure document is supplemented by the addition of the following paragraphs at the end of the chart:

State Law

The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

The Illinois Franchise Disclosure Act will govern any Regional Developer Agreement if it applies to a subfranchise located in Illinois.

Any condition in the Regional Developer Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois, provided that the Regional Developer Agreement may provide for arbitration in a forum 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.

## REQUIRED BY THE STATE OF INDIANA

The Regional Developer Agreement contains a covenant not to compete that extends beyond the termination of your Regional Developer franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of your Regional Developer franchise unlawful unless there is a material violation of the Regional Developer Agreement and the termination is not done in bad faith.

If Indiana law requires the Regional Developer Agreement and all related documents to be governed by Indiana law, then nothing in the Regional Developer Agreement or related documents referring to Arizona law will abrogate or reduce any of your rights as provided for under Indiana law.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

Although the Regional Developer Agreement requires mediation to be held at the office of the American Arbitration Association closest to our principal executive offices, mediation held pursuant to the Regional Developer Agreement must take place in Indiana if you so request. If you choose Indiana, we have the right to select the location in Indiana.

## REQUIRED BY THE STATE OF MARYLAND

A franchisee located within the state of Maryland shall not be required to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise which would act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The provisions in the Regional Developer Agreement relating to the general release that is required

as a condition of renewal, sale and assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Lawsuits by either you or us may take place in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any limitation of claims provision(s) in the Regional Developer Agreement shall not act to reduce the 3-year statute of limitations afforded to you for bringing a claim under the Law. Any claims arising under the Maryland Franchise Registration and Law must be brought within 3 years after the grant of the franchise to you.

Item 5 of this disclosure document is amended to add the following language at the end of the section:

**Fee Deferral**

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Regional Developer Agreement.

## REQUIRED BY THE STATE OF MINNESOTA

We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release. Any release you sign as a condition of renewal or transfer will not apply to any claims you may have under the Minnesota Franchise Law.

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C. 14, subds, 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Regional Developer Agreement.

Minn. Stat. § 80C.17, Subd. 5, states that no civil action pertaining to a violation of a franchise rule or statute can be commenced more than three years after the cause of action accrues

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Disclosure Document or the Regional Developer Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

## REQUIRED BY STATE OF NEW JERSEY

Liquidated damages are void if unreasonable under the totality of the circumstances, including whether a statute governs the relationship and concerns liquidated damages clauses; and the common practice in the industry.

## REQUIRED BY THE STATE OF NEW YORK

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 SOURCES OF 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 THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.**
**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 WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard 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, which are 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 10 year period 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 Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for 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; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:
You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. 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 upon the franchisee by Article 33 of the General Business Law of the State of New York.

## REQUIRED BY THE STATE OF NORTH DAKOTA

The Regional Developer Agreement contains a covenant not to compete which extends beyond the termination of your Regional Developer franchise. This provision may not be enforceable under North Dakota law.

Although the Regional Developer Agreement provides that the place of mediation will be located at the office of the American Arbitration Association closest to our principal executive offices, we agree that the place of mediation will be a location that is in close proximity to the site of your Regional Developer Business.

The Regional Developer Agreement requires that you consent to the jurisdiction of a court in close

proximity to our principal executive offices. This provision may not be enforceable under North Dakota law because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.

Although the Regional Developer Agreement provides that it will be governed by and construed in accordance with the laws of the State of Arizona, we agree that the laws of the State of North Dakota will govern the construction and interpretation of the Regional Developer Agreement.

A contractual requirement that you sign a general release may be unenforceable under the laws of North Dakota.

Although the Regional Developer Agreement requires the franchisee to consent to a waiver of trial by jury, the Commissioner has determined that a requirement requiring the waiver of a trial by jury to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota.

Although the Regional Developer Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages, the Commissioner had determined these types of provisions to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is not enforceable in North Dakota.

Although the Regional Developer Agreement requires the franchisee to consent to a limitation of claims period within one year, the Commissioner had determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The limitation of claims period is therefore governed by North Dakota law.

To the extent any provision of the Regional Developer Agreement requires you to consent to a waiver of exemplary or punitive damages, the provision will be deemed null and void.

## REQUIRED BY THE STATE OF RHODE ISLAND

Even though our Regional Developer Agreement says the laws of Arizona apply, § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

## REQUIRED BY THE STATE OF WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the Regional Developer Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Regional Developer Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any mediation involving a franchise purchased in Washington, the mediation site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the mediation, or as determined by the mediator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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 a 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.

These requirements must be included in an addendum to the Regional Developer Agreement you sign for the State of Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 202_____.

**FRANCHISOR:**

**THE JOINT CORP.**
**a Delaware corporation**

By:_____
Name:_____
Its:_____

**REGIONAL DEVELOPER**

_____,
a(n)_____

By:_____
Name:_____
Its:_____

# EXHIBIT G

## OTHER AGREEMENTS

**[See Attached]**

# EXHIBIT G-1

## CONFIDENTIALITY/NON-DISCLOSURE AGREEMENT

**[See Attached]**

**CONFIDENTIALITY/NONDISCLOSURE AGREEMENT**

**THIS AGREEMENT**, made and entered into this _____ day of _____, 202____, by and between The Joint Corp., a Delaware corporation, (hereinafter referred to as the "Company") and _____, whose address is _____ (hereinafter referred to as "Prospective Regional Developer").

**WITNESSETH THAT**:

**WHEREAS**, Prospective Regional Developer desires to obtain certain confidential and proprietary information from the Company for the sole purpose of inspecting and analyzing said information in an effort to determine whether to purchase a franchise from the Company; and

**WHEREAS**, the Company is willing to provide such information to Prospective Regional Developer for the limited purpose and under the terms and conditions set forth herein;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

**1. DEFINITION.** "Confidential Information" is used herein to mean all information, documentation and devices disclosed to or made available to Prospective Regional Developer by the Company, whether orally or in writing, as well as any information, documentation or devises heretofore or hereafter produced by Prospective Regional Developer in response to or in reliance on said information, documentation and devises made available by the Company.

**2. TERM.** The parties hereto agree that the restrictions and obligations of Paragraph 3 of this Agreement shall be deemed to have been in effect from the commencement on the _____ day of _____, 20____, of the ongoing negotiations between Prospective Regional Developer and the Company and continue in perpetuity until disclosed by the Company.

**3. TRADE SECRET ACKNOWLEDGEMENT.** Prospective Regional Developer acknowledges and agrees the Confidential Information is a valuable trade secret of the Company and that any disclosure or unauthorized use thereof will cause irreparable harm and loss to the Company.

**4. TREATMENT OF CONFIDENTIAL INFORMATION.** In consideration of the disclosure to Prospective Regional Developer of Confidential Information, Prospective Regional Developer agrees to treat Confidential Information in confidence and to undertake the following additional obligations with respect thereto:

(a) To use Confidential Information for the sole purpose of inspecting and analyzing the information in an effort to determine whether to purchase a franchise from the Company and solely in its operation of the Company Franchise;

(b) Not to disclose Confidential Information to any third party;

(c) To limit dissemination of Confidential Information to only those of Prospective Regional Developer's officers, directors and employees who have a need to know to perform the limited tasks set forth in Item 4 (a) above; and who have agreed to the terms and obligations of this Agreement by affixing their signatures hereto;

(d) Not to copy Confidential Information or any portions thereof; and

(e) To return Confidential Information and all documents, notes or physical evidence thereof, to the Company upon a determination that Prospective Regional Developer no longer has a need therefore, or a request therefore, from the Company, whichever occurs first.

**5. SURVIVAL OF OBLIGATIONS.** The restrictions and obligations of this Agreement shall survive any expiration, termination or cancellation of this Agreement and shall continue to bind Prospective Regional Developer, his heirs, successors and assigns in perpetuity.

**6. NEGATION OF LICENSES.** Except as expressly set forth herein, no rights to licenses, expressed or implied, are hereby granted to Prospective Regional Developer as a result of or related to this Agreement.

**7. APPLICABLE LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of Arizona.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed.

**THE JOINT CORP.**

**A Delaware corporation**

BY:_____

ITS:_____

_____
**(Signature of Prospective Regional Developer)**

_____
**Print Name of Prospective Regional Developer**

**EXHIBIT G-2**

**FORM OF ASSET PURCHASE AGREEMENT**

**[See Attached]**

**REGIONAL DEVELOPER LICENSE PURCHASE AGREEMENT**

This Regional Developer License Purchase Agreement (this "Agreement") is entered into the date last set forth below on the signature page (the "Effective Date"), by and between The Joint Corp., a Delaware corporation ("TJC"), _____ ("Seller") and _____ ("Guarantor"). TJC, Seller and Guarantor are at times referred to herein collectively as the "Parties".

**Background:**

A. TJC and Seller are parties to a Regional Developer Agreement dated _____, (the "RDA"), relating to TJC franchise territories in _____ ("Development Area"). Guarantor and Seller have executed a joint and several guaranty (the "Guaranty") of Owner's obligations under the RDA.

B. The Seller now desires to sell the RDA and the Development Area, and TJC desires to purchase the RDA on the terms and subject to the conditions of this Agreement.

Now, therefore, in consideration of their mutual promises and intending to be legally bound, the Parties agree as follows:

**Agreement:**

1. **Definitions.** Capitalized terms used in this Agreement (including the preceding "Background" section) which are not expressly defined in this Agreement shall have the meaning ascribed to such term(s) that they have in the RDA.

2. **Purchase and Sale**

   (a) As of the closing date, Seller shall sell and TJC shall purchase RDA on the terms set forth herein, and the "Bill of Sale and Assignment" at **Exhibit A** hereto. The Parties agree that, with the exception of the survival of certain terms of the RDA as provided below in this Agreement (the "Surviving Terms"), upon the sale and purchase of the RDA, the RDA shall be terminated, effective as of the date of closing of the transaction contemplated in this Agreement; and with the exception of the Parties' respective rights, duties and obligations under the Surviving Terms, all of the Parties respective rights, duties and obligations under the RDA shall be thereby terminated.

   (b) The closing date ("Closing") of the transaction contemplated by this Agreement shall take place no later than _____.

   (c) All liabilities and obligations of Seller of any kind, including but not limited to, Seller's (1) contractual obligations; (2) accounts payable accrued and debts incurred prior to the Closing; (3) obligations and liabilities with respect to employee relationships, whether current, fixed or contingent; (4) liability for violation of any laws, rules, regulations, permits, approvals or orders; and (5) taxes and related obligations not assumed by TJC remain the responsibility of Seller.

   (d) Each of the Parties will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Seller will pay personal property, business excise, sales and other similar taxes properly accruable with respect to the income resulting from ownership of the RDA for any period up to and including the Closing. TJC will be responsible for all such expenses accruing after the Closing.

3. **Payment**

   (a) [IF APPLICABLE]Section 4 of the RDA provides that the "formula for repurchasing the Development Area and these rights will be as follows: (a) $29,000 for each Franchise that is opened under to this Agreement; plus (b) $7,250 for each Franchise that is unopened under this Agreement." As of the Effective Date, nine (9) Franchises have been opened under the RDA, and one (1) Franchise is unopened under the RDA. The "Purchase Price" therefore for TJC to

repurchase the Development Area and the rights therein, is _____ Dollars and No/100 ($_____).

(b) At the Closing of the transaction contemplated in this Agreement, TJC shall pay to Seller the Purchase Price in the amount of _____ **Dollars and No/100** ($_____) in immediately available funds by a wire transfer to the bank account designated by Seller. Seller agrees to provide such wire information to TJC no less than five (5) days prior to the Closing. The wire information is as follows: _____ _____ _____.

(c) Following the Closing and remittance of the Purchase Price to the Seller, the RDA (and any addenda) and all of the rights thereto, shall automatically inure and transfer to TJC.

4. **Surviving Terms**

(a) Notwithstanding the sale and termination of the RDA, the following provisions of the RDA shall survive and continue in effect in accordance with their terms:

(1) Subsection (c) (uncaptioned) of Section 5.2 ("Regional Developer Manual");

(2) Section 12.2 ("Post-Term") of Section 12 ("Non-Competition");

(3) Section 13.2 ("Rights and Obligations Upon Termination or Expiration"); and

(4) for purposes of resolving any disputes under this Agreement, Section 14 ("Mediation and Arbitration").

(b) In addition, as many of the remaining provisions of the RDA shall survive and continue in effect as may be necessary for (and solely for the purpose of) interpreting the Surviving Terms.

(c) Guarantor personally guarantees the performance by Seller of all of the Surviving Terms of the RDA.

5. **Representations and Warranties.**

Seller and Guarantor hereby jointly and severally represent and warrant to TJC as follows:

(a) Organization. Seller and Guarantor have full power and authority to conduct their business as it is now being conducted, and to execute, deliver and perform this Agreement.

(b) Authority. Neither Seller nor Guarantor is a party to, subject to, or bound by any agreement, judgment, order, writ, injunction, or decree of any court or governmental body that prevents or impairs the carrying out of this Agreement. All other actions (including all action required by state law) necessary to authorize the execution, delivery and performance by Seller of this Agreement, and the other documents, instruments and agreements necessary or appropriate to carry out the transactions herein contemplated, have been taken by Seller. Upon the execution of this Agreement and the other documents and instruments contemplated hereby by Seller and Guarantor, this Agreement and such other documents and instruments will be the valid and legally binding obligations of Seller and Guarantor, enforceable against each of them in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(c) No Consent or Approval Required. No authorization, consent, approval or other order of, declaration to or filing with any governmental body or authority is required for the consummation by Seller and Guarantor of the transactions contemplated by this Agreement.

(d) Compliance with Laws. To the best of Seller's and Guarantor's knowledge, neither Seller nor Guarantor is in violation of any of the terms, conditions or representations of the RDA, nor are they or any of them subject to any liability in respect of, any federal, state, county, township, city or municipal laws, codes, regulations or ordinances (including without limitation those relating to environmental protection, health, hazardous or toxic substances, fire or safety hazards, occupational safety, labor laws, employment discrimination, subdivision, building or zoning) with respect to the conduct of the Subject Franchise, nor has Seller or Guarantor received any notices of investigation or violation pertaining to any such matters. To the best of Seller's and Guarantor's knowledge, Seller and Guarantor have, and all professional employees or agents of Seller and Guarantor have, all licenses, franchises, permits, authorizations or approvals from all governmental or regulatory authorities required for the conduct of the Subject Franchise and neither Seller nor the professional employees or agents of Seller and Guarantor have violated any such license, franchise, permit, authorization or approval or any terms or conditions thereof.

(e) Litigation. There is no action, suit or proceeding pending, threatened against or affecting the RDA, or relating to or arising out of, the ownership or operation of the Assets, including claims by employees of the RDA.

(f) Financial Statements. Seller has delivered to TJC the financial statements for the RDA as of and for the calendar years 2019, 2020 and 2021 (collectively, the "Financial Statements"). The Financial Statements fairly present and will fairly present the financial position and results of operations of the Subject Franchise as of and for the periods presented.

(g) Claims. Neither Seller, Guarantor, nor any other person who holds or has ever held a direct or indirect interest in the RDA has any claim, demand, or cause of action for damages of any kind whatsoever, whether known or unknown, against TJC or its officers, directors, employees, attorneys, agents, successors and assigns by reason of any event, occurrence or omission arising under, or relating to, the RDA.

(h) Pre-Closing Operations. Until such time as the Subject Franchise has been transferred and assigned to TJC, Seller and the Guarantor shall continue to operate the RDA in a commercially reasonable manner (including without limitation, engaging in the sale of any products or packages at discounted amounts, or other revenue "stuffing" activities), consistent with the respective franchise agreement, and neither the Seller nor Guarantor shall take any actions or operate the Subject Franchise in such a way as to cause or precipitate any diminution in their prospective, post-closing sales or any material shift in their prospective, post-closing revenue streams.

(i) Due Diligence Request. Seller and Guarantor agree and acknowledge that TJC delivered the Due Diligence Request. Seller further warrants, represents and covenants that it has disclosed all material disclosures, documentation and information responsive to the Due Diligence Request.

(j) Personal Guarantee. As an inducement and as a condition of TJC to enter into this Agreement, _____ agrees individually, and as the sole shareholder of _____, to jointly and severally personally guarantee Seller's and Guarantor's performance, representations, covenants, and obligations under this Agreement.

TJC hereby represents and warrants to each of Seller and Guarantor as follows:

(a) Organization. TJC is a corporation duly organized and validly subsisting under the laws of the state of Delaware, and TJC has full power and authority to conduct its business as it is now being conducted, and to execute, deliver and perform this Agreement.

(b) Authority. TJC is not a party to, subject to or bound by any agreement, judgment, order, writ, injunction, or decree of any court or governmental body that prevents or impairs the carrying out of this Agreement. The execution, delivery and performance of this Agreement and all other documents, instruments and agreements contemplated hereby is subject to authorization and express written approval by TJC's Board of Directors. All other actions (including all action

required by state law and by the organizational documents of TJC) necessary to authorize the execution, delivery and performance by TJC of this Agreement and any other documents, instruments and agreements necessary or appropriate to carry out the transactions herein contemplated, have been taken by TJC. Upon the execution of this Agreement and the other documents and instruments contemplated hereby by TJC, this Agreement and such other documents and instruments will be the valid and legally binding obligations of TJC, enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity)

(c) No Consent or Approval Required. Except for the approval by TJC's Board of Directors referenced above, no authorization, consent, approval or other order of, declaration to or filing with any governmental body or authority is required for the consummation by TJC of the transactions contemplated by this Agreement.

(d) Conduct of Seller Pending Closing. Seller agrees from the date hereof until the Closing, unless otherwise consented to by TJC in writing: (1) Seller will take such action as necessary to maintain, preserve, renew and keep in full force and effect the existence, rights, licenses, permits and authorizations of the RDA; (2) Seller will use its best efforts to preserve and maintain the RDA; and (3) Seller will comply with all laws, compliance with which is required for the valid consummation of the transactions contemplated by this Agreement.

6. **Releases**

(a) Seller and Guarantor, for themselves and their and his heirs, legal representatives and assigns, each hereby unconditionally and irrevocably releases and waives all claims, demands, causes of action and damages of any kind whatever, whether known or unknown (collectively, "Claims") that Seller or Guarantor now has or in the future may have against TJC, its officers, directors, agents, affiliates, attorneys, employees, successors and assigns, by reason of any event, occurrence or omission arising under or relating to the RDA, with the exception of Claims arising under this Agreement.

(b) TJC, for itself and its successors and assigns, hereby unconditionally and irrevocably releases and waives all Claims that TJC now has or in the future may have against Seller and Guarantor and it or his heirs, legal representatives and assigns by reason of any event, occurrence or omission arising under or relating to the RDA (provided that TJC has knowledge of any such claims as of the Effective Date), with the exception of Claims arising under this Agreement.

(c) The foregoing releases shall not apply in the case of a claim for indemnification pursuant to Paragraph 7 below.

7. **No Assumption of Liabilities.** Except as expressly provided in this Agreement, TJC shall not assume any debts, liabilities or obligations of Seller, Guarantor or their shareholders, members, affiliates, officers, employees or agents of any nature, whether known or unknown, fixed or contingent, including, but not limited to, debts, liabilities or obligations with regard or in any way relating to any contracts (including, without limitation, any of the following: (i) employment agreements; (ii) stock transfer agreements; (iii) medical direction agreements; or (iv) any other documents related to the business, leases for real or personal property, trade payables, tax liabilities, disclosure obligations, product liabilities, liabilities to any regulatory authorities, liabilities relating to any claims, litigation or judgments, any pension, profit-sharing or other retirement plans, any medical, dental, hospitalization, life, disability or other benefit plans, any stock ownership, stock purchase, deferred compensation, performance share, bonus or other incentive plans, or any other similar plans, agreements, arrangements or understandings which Seller, Guarantor, or any of their affiliates, maintain, sponsor or are required to make contributions to, in which any employee of Seller or Guarantor participate or under which any such employee is entitled, by reason of such employment, to any benefits (collectively the ("Excluded Liabilities"). However, any liability for periods

after Closing under any assigned lease for real property for a Subject Franchise shall not be an Excluded Liability.

8. **Indemnification**

(a) Subject to the Sections below, Seller and the Guarantor agree, jointly and severally, to indemnify TJC against and hold TJC harmless from:

(i) any loss, liability, damage, cost or expense, including reasonable attorneys' fees and cost of investigation ("Loss") that TJC (or its directors, representatives, affiliates, employees, subsidiaries, and other related parties or individuals) may suffer or incur that is caused by, arises out of or relates to any inaccuracy in or breach of any representation and warranty by Seller or Guarantor of this Agreement;

(ii) any Loss that TJC may suffer or incur that is caused by, arises out of or relates to Seller's or Guarantor's breach of or failure to perform any of their covenants and obligations in this Agreement in any material respect; or

(iii) any Loss that TJC may suffer or incur that is caused by, arises out of or relates to the assertion against TJC of an Excluded Liability.

Claims asserted by TJC under subsections (i), (ii) and (iii) above are hereinafter referred to as TJC's "Indemnification Claim(s)."

(b) The benefit of the indemnification obligations of Seller and the Guarantor under this Section shall extend to the respective officers, directors, employees and agents of TJC and its affiliates.

9. **Indemnification of Seller and the Guarantor**

(a) Subject to the Sections herein, TJC agrees to indemnify Seller and the Guarantor against and hold each of them harmless from:

(i) any Loss that Seller or the Guarantor may suffer or incur that is caused by, arises out of or relates to any inaccuracy in or breach of any representation and warranty by TJC of this Agreement;

(ii) any Loss that Seller or the Guarantor may suffer or incur that is caused by, arises out of or relates to TJC's breach of or failure to perform any of its obligations in this Agreement in any material respect; or

(iii) any Loss that Seller or the Guarantor may suffer or incur that is caused by, arises out of or relates to TJC's operation of the RDA after Closing.

Claims asserted by Seller or the Guarantor under subsections (i), (ii) and (iii) above are hereinafter referred to as Sellers' or the Guarantor's "Indemnification Claim(s)."

(b) The benefit of TJC's indemnification obligation under this Section shall extend to the heirs and legal representatives of Seller and the Guarantor.

10. **Threshold and Cap**

(a) In respect of TJC's assertion of an Indemnification Claim herein, TJC shall not be entitled to indemnification until the aggregate amount for which indemnification is sought exceeds $5,000.00. If this threshold is reached, TJC may assert an Indemnification Claim for the full amount of the claim (going back to the first dollar) and may assert any subsequent Indemnification Claim herein without regard to any threshold. Furthermore, no threshold or cap shall apply, however, in the case of any Loss caused by, arising out of or relating to any fraud or intentional misrepresentation.

(b) In respect of Seller's and/or a Guarantor's assertion of an Indemnification Claim under these Sections, Seller and/or the Guarantor shall not be entitled to indemnification until the aggregate

amount for which indemnification is sought collectively exceeds $5,000.00. The maximum aggregate amount for which Seller and/or the Guarantor may assert Indemnification Claims hereunder shall be the Purchase Price. No threshold shall apply, however, in the case of any Loss caused by, arising out of or relating to any fraud or intentional misrepresentation.

11. **Survival**

(a) An Indemnification Claim herein may be asserted at any time prior to the second anniversary of the Closing Date, with the exception that:

(i) an Indemnification Claim in respect of any inaccuracy in or breach of any of the representations and warranties ("Taxes") may be asserted at any time prior to the expiration of the applicable statute of limitation; and

(ii) an Indemnification Claim in respect of any inaccuracy in or breach of any of the representations and warranties ("Authority") may be asserted at any time without limit.

(b) All other Indemnification Claims may be asserted at any time prior to ninety (90) days after the expiration of the applicable statute of limitation.

12. **Notice of Indemnification Claim.** The indemnified party may assert an Indemnification Claim by giving written notice of the Indemnification Claim to the indemnifying party. The indemnified party's notice shall provide reasonable detail of the facts giving rise to the Indemnification Claim and a statement of the indemnified party's Loss or an estimate of the Loss that the indemnified party reasonably anticipates that it will suffer. The indemnified party may amend or supplement its Indemnification Claim at any time, and more than once, by written notice to the indemnifying party.

13. **Resolution of Claims**

(a) If the indemnifying party does not object to an Indemnification Claim during the 30-day period following receipt of the indemnified party's notice of its Indemnification Claim, the indemnified party's Indemnification Claim shall be considered undisputed, and the indemnified party shall be entitled to recover the actual amount of its indemnifiable loss from the indemnifying party, subject to the threshold, if any.

(b) If the indemnifying party gives notice to the indemnified party within the 30-day objection period that the indemnifying party objects to the indemnified party's Indemnification Claim, the indemnifying party and the indemnified party shall attempt in good faith to resolve their differences during the 30-day period following the indemnified party's receipt of the indemnifying party's notice of its objection. If they fail to resolve their disagreement during this 30-day period, either of them may unilaterally submit the disputed Indemnification Claim for non-binding arbitration before the American Arbitration Association in Phoenix, Arizona in accordance with its rules for commercial arbitration in effect at the time, which shall be a condition precedent to seeking resolution of the disputed Indemnification Claim before any court of competent jurisdiction. The award of the arbitrator or panel of arbitrators may include attorneys' fees to the prevailing party. The prevailing party may enforce the award of the arbitrator or panel of arbitrators in any court of competent jurisdiction.

14. **Third Party Suits**

(a) Indemnified party shall promptly give notice to indemnifying party of any suit, demand, or claim by a third person against indemnified party, for which indemnified party is entitled to indemnification (a "Third Party Suit"), which may be given by notice of an Indemnification Claim in respect of the Third-Party Suit. Indemnified party's failure or delay in giving this notice shall not relieve indemnifying party from its indemnification obligation under this Section in respect of the Third-Party Suit, except to the extent that indemnifying party suffers or incur a loss or is prejudiced by reason of indemnified party's failure or delay.

(b) Indemnified party shall control the defense of any Third-Party Suit. Indemnifying party shall be

entitled to copies of all pleadings and, at its expense, may participate in, but not control, the defense and employ its own counsel. Indemnifying party shall in any event reasonably cooperate in the defense of the Third-Party Suit.

(c) Indemnified party's settlement of a Third-Party Suit shall also be binding on indemnifying party, in the same manner as if a final judgment in the amount of the settlement had been entered by a court of competent jurisdiction, if, as part of the settlement, indemnifying party receives a binding release providing that any liability of indemnifying party in respect of the Third-Party Suit is being satisfied as part of the settlement. Indemnified party shall give indemnifying party at least 30 days' prior notice of any proposed settlement, and during this 30-day period indemnifying party may reject the proposed settlement and instead assume the defense of the Third-Party Suit if:

(i) the Third-Party Suit seeks only money damages and does not seek injunctive or other equitable relief against indemnified party;

(ii) Indemnifying party unconditionally acknowledges in writing to indemnified party that indemnifying party is obligated to indemnify indemnified party in full in respect of the Third-Party Suit (except for any matters that are not subject to indemnification under this Agreement);

(iii) the counsel chosen by indemnifying party to defend the Third-Party Suit is reasonably satisfactory to indemnified party;

(iv) Indemnifying party furnishes indemnified party with security reasonably satisfactory to indemnified party to assure that indemnifying party have the financial resources to defend the Third-Party Suit and to satisfy their indemnification obligation in respect of the Third-Party Suit;

(v) Indemnifying party actively and diligently defends the Third-Party Suit; and

(vi) Indemnifying party consults with indemnified party regarding the Third-Party Suit at indemnified party's reasonable request.

If indemnifying party assumes the defense of the Third-Party Suit, indemnified party shall be entitled to copies of all pleadings and, at its expense, may participate in, but not control, the defense and employ its own counsel.

(d) Indemnifying party may settle a Third-Party Suit in which, indemnifying party controls the defense only if the following conditions are satisfied:

(i) the terms of settlement do not require any admission by indemnifying party or indemnified party, in respect of any matters subject to indemnification under this Agreement, that in indemnified party's reasonable judgment would have an adverse effect on indemnified party; and

(ii) as part of the settlement, indemnified party receives a binding release providing that any liability of indemnified party in respect of the Third-Party Suit is being satisfied as part of the settlement.

(e) Indemnified party's failure to defend a Third Party Suit shall not relieve indemnifying party of its indemnification obligations hereunder if indemnified party gives indemnifying party at least 30 days' prior notice of indemnified party's intention not to defend the Third Party Suit and affords indemnifying party the opportunity to assume the defense without having to satisfy the conditions in this Section for assuming the defense.

15. **Confidentiality.** Seller and Guarantor acknowledge that both the existence of this Agreement and the provisions that it contains are confidential and each agrees that it or he will not directly or indirectly, by any means, disclose to any third party either the existence of this Agreement or the provisions that it contains without the prior written approval of TJC. Seller and Guarantor agree that if it or he violates this confidentiality obligation, then in addition to any other remedies that may be available to TJC, TJC shall be entitled to seek a temporary restraining order, and a preliminary and permanent injunction to prevent Seller's or Guarantor's continued violation, without the necessity of proving actual damages or posting any bond or other security.

16. **Non-Disparagement.** None of the Parties shall make any oral or written statement about any other party which is intended or reasonably likely to disparage the other party, or otherwise degrade the other party's reputation in the business or legal community or in the telecommunications industry.

17. **Counterparts.** This Agreement may be signed in any number of counterparts (including by facsimile or portable document format (pdf)), all of which together shall constitute one and the same instrument.

18. **Governing Law.** This Agreement shall be governed by the laws of the State of Arizona without regard to conflicts-of-law principles or rules that would require this Agreement to be governed by the laws of a different state.

19. **Dispute Resolution.** Seller and TJC shall attempt to settle any and all disputes, controversies or claims arising out of or relating to this Agreement through good faith negotiation. If the matter is not resolved through good faith negotiation, such disputes, controversies or claims may then be submitted to mediation. Any matter not being settled by negotiation or mediation, shall then proceed to binding arbitration. The Parties agree to use an established alternative dispute resolution organization based in Maricopa County, Arizona. The prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

20. **Binding Effect.** This Agreement shall apply to, be binding in all respects upon and inure to the benefit of Parties and their respective heirs, legal representatives, successors and assigns.

In witness whereof, the Parties, by each of their authorized representatives, have executed this Agreement as of the Effective Date.

"**TJC**"

**THE JOINT CORP.**, a Delaware corporation

By _____
Sanjiv Razdan, President & CEO
Date: _____

"**SELLER**"

By: _____
Print: _____
Its: _____
Date: _____

"**GUARANTOR**"

_____

By: _____
Print: _____, an individual
Date: _____

[Signature page to Regional Developer License Purchase Agreement]

## Exhibit A – Bill of Sale and Assignment

### Bill of Sale and Assignment

This Bill of Sale and Assignment is made by _____ ("Seller") as of the date last set forth below on the signature page, to and in favor of The Joint Corp., a Delaware corporation ("TJC"), and is delivered pursuant to that certain Regional Developer License Purchase Agreement dated as of _____, (the "Purchase Agreement"), by and between The Joint Corp., a Delaware corporation ("TJC"), Seller and _____ ("Guarantor").

Capitalized terms used in this Bill of Sale and Assignment without being defined have the same meanings that they have in the Purchase Agreement.

For value received, the receipt and sufficiency of which is acknowledged, the Seller grants, bargains, sells, delivers, transfers, assigns and conveys to TJC, its successors and assigns, all of her right, title and interest in, to and under the RDA.

To have and to hold the RDA unto TJC, its successors and assigns forever.

In furtherance of the foregoing, Guarantor, by his execution and delivery hereof, hereby grants, bargains, sells, delivers, transfers, assigns and conveys to TJC, its successors and assigns, all of his right, title and interest (if any) in, to and under the _____ RDA.

**"SELLER"**

_____

By: _____
Print: _____
Its: _____
Date: _____

"**GUARANTOR**"

_____

By: _____
Print: _____, an individual
Date: _____

# EXHIBIT H

## 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:

| State | Effective Date |
|---|---|
| California | |
| Hawaii | |
| Illinois | |
| Indiana | |
| 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.

# EXHIBIT I

## RECEIPTS

## RECEIPT

### (YOUR COPY – RETAIN FOR YOUR FILES)

This Disclosure Document summarizes certain provisions of the Regional Developer Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If The Joint Corp. 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, or sooner if required by applicable law.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

If The Joint Corp. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed in Exhibit A.

The franchisor is The Joint Corp., located at 16767 N. Perimeter Dr., Suite 110, Scottsdale, Arizona 85260. Its telephone number is (480) 245-5960.

The following franchise seller(s) will represent us in connection with the sale of our franchises: Eric Simon (Name) at 16767 N. Perimeter Dr., Suite 110, Scottsdale, Arizona 85260 (Principal Address) and (480) 245-5960 (Telephone Number).

Date of Issuance: August 22, 2024 (amended October 24, 2024)
See Exhibit A for our registered agents authorized to receive service of process.

I have received a Franchise Disclosure Document dated August 22, 2024 (amended October 24, 2024). This Disclosure Document included the following Exhibits:

A. State Administrators /Agents for Service of Process
B. Regional Developer Agreement and Related Agreements
C. Table of Contents of Manual
D. Financial Statements
E. List of Regional Developers
F. State-Specific Disclosures
G. Other Agreements
    G-1 Confidentiality/Non-Disclosure Agreement
    G-2 Form of Asset Purchase Agreement
H. State Effective Dates
I. Receipts

_____
Signature of Prospective Regional Developer

Date: _____

Print Name:_____

You may return the signed receipt either by signing, dating, and mailing it to us at The Joint Corp., located at 16767 N. Perimeter Dr., Suite 100, Scottsdale, Arizona 85260, or by faxing a copy of the signed and dated receipt to us at (480) 513-7989.

## RECEIPT

### (OUR COPY – SIGN, DATE AND RETURN TO US)

This Disclosure Document summarizes certain provisions of the Regional Developer Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If The Joint Corp. 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, or sooner if required by applicable law.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

If The Joint Corp. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed in Exhibit A.

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   G-2 Form of Asset Purchase Agreement
H. State Effective Dates
I. Receipts

_____
Signature of Prospective Regional Developer

Date: _____

Print Name:_____

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