FRANCHISE DISCLOSURE DOCUMENT

	**The Joint Corp.** **16767 N. Perimeter Dr., Suite 240** **Scottsdale, Arizona 85260** **Telephone (480) 245-5960** **Website: www.thejoint.com** **Email: david.orwasher@thejoint.com**

We offer single unit location franchises (referred hereto hereafter individually as a "Location" or collectively as "Locations"). Each Location franchise will conduct business under the name of The Joint…The Chiropractic Place™ and will own and operate a business that will manage clinics that specialize in providing chiropractic services and products to the general public through licensed chiropractic professionals ("Clinic(s)"). Each Location will report to and receive support directly and indirectly from our corporate headquarters.

The total investment necessary to begin operation of a Location ranges from **$222,200** to **$352,700**. The total investment includes the initial franchise fee of $39,900 that must be paid to the franchisor or affiliate for a Location ("Location Franchise").

This disclosure document ("Disclosure Document") summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least fourteen (14) calendar days before you sign a binding agreement with, or make any payment to 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 Chad Everts, Brian Markus, or Carol Lee, at The Joint Corp., 16767 N. Perimeter Dr., Suite 240, Scottsdale, AZ 85260, telephone (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: April 22, 2016

STATE COVER PAGE

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

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

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

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

1. **THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION OR LITIGATION ONLY IN ARIZONA. OUT OF STATE MEDIATION OR LITGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT ALSO MAY COST MORE TO MEDIATE OR LITIGATE WITH US IN ARIZONA THAN IN YOUR OWN STATE.**

2. **THE FRANCHISE AGREEMENT STATES THAT ARIZONA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**

3. **YOU, YOUR SPOUSE(S), AND/OR EACH SPOUSE OF YOU OR THE OWNERS/PARTNERS/MEMBERS, OF YOU IF YOU ARE A LEGAL ENTITY, MAY HAVE TO SIGN A PERSONAL GUARANTY AND PERSONALLY GUARANTEE ALL OBLIGATIONS OF THE FRANCHISED BUSINESS, WHETHER OR NOT YOUR SPOUSE(S) IS/ARE INVOLVED IN THE OPERATION OF THE BUSINESS. THIS REQUIREMENT PLACES AT RISK THE PERSONAL ASSETS OF YOU, THE OWNERS/PARTNERS/MEMBERS OF YOU IF YOU ARE A LEGAL ENTITY, AND/OR YOUR SPOUSE(S).**

4. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

We use the services of one or more franchise brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source is our agent and represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: April 22, 2016, except for the States listed below.

The effective dates of registration of this Disclosure Document in these states are:

State	**Effective Date**
California	Pending
Hawaii	Pending
Illinois	April 14, 2015
Indiana	Pending
Maryland	May 7, 2015
Michigan	May 29, 2015
Minnesota	April 17, 2015
New York	May 15, 2015
North Dakota	Not Registered
Rhode Island	April 17, 2015
South Dakota	Not Registered
Virginia	Pending
Washington	April 14, 2015
Wisconsin	Pending

The dates in the chart above are of the most recent registration. Renewal or new applications may be currently pending in these states.

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 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

The Joint Corp., a Delaware corporation, is offering prospective Franchise Owners the opportunity to operate a Location franchise in accordance with the terms described in this Disclosure Document. To simplify the language in this Disclosure Document, the terms, "We," "Us," "the Company," or "The Joint" mean The Joint Corp., the franchisor (but not the Company's officers, directors, agents or employees). "You" or "Franchise Owner" means the person who buys a franchise from us. The term "Location" or "Locations" mean one or several The Joint single-unit franchises. If you are a corporation, partnership or other entity, our Franchise Agreement will also apply to your owners, officers and directors. Unless otherwise indicated, the term "Franchised Business" means a The Joint franchise.

The Franchisor, and any Parents Predecessor and Affiliates. We are a Delaware corporation, created on March 10, 2010. Our predecessor for the purpose of this Franchise Disclosure Document was The Joint Franchise Co., LLC, an Arizona limited liability company organized on February 21, 2003. However, The Joint Corp. did not take over, or merge with, The Joint Franchise Co., LLC but merely bought the assets from The Joint Franchise Co., LLC, including the existing franchise agreements between The Joint Franchise Co., LLC and its franchisees. On November 14, 2014, The Joint Corp. became a publicly traded company on the NASDAQ exchange. We have no affiliates.

Our principal business and mailing address is 16767 N. Perimeter Dr., Suite 240, Scottsdale, Arizona 85260. Our telephone number is (480) 245-5960 and our facsimile number is (480) 513-7989. Our agent for service of process is disclosed in **Exhibit A**.

The principal business and mailing address of The Joint Franchise Co., LLC was 4300 Paces Ferry Road, #125, Atlanta, Georgia, 30339.

The Franchised Business. We currently offer a single-unit franchise or location franchise ("Location(s)"). Our predecessor began offering Location franchises in March 2003. We offered Regional Developer franchises (now referred to under the NASAA guidelines as Area Representative franchises, although we will refer to them as Regional Developer franchises in this Disclosure Document) from February 2011 until December 2013. While we currently no longer offer Regional Developer franchises we do still have existing Regional Developer franchisees in our system.

Our existing Regional Developer franchises have a continuing right to solicit potential purchasers for our Location Franchises in a defined territory. Regional Developer Franchises also provide development and ongoing franchise support services to the Location Franchises within the regional Developer's defined territory. We do not currently offer Regional Developer franchises, however, if we do in the future, they will be offered under a separate Disclosure Document. Depending on your area, you may have an existing Regional Developer franchise that assists us with your Location franchise.

We also currently own and operate several company-owned Location franchises in Arizona, California, Illinois, and New York. Some of these franchises were acquired from existing franchises in late 2014 and early 2015 and others were built. We intend to continue to own, build, acquire and/or operate Location franchises throughout the U.S., and possibly other countries. We are not currently engaged in any other business.

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 businesses that will manage clinics that specialize in providing chiropractic services and products to the general public through licensed chiropractic professionals ("Clinic(s)").

Except where allowed otherwise by applicable law, each Clinic will be operated by one or more licensed chiropractors that will provide chiropractic services in the state in which the Clinic is located. In those states that require a Professional Corporation ("PC") (or similar entity, such as a professional limited liability company structure) to own and/or operate a chiropractic practice, you as a potential franchisee will, in those circumstances, supply management and general business services to the PC who will in turn, own and operate the chiropractic practice where chiropractic clinical services are delivered. We expect that these chiropractors, or appropriate licensed professionals, as the case may be, will form a "PC", and will operate the PC with or as permitted under local and state laws. In certain instances, where permitted by state and local law, the PC may be the same entity as your franchisee entity or have the same owners as the Franchised Business.

To operate a Location franchise, you must enter into a Franchise Agreement with us. If you are a non-chiropractor Location franchisee, in addition to signing the Franchise Agreement with us, before you begin operating the Franchised Business, you must enter into a management agreement ("Management Agreement") with a PC. Depending on the law of your state, if you are a licensed chiropractic professional and/or have your own PC, you may not be required to execute a Management Agreement. Under a Management Agreement, a non-chiropractor Location franchisee will provide a PC with management, administrative services and general business and operational support consistent with the System and generally supports the PC's chiropractic practice and its delivery of chiropractic services and related products to patients at a Clinic; consistent and in compliance with all applicable laws and regulations. Subject to changes that may be required by laws of the state where you will operate your Location franchise, you must use our applicable standard form of Management Agreement (**Exhibit H** of this Disclosure Document). While we provide you a generic form of management agreement, you are responsible for insuring that it complies with the laws and regulations of your state. If needed, you may negotiate the monetary terms and certain other discretionary business terms of your relationship as a management company for the PC who owns and operates the chiropractic practice and who delivers chiropractic services for your Location. You must obtain our written approval of the final Management Agreement prior to signing it with a PC. Prior to entering into any agreement with a PC, you must also submit the PC and its licensed professionals, and their credentials, for our approval. You must maintain a current, conforming and compliant Management Agreement with a valid and approved PC who is in regulatory good standing at all times during the operation of the Franchised Business.

The PC is responsible to employ and control chiropractors and any other chiropractic professionals and staff who provide actual chiropractic services to be delivered at and through the Clinic where you operate your Franchised Business. A non-chiropractor Location Franchisee may NOT provide nor direct the administering of any actual chiropractor services, nor supervise, direct, control or suggest to the PC or its licensed chiropractors the manner in which the PC provides or administers actual chiropractic services to its patients (except as described below under "Waiver of Management Agreement."). Due to various federal and state laws regarding the practice of chiropractic medicine, and the ownership and operation of chiropractic practices and health care businesses that provide chiropractic services, it is critical that you, as non-chiropractor Location Franchisee, do not engage in practices that are, or may appear to be, the practice of chiropractic medicine. The PC is responsible for, and must offer all chiropractic services in accordance with all manner of law and regulation, a conforming Management Agreement and the System.

You must also ensure that your relationship with the PC for which you manage the Clinic complies with all laws and regulations, and that the PC complies with all laws and regulations and secures and maintains in force all required licenses, permits and certificates relating to the operation of a Clinic. Each state has medical, nursing, physician assistant, cosmetology, naturopathic, chiropractic and other boards that determine rules and regulations regarding their respective members and the scope of services that may legally be offered by their members. The laws and regulations generally include requirements for the medical providers to hold required state licenses and registrations to work as chiropractors and chiropractic assistants in the state where the Clinic is located, and to hold required certifications by, or registrations in, any applicable professional association or registry. If a state or jurisdiction has such a law or regulation, these laws and regulations are likely to vary from state to state, and these may change from time to time.

If we license you to operate a Franchised Business, neither we nor you are engaging in the practice of chiropractic medicine, nursing or any other profession that requires specialized training or certification, and you, as franchisee,

must not engage in the practice of chiropractic medicine, nursing, or any other profession that requires specialized training or certification, unless you are properly licensed to do so. The Franchise Agreement and Management Agreement will not interfere, affect or limit the independent exercise of medical judgment by the PC and its medical staff. It will be your responsibility for researching all applicable laws, and we strongly advise that you consult with an attorney and/or contact local, state and federal agencies before signing a Franchise Agreement with us, or a Management Agreement with a PC, to determine your legal obligations and evaluate the possible effects on your costs and operations.

You must operate your Location franchise at a site we approve. You will operate your Location franchise in complete accordance with the standards and procedures designated by the Company (the "System"), and according to the Company's Operations Manual for Locations, as may be changed from time to time, ("the Manual"). (See Item 11).

Under our Franchise Agreement (the "Agreement"), the Company offers qualified purchasers the right to establish and operate a Location at a site approved by the Company. The Franchise Agreement (attached as **Exhibit B** hereto) gives you the right to operate a Location under the name and mark "The Joint… the Chiropractic Place™" and other marks designated by the Company from time to time (all referred to as the "Proprietary Marks"). Under the Agreement, you must offer all products and services that we may specify and may not offer any products or services we have not authorized.

Locations are typically located in highly-trafficked strip malls or other similarly suitable locations.

Market and Competition. The market for The Joint Locations includes all individuals who desire chiropractic care.

If you open a The Joint Location, your competition will include other businesses or professionals offering similar products and services to individuals. These competitors may include other chiropractic clinics, physical therapy specialists, hospitals and other medical facilities and franchises.

Laws and Regulations. You are responsible for operating in full compliance with all laws that apply to your Location franchise and the Clinic that you manage. The medical industry is heavily regulated. These laws may include federal, state and local regulations relating to: the practice of chiropractic medicine and the operation and licensing of chiropractic services; the relationship of providers and suppliers of health care services, on the one hand, and chiropractors and clinicians on the other, including anti-kickback laws (including the Federal Medicare Anti-Kickback Statute and similar state laws); restrictions or prohibition on fee splitting; physician self-referral restrictions (including the federal "Stark Law" and similar state laws); payment systems for medical benefits available to individuals through insurance and government resources (including Medicare and Medicaid); privacy of patient records (including the Health Insurance Portability and Accountability Act of 1996); use of medical devices; and advertising of medical services. While not all of these laws and regulations will be applicable to all Clinics, depending on location and services provided, it is important to be aware of and compliant with the regulatory framework. We require all employees that will work with patients in a franchise Location to undergo a background check.

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and the other licenses applicable to Clinics. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files and displayed as may be required. You must comply with all state and local laws and regulations regarding the management of any Clinic.

You must also ensure that your relationship with the PC for which you manage the Clinic complies with all laws and regulations, and that the PC complies with all laws and regulations and secures and maintains in force all required licenses, permits and certificates relating to the operation of a Clinic. Each state has medical, nursing, physician assistant, cosmetology, naturopathic, chiropractic and other boards that determine rules and regulations regarding their respective members and the scope of services that may legally be offered by their members. The laws and regulations generally include requirements for the medical providers to hold required state licenses and registrations to work as chiropractors and chiropractic assistants in the state where the Clinic is located, and to hold required certifications by, or registrations in, any applicable professional association or registry. If a state or jurisdiction has

such a law or regulation, these laws and regulations are likely to vary from state to state, and these may change from time to time.

If we license you to operate a Franchised Business, neither we nor you are engaging in the practice of chiropractic medicine, nursing or any other profession that requires specialized training or certification, and you, as franchisee, must NOT engage in the practice of chiropractic medicine, nursing, or any other profession that requires specialized training or certification, unless you are properly licensed to do so. The Franchise Agreement and Management Agreement will not interfere, affect or limit the independent exercise of medical judgment by the PC and its medical staff. It will be your responsibility for researching all applicable laws, and we strongly advise that you consult with an attorney and/or contact local, state and federal agencies before signing a Franchise Agreement with us, or a Management Agreement with a PC, to determine your legal obligations and evaluate the possible effects on your costs and operations.

Based on our review of the laws of the various states, we expect that you will be required to work with a PC in the following states: Arkansas, California, Colorado, District of Columbia, Florida, Hawaii, Illinois, Kansas, Kentucky, Maryland, Michigan, Minnesota, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Vermont, Washington, West Virginia, and Wyoming. However, you may be required to work with a PC in other states, depending on how those states interpret their own laws. Some states have not explicitly stated whether an unlicensed person can own and/or operate a chiropractic practice in their state. You understand that it is your responsibility to operate your franchise Location in compliance with the laws and regulations of your state. This may mean that you may have to alter the structure of your franchise and begin working with a PC, if the state you operate in does not allow, or decides to no longer allow, an unlicensed person from owning and/or operating a chiropractic practice.

Some states may permit an unlicensed person from owning and operating a chiropractic practice, but require you to first obtain a license or permit (i.e., Alabama, Massachusetts). You understand that it is your responsibility to obtain all necessary licenses or permits to operate your franchise Location.

In addition, you must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, government regulations relating to occupational hazards, health, HIPAA, EEOC, OSHA, discrimination, employment, sexual harassment, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You agree to execute any and all documents, including documents with us, our agents, affiliates, etc., or others, to ensure compliance with any applicable laws, whether such laws are applicable now or in the future. You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Business.

Waiver of Management Agreement

In certain states, it may be permissible under the existing laws that may be applicable to chiropractic professionals and/or practices, such as chiropractic clinics, for a non-chiropractor to both own and operate a Clinic and a Location Franchise, including hiring chiropractic and other professional personnel and providing chiropractic services to patients at the Clinic. If you determine that the laws that would apply to a Clinic in your state would permit you to do so, you may request that we waive certain of the requirements of the Franchise Agreement related to separating the operation of the chiropractic aspects of the Clinic from the management aspects. In particular, you (i) may not need to enter into a management agreement with a PC that, as a separate entity, would otherwise operate the Clinic and provide all chiropractic services, and (ii) you would not be restricted from hiring and supervising chiropractic professionals. Any waiver, or any modification of our standards, would be subject to compliance with all applicable laws and regulations. If we agree to do a waiver, you must enter into an Amendment to Waive Management Agreement ("Waiver Agreement") (**Exhibit I** of this Disclosure Document). Under the Waiver Agreement, you agree that, instead of entering into the Management Agreement with a separate PC, you will (a) operate the Clinic, including performing all responsibilities and obligations of the "PC" under the Management Agreement, and (b) manage the Clinic as required in the Franchise Agreement and by performing all the responsibilities and obligations of the "Company" under the Management Agreement in conformity and compliant with all applicable laws and regulations.

You are responsible for operating in full compliance with all laws that apply to a Clinic, and you must make your own determination as to your legal compliance obligations. Additionally, the laws applicable to your Clinic may change, and if there are any medical regulations or other laws that would render your operation of the Clinic through a single entity (or otherwise) in violation of any medical regulations, you must immediately advise us of such change and of the your proposed corrective action to comply with medical regulations, including (if applicable) entering into a management agreement with a PC. Similarly, if we discover any such laws, upon providing you notice of such laws, you agree to make such changes as are necessary to comply with medical regulations, including (if applicable) entering into a management agreement with a PC.

Item 2

BUSINESS EXPERIENCE

John Richards – Chief Executive Officer and Director

Mr. Richards became Chief Executive Officer of The Joint Corp. in July, 2014. From January, 2014 to present, Mr. Richards has served on the Board of Directors for The Joint Corp. From September 2012 to January 2014, Mr. Richards served as a consultant to The Joint Corp. From August 2007 to the present, Mr. Richards has served as the Principal and Managing Director of the New England Consulting Group located in Norwalk, Connecticut.

David Orwasher – Chief Development and Strategy Officer

Mr. Orwasher became Chief Development and Strategy Officer of The Joint Corp. in September 2015. Mr. Orwasher served as President and Chief Operating Officer ("COO") for The Joint Corp. from December 2013 to September 2015. From July 2012 to December 2013, Mr. Orwasher was a Senior Strategy and Development Consultant for Make Meaning, Inc. in New York, NY. From July 2010 to July 2012, Mr. Orwasher was an Executive Vice-President for Medi-Fast, Inc. in Owings Mills, MD. From January 2007 to June 2010, Mr. Orwasher was a Principal for SBV Development Company in Westport, CT.

Francis Joyce - Chief Financial Officer

Mr. Joyce became the Chief Financial Officer ("CFO") for The Joint Corp. in December 2014. From 2010 to September 2013, Mr. Joyce was the Executive Vice President, CFO and Treasurer for Mistras Group, Inc. in Princeton, NJ. From 2006 to 2009, he served as the CFO for Macquarie Infrastructure Company, LLC in New York, NY.

James Edwards, D.C. – Chief Chiropractic and Compliance Officer

Mr. Edwards became Chief Chiropractic and Compliance Officer for The Joint Corp. in January 2016. From January 2002 to the present, Mr. Edwards has served as the Vice President and Secretary of Austin Chiropractic Center, PC, located in Austin, Texas.

Matt Hale – Vice President of Operations

Mr. Hale has been the Vice President of Operations since September 2015. Mr. Hale served as the Director of Operations and Construction for The Joint Corp. from April 2010 to September 2015. From July 2008 to March 2010, Mr. Hale was the Vice President of Operations for Noodle Development, the franchisor of Nothing but Noodles, in Scottsdale, Arizona. From January 2003 to June 2008, Mr. Hale owned and operated a nationwide franchise called Nothing but Noodles in Chandler, Arizona.

Donna Smith – Vice President of Marketing

Ms. Smith became Vice President of Marketing for The Joint Corp. in February 2016. From September 2011 to August 2015, Ms. Smith served as Vice President of Marketing for Planet Smoothie and Tasti D-Lite in Brentwood, TN. From September 2008 to August 2011, Ms. Smith was Director of Retail Marketing for Oreck Corporation in Nashville, TN.

Craig Colmar – Secretary and Director

Mr. Colmar has served as Secretary and a member of the Board of Directors for The Joint Corp. since March 2010. Mr. Colmar is currently a senior partner with the Law Firm of Johnson and Colmar located in Bannockburn, IL, where he has been for over 30 years.

Richard Kerley – Lead Director

Mr. Kerley became a member and Lead Director of the Board of Directors for The Joint Corp. in September, 2015. In March, 2016 Mr. Kerley was appointed Lead Director for The Joint Corp. From November, 2008 to December, 2014, Mr. Kerley served as Chief Financial Officer and a member of the Board of Directors for Peter Piper Pizza, Inc. located in Phoenix, Arizona.

Steve Colmar – Director

Mr. Colmar has served as a member of the Board of Directors of The Joint Corp. since April 2010. Mr. Colmar has been the President of Business Ventures Corp based in Austin, Texas since December 2006.

Ronald DaVella – Director

Mr. DaVella became a member of the Board of Directors for The Joint Corp. in November, 2014. Mr. DaVella has served as the Chief Financial Officer for Amazing Group, Inc.in Houston, Texas since March 2016. Mr. DaVella has also been serving as the interim COO of Amazing Lash Studio Franchise, LLC in Houston, Texas since March 2016. From June 1989 to July 2014 Mr. DaVella was an Audit Partner with Deloitte & Touche LLP located in Phoenix, Arizona.

William Fields – Director

Mr. Fields became a member of the Board of Directors for The Joint Corp. in November, 2014. From 2006 to present Mr. Fields has served as the Chairman of Fields Texas Limited LLC and Four Corners Sourcing International located in Austin, Texas.

Bret Sanders – Director

Mr. Sanders became a member of the Board of Directors for The Joint Corp. in April, 2015. From February, 1992 to present Mr. Sanders serves as Director of Equity Trading for Sanders Morris Harris Inc. in Houston, TX. From January, 2009 to present Mr. Sanders serves on the board of directors as a founding member for R Bank Texas in Round Rock and Austin, TX. From January, 2000 to present Mr. Sanders has been the owner of and served on the Board of Directors for Ryan Sanders Baseball, Inc. located in Round Rock, Texas.

James Amos - Director

Mr. Amos became a member of the Board of Directors for The Joint Corp. in September, 2015. From February, 2015 to present Mr. Amos has served as the President and CEO of the National Center for Policy Analysis in Dallas, Texas. From February 2014 to present Mr. Amos has served as the Chairman of Eagle Alliance Partners in Dallas, Texas. From February, 2007 to February, 2014 Mr. Amos served as Chairman for Tasti D-Lite in Brentwood, Tennessee.

Item 3

LITIGATION

Pending Actions

Carmel Mountain et al. v. The Joint, Case No. 01-15-0004-1604 (arbitration demand filed July 7, 2015).

Six former and/or current franchisees (Carmel Mountain The Joint Enterprises, Inc., Carmel Valley The Joint Enterprises, Inc., Carmel Valley 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") filed a Demand for Arbitration against The Joint Corp. alleging breach of contract, breach of implied covenant of good faith and fair dealings, 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. The Joint Corp. has filed counterclaims against Claimants for breach of contract, breach of guaranty, among other claims, and are seeking a declaratory judgment that termination was proper because Claimants failed to adhere to the development schedules in their respective franchise agreements. The matter is currently pending and a hearing is set for December 2016. Claimants are seeking an unspecified amount of damages and The Joint, through its counterclaim, is seeking damages in the amount of $14,500 for each unopened license, in accordance with the terms of the parties' franchise agreements.

Item 4

BANKRUPTCY

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

Item 5

INITIAL FEES

Initial Franchise Fees.

You must pay to us an initial fee ("Initial Franchise Fee") of $39,900 upon signing your Franchise Agreement for each franchise you purchase.

Veteran's Discount. We offer a veteran's discount of fifteen percent (15%) off of the Initial Franchise Fee for the first franchise you purchase if you are a veteran of the armed forces of the United States of America.

Payment of Fees.

The Initial Franchise Fees are fully earned and non-refundable in all or in part in consideration of administrative and other expenses incurred by us in entering into the Franchise Agreement and for our lost or deferred opportunity to enter into the Franchise Agreement with others. There is no financing available from us for the payment of the Initial Franchise Fee. We reserve the right to modify the Initial Franchise Fees in the future to reflect the changing costs of doing business and changes in the value of a The Joint Location franchise. We may also discount the Initial Franchise Fee: (i) if we are unable to locate a Location franchisee in a particular area we consider desirable; or (ii) based on other subjective factors we deem important to the System.

Item 6

OTHER FEES

Fee (1), (2)	Amount	Due Date	Remarks
Royalty Fee	7% of weekly Gross Revenues with a monthly minimum of $700 (3)	Collected on the 1st and 16th of each month, or the next business day if the 1st or 16th fall on a weekend or holiday.	Based on weekly Gross Revenues (3). See Item 11 for additional information. Your obligation to pay the minimum Royalty Fee begins on the date that you are required to open your franchise for business under the Franchise Agreement, and not on the date that you actually open for business.
Contribution to the Company's Advertising Fund	Currently 2% of weekly Gross Revenues	Collected on the 1st and 16th of each month, or the next business day if the 1st or 16th fall on a weekend or holiday.	Based on weekly Gross Revenues (3). See Item 11 for additional information.
Local or Regional Advertising Cooperatives	Varies without limitation; based on a vote of the cooperative	As required by the cooperative	See Item 11 for additional information regarding advertising cooperatives. The amounts contributed to the Advertising Cooperative may be applied towards the Local Market Advertising requirement.
Minimum Local Advertising Requirement	$3,000 or 5% of your monthly Gross Revenues whichever is greater	Paid to approved vendors before the 10th day of the month following the month of reference.	Based on monthly Gross Revenues (3). See Item 11 for additional information.
Interest	18% per annum	From the date payments are due, and continues until outstanding balance and accrued interest are paid in full	Charged on any late payments of Royalty Fees, contributions to the Company's advertising fund, amounts due for product purchases, or any other amounts due our affiliates or us.
Late Charge	$50 per day	As incurred	Charged on any late payments of Royalty Fees, contributions to the Company's advertising fund, amounts due for product purchases, or any other amounts due our affiliates or us.

Fee (1), (2)	Amount	Due Date	Remarks
Audit Expenses	Cost of audit and inspection, plus any reasonable accounting and legal expenses	On demand	Payable if you fail to timely input financial data in the Office Management Program or fail to submit required reports.
Accounting Fee	$100 per day	On the 5th day of the month following the omission or inaccuracy	Payable if you omit or fail to accurately input any information in the office management software, or fail to submit, or timely submit required financial statements or any required reports.
Non-Compliance Charge	$100 per day per violation	On demand	Where permitted by law, we may charge you a non-compliance charge in an amount up to $100 per day per violation by you of any term or condition of the Franchise Agreement. The non-compliance charge is to compensate us for our damages in dealing with non-compliance.
Fee for Sale of Prohibited Products or Services	$500 per day plus the associated royalty fees due to and any costs incurred by us	As incurred	Payable if you use, sell or distribute non-authorized products or services in your Location.
Computer System/Software Fee (4)	An amount set by us. Currently $400 (but may be increased up to $599 after 30 days prior written notice).	Monthly	Payable to cover the monthly cost of computer software and programs, and updates, necessary to operate your franchise (See Item 11)
Product and Service Purchases (5)	See Item 8	See Item 8	Payable for products and services you purchase from us and/or our affiliates.
Insurance (6)	Amount of unpaid premiums and related costs, non-compliance fees and late charges	On demand	Payable if you fail to maintain required insurance coverage and we obtain coverage for you.
Renewal Fee	25% of the then current Initial Franchise Fee	Upon renewal	Payable upon renewal of the Franchise Agreement.

Fee (1), (2)	Amount	Due Date	Remarks
Remodeling, expansion, redecorating or refurnishing costs	At least $10,000 every 4 years	As incurred	Payable directly to vendors when you remodel, expand, redecorate or refurnish your Location.
Transfer Fee (7)	$15,000 for an opened Location franchise; $5,000 for an unopened Location franchise in good standing	Before transfer completed	Applies to any transfer of the Franchise Agreement, the franchise, or a controlling interest in the franchise.
Relocation Fee (8)	An amount set by us, currently $2,500	Before relocation is completed	Applies to any relocation of the Location in the same market and as approved by us, and due to a loss of the initial Premises of the Location.
Legal Costs and Attorney's Fees	All legal costs and attorneys' fees incurred by us	As incurred	Payable if we must enforce the Franchise Agreement, or defend our actions related to, or against your breach of, the Franchise Agreement.
Indemnification	All amounts (including attorneys' fees) incurred by us or otherwise required to be paid	As incurred	Payable to indemnify us, our affiliates, and our and their respective owners, officers, directors, employees, agents, successors, and assigns against all claims, liabilities, costs, and expenses related to your ownership and operation of your franchise.
De-Identification	All amounts incurred by us	As incurred	Payable if we de-identify the franchise upon its termination, relocation, or expiration.
Termination Fee (9)	One-half of then-current Initial Franchise Fee, plus our attorneys' fees and costs	On demand	If you or we terminate your franchise before your franchise term expires.

The tables above and accompanying notes describe the nature and amount of all other fees that you must pay to us or our affiliates, or that we or our affiliates impose or collect in whole or in part for a third party, whether on a regular periodic basis or as infrequent anticipated expenses, in carrying on your The Joint Location:

Explanatory Notes:

(1) Except for some product and service purchases (see Item 8) and advertising cooperative payments (see Item 11), all fees are uniform, and are imposed by, collected by, and payable to us. We have in the past, and may in the future, waive or defer some of the fees set forth in the table. However, we will not do so unless

we determine in our sole and absolute discretion that it is in the best interest of the franchise system as a whole. All fees are non-refundable.

(2) You must pay all amounts due to us by automatic debit. After you sign the documents we require to debit your business checking account automatically for the amounts due, we will debit your bank account for the Royalty Fee, Advertising Fee, and other amounts you owe us, including non-compliance fees. You must make funds available for withdrawal from your account before each due date.

If you do not report accurately your Location's gross revenues for any week, then we may debit your account for one hundred twenty percent (120%) of the Royalty Fee and Advertising Fee amounts that we debited during the previous week. If the Royalty Fee and Advertising Fee amounts we debit are less than the Royalty Fee and Advertising Fee amounts you actually owe us (once we determine the franchise's actual gross revenues for the week), then we will debit your account for the balance on the day we specify. If the Royalty Fee and Advertising Fee amount we debit is greater than the Royalty Fee and Advertising Fee amount you actually owe us, then we will credit the excess amount, without interest, against the amount we otherwise would debit from your account during the following week.

(3) "Gross revenues" means the total of all revenue and receipts derived from the operation of the franchise, including all amounts received at or away from the Location, or through the business the Location conducts (such as fees for chiropractic care, fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and all customer refunds and credits the franchise actually makes. For franchisees that operate as the management company for a P.C. and any of its clinics under a Management Agreement, "gross revenues" includes all revenues and receipts of the P.C. and any of its clinics, even if those revenues are not recognized on the books of the franchisee.

(4) The monthly charge our proprietary office management software, and other required software necessary to operate your franchise, is currently $400. We reserve the right to increase this fee up to $599 after giving you thirty (30) days prior written notice. This fee allows the franchisee to access the contents of our site and resources and to use our propriety software. See Item 7 and 11 for additional information regarding Computer Systems.

(5) In addition to products and services that you are required to purchase from us (See Item 8), we or our affiliates may offer you products and services to assist you in connection with the operation of your franchise (e.g., site location, recruiting, and/or HR services). We or our affiliates, as applicable, may charge you a fee if you choose to use us or our affiliates in connection with any such products or services.

(6) If you fail to pay the premiums for insurance required to operate your franchise, including but not limited to, general or professional liability insurance, or to include us as an additional insured on such insurance, we may obtain such insurance coverage for you and you will be required to reimburse us within ten (10) days of receipt of a demand for reimbursement from us, together with a $500 administrative charge per event, and any other fees, including attorneys' fees, incurred by us. We will have the right to debit your account the amounts owed to us for such premiums and fees if you fail to pay us within ten (10) days of our request for reimbursement.

(7) You must reimburse us for reasonable expenses incurred by us in investigating and processing any proposed new owner where a transfer is not finalized, for any reason, and you will be responsible for all expenses we incur including but not limited to attorneys' fees we incur, up to a total of $5,000. If you are in default of your Franchise Agreement, or any other agreement with us, we may deny you the right to transfer the License and/or in addition to the Transfer Fee, should we permit the transfer, we may require you to pay any amounts we deem necessary, in our sole discretion, to cure the default(s), provided that the default(s) is/are curable.

(8) Location relocation is only applicable if the Location loses its Premises because of circumstance beyond the control of the franchisee. Any Location relocation site needs to be approved by the Company in the same manner as the approval of the Location's initial site and must be within the same trading areas as the previous Clinic location, as same is determined by us in our sole and absolute discretion. The relocation fee is due to the Company within a week after the site approval by the Company.

(9) You must pay the termination fee, plus any costs and attorneys' fees incurred by us, if you improperly attempt to terminate or close your Location or franchise before your term expires, or we terminate your Franchise Agreement for any reason set forth in the Franchise Agreement. We may also recover from you any damages suffered by us (e.g., lost future revenues) resulting from your improper or wrongful termination of the franchise. Termination fees may be unenforceable in certain states. See Item 17 for additional information.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT *					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
	Low	**High**			
Initial Franchise Fee (1)	$39,900	$39,900	Lump sum	When you sign the Franchise Agreement	Us
Security and Utility Deposits (2)	$3,700	$5,800	As agreed	Before opening	Landlord and /or utility companies
Three Months' Base Lease Rent (3)	$9,000	$27,000	As agreed	As agreed	Landlord
Architectural	$8,500	$12,000	As agreed	Before opening	Architect
Leasehold Improvements (4)	$85,000	$130,000	As agreed	Before opening	Landlord or construction contractors
Signage (5)	$5,600	$9,000	As agreed	Before opening	Vendors
Office Equipment, including furniture and fixtures (6)	$5,000	$7,000	As agreed	Before opening	Vendors
Chiropractic or other Professional Equipment	$5,800	$9,000	As Agreed	Before opening	Vendors
Computer Hardware, Software, Supplies and Installation (7)	$3,200	$4,500	As agreed	Before opening	Vendors and us for Office Management Software
Business Licenses and Permits (8)	$750	$3,800	As required	Before opening	Governmental agencies
Professional Fees and Services (9)	$3000	$6,200	As agreed	Before opening	Attorneys, accountants, and other professionals
Insurance (10)	$4,000	$8,000	As agreed	Before opening	Insurer
Initial Training Expenses, including travel (11)	$1,300	$2,300	As agreed	As incurred	Vendors
Start-up supplies – Uniforms, contracts, invoices, and other office supplies	$1,250	$2,000	As agreed	As incurred	Telephone company or other third party

YOUR ESTIMATED INITIAL INVESTMENT *					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
	Low	**High**			
Marketing Expenses for Grand Opening/Start-up and up to the third month of operation (12)	$25,000	$40,000	As agreed	As incurred	Vendors
Three Months' Office Management Software Fee	$1,200	$1,200	As agreed	As incurred	Us
Additional Funds–three months (13)	$20,000	$45,000	As agreed	As incurred	Landlords, Vendors, Employees
TOTAL ESTIMATED INITIAL INVESTMENT (14)	**$222,200**	**$352,700**			

Explanatory Notes:

***These estimated initial expenses are our best estimate of the range of costs you may incur in establishing and operating your franchise. Our estimates are based on our experience (see Items 1 and 2), and our current requirements for Franchised Businesses. The factors underlying our estimates may vary depending on a number of variables, and the actual investment you make in developing and opening your franchise may be greater or less than the estimates given, depending upon the location of your franchise, specific cost structure and current relevant market conditions, especially those for occupancy costs, marketing expenses and labor costs. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels and the rate of sales growth that you are able to achieve during your initial phase of business operations and thereafter.**

**** None of the fees or costs paid to us listed in the table above are refundable.**

(1) See Item 5 for more information about the Initial Franchise Fee for Locations.

(2) This estimate includes security deposits commonly required by the landlord and utility companies, but not your telecommunications service.

(3) Your actual rent payments may vary, depending upon your location, its size and your market's retail lease rates and negotiated terms. We recommend that you lease a space of no less than one thousand (1,000) square feet with access to bathrooms, and provisions for telecommunication equipment and office furniture. We estimate your initial expenses for leasing space during the first three months may range from $7,200 to $27,000 depending on the size and location of the Location.

If you purchase instead of lease the Premises for your Location, then the purchase price, down payment, interest rates, and other financing terms will determine the amount of your monthly mortgage payments.

(4) This estimate does not include any construction allowances that may be offered by your landlord or presume a specific delivery condition. Building and construction costs will vary depending upon the condition of the

Premises for the Location, the size of the Premises, and local construction costs. The estimate does not take in account any tenant improvement allowances or enhanced delivery conditions that may be given by the landlord.

(5) These estimates assume you will purchase your signage. The type and size of the signage you actually install will be based upon the zoning and property use requirements and restrictions. There could be an occasion where signage is not permitted because of zoning or use restrictions.

(6) You will need to purchase office furniture for the operation of your Location, including workstations and chairs, file cabinets, shelving, and an initial inventory of forms, stationary and other items.

(7) See Manual and Item 11 for more details about computer systems and software.

(8) You may be required to obtain business licenses from the local government agency to operate your Franchised Business and/or enter into a management agreement with a PC in those states that require a PC to own the chiropractic practice. We have estimated these costs will be between $750 and $1,800 just for business licenses depending upon the jurisdiction. Management agreements and affiliations with PCs and any associated legal and/or accounting or set-up fess are variable depending upon state laws and regulations and the negotiated arrangement with the PC.

(9) You may incur legal fees, accounting fees and other professional fees in order to incorporate your business, set up a PC, review agreements relating to the operation of the franchise, to perform background checks and personality profiles of potential employees and medical professionals, and to perform all necessary tax filings and to set up a small business or a PC, including a general ledger, tax reports, payroll deposits, etc.

(10) We estimate that your annual cost of insurance will range from $4,000 to $8,000. You must purchase all insurance necessary to operate your franchise, including but not limited to, professional liability insurance for all chiropractors who work in or supervise each clinic, from our required vendor. Currently, Brown & Brown Insurance is our required vendor for all insurance necessary to meet our specifications. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies you purchase must name us and any affiliate we designate as additional insureds, and provide for thirty (30) days' prior written notice to us of a policy's material modification or cancellation. If you fail to obtain or maintain the insurance we specify, we may (but need not) obtain the insurance for you and the Location on your behalf (see Item 6). The cost of your premiums will depend on the insurance carrier's charges, terms of payment, and your insurance and payment histories. Our insurance requirements are in our Operations Manual, and may be updated from time to time by way of updates to our Operations Manual or other written communications.

(11) We estimate that your travel expenses for initial training will be $1,300 to $2,300. While the Company does not charge for training, the Franchise Owner is required to pay his transportation to and from our training site and pay for his/her living arrangements and food during the time of training. The Company estimates costs of $150 per day, per person, for lodging, food and other miscellaneous expenses, plus travel expenses to and from Franchise Owner's personal residence. However, if the Franchise Owner lives in the Phoenix metropolitan area where the training will take place, the travel expenses will be minimal.

(12) We estimate that a separate Grand Opening startup advertising expense (excluding your Minimum Local Advertising Requirement and any pre-opening marketing expense) will be $10,000. You must spend this amount in accordance with the Manual during the sixty (60) day period that begins thirty (30) days prior to the opening of your Franchise, and ends thirty (30) days after the opening of your Franchise. Starting on the second month of operation of the Location, you must spend a minimum of the greater of $3,000 or 5% of the Location's monthly gross revenue toward local advertising. We anticipate that the monies spent for your Grand Opening and local advertising will be used on a variety of advertising media, including but not limited

to, online, newspaper/magazine advertisements and related customized marketing materials prepared by the Company or third-party vendors. See the Manual for details. We estimate that a Franchise Owner will pay a at least $25,000 -$40,000 in Grand Opening and local advertising during the first three (3) months of operation of a Location, however, you may choose to spend more.

(13) The estimate of additional funds is based on an owner-operated business and does not include any allowance for an owner's draw or account for charges for their applied labor. The estimate of $25,000 to $40,000 is for a period of at least three (3) months. The Company estimates that, in general, you should expect to put additional cash into the business until you achieve sales and incur operating expenses that allow you to achieve monthly operating break-even at your Location. Those rates and dollar amounts will vary depending upon your circumstances and performance.

(14) We have relied on our experience in this industry in compiling these estimates. You should review these figures carefully with a business advisor, lawyer and/or accountant and financial advisor before making any decision to purchase this franchise opportunity.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods and Services

You must purchase certain products, supplies, insurance, inventory, signage, fixtures, furniture, equipment, décor software and other specified items under specifications and standards that we periodically establish in our Manual or other notices we send to you from time to time. These specifications are established to provide standards for performance, durability, design and appearance and support the System. You must purchase such products, supplies, insurance, etc. required for the operation of your Franchised Business solely from suppliers (including distributors, manufacturers, and other sources) who have been approved in writing by the Company, as set forth in the Manual. You are not allowed to purchase any item from an unapproved 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. We maintain written lists of approved items of equipment, fixtures, inventory, and supplies (by brand name and/or by standards and specifications) and lists of approved suppliers for those items. All such suppliers and approved vendors will be listed in the Manual, which must always be followed, even as modified and updated by the Company. 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.

We are currently an approved supplier of computer hardware, software and supplies. There are no approved suppliers in which any of our officers owns an interest. We may become the required supplier for digital marketing and advertising services in the future. If we do, you will be required to discontinue using other suppliers for these services. You must comply with our requirements to purchase or lease real estate, goods, and services according to our specifications and/or from approved suppliers to be eligible to renew your franchise. Failure to comply with these requirements will render you ineligible for renewal, and may be a default allowing us to terminate your franchise.

Approval of Alternative Suppliers

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 Franchise Owners. If you would like to purchase any items from any unapproved supplier, then you must submit to us a written request for approval of the proposed supplier. We have the right to inspect the proposed supplier's facilities, and require that product samples from the proposed supplier be delivered, at our option, either directly to us, or to any independent, certified laboratory that we may designate, for testing. We may charge you a supplier evaluation fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. 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.

Revenue from Franchisee Purchases

In 2015, we received revenue from franchisee required purchases from five vendor/suppliers: 1) Woodforest National Bank/Merchants' Choice Payment Solutions (collectively "WNB/MCPS") (merchant credit card services); 2) Prisma (franchisee supplies); 3) Hypertech USA, Inc. ("Hypertech") (computer hardware vendor); 4) Ceterus (financial reporting tool); and 5) 3form, LLC (hardware vendor). We did not generate revenue from franchisee purchases of required products or services from any other vendors/suppliers. We received approximately $50/month from MCPS for each franchise clinic that used MCPS' services in 2015, however, the calculation for rebates from MCPS will change sometime in 2016 from a per clinic monthly fee to a percent fee on each credit card transaction. Clayton/Kendall paid us a 10% rebate on franchisee purchases of required products until February 2015, when they were replaced by Prisma. We did not receive any type of rebates for required purchases from Prisma. In 2015, we received a rebate of approximately $1,000 from Hypertech for each computer system that they assembled and shipped to our franchisees. The rebates from Hypertech will cease in or around April 2016. We received approximately

$25/month from Ceterus for each franchise clinic that used their services in 2015. On April 1, 2016, Ceterus was changed from a required to a recommended vendor, so the agreement for this vendor is no longer included in Exhibit K to this Disclosure Document. We receive a rebate from 3form in the amount of five percent (5%) net on sales of products to our franchisees.

In 2015, we received gross revenues of $802,645 from franchisee required purchases of computer hardware, software and related services from us. Our gross revenue from these required purchases does not take into labor, equipment and shipping charges we incurred in providing this equipment. All franchisees are required to sign an agreement with our required vendors for credit card services (WNB/MCPS) and for music (Retail Radio, LLC). A copy of each of these agreements is attached in **Exhibit K**. The exact form of these agreements may change from time to time.

In the year ending December 31, 2015, revenues from sale of required products and services to franchisees was $290,404, or approximately 2% of our total revenues of $13,385,431. The cost of purchasing required products and services to our specifications will represent approximately 6% of your total purchases in establishing your franchise and approximately 31% of your total purchases during the operation of your franchise.

We may receive revenue or other consideration from any other suppliers for goods and services that we require or advise you to purchase. In the event we enter agreements with any such suppliers, we anticipate that any revenue or other consideration received will include certain promotional allowances, rebates, volume discounts, and other payments, that may range from zero to ten percent (0-10%) 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 from standard pricing, and that it may facilitate our ability to pass along a portion of the savings to you.

Negotiated Prices, Cooperatives and Material Benefits

We negotiate price terms and other purchase arrangements with suppliers for you for some items that we require you to lease or purchase in developing and operating your Location franchise. There currently are no purchasing and distribution cooperatives. We do not provide any material benefits to you if you buy from sources we approve.

Advertising Specifications. You must obtain our approval before you use any advertising and promotional materials, signs, forms and stationary unless we have prepared or approved them during the twelve (12) months prior to their proposed use. You must 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 Franchised Business unless we have previously approved the medium, content and method.

Price Restrictions. To the extent permitted by applicable law, we may periodically establish maximum and/or minimum prices for services and products that Franchise locations offer, including without limitation, prices for promotions in which all or certain The Joint Franchise locations participate. If we establish such prices for any services or products, you cannot to exceed or reduce that price, but will charge the price for the service or product that we establish. You will apply any pricing matrix or schedule established by us. However, in states where you must enter a Management Agreement this provision will be modified, to the extent legally permissible, to conform to the laws of the state where your Franchise location will be located.

Records. All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements. All reports must be submitted in a timely manner in accordance with the dates we set from time to time.

Computer-Related Equipment and Software. You must purchase for each Location a computer system and operating software that we specify from time to time. See Item 7 regarding the estimated initial cost of this equipment. You will also be required to purchase from our approved supplier our proprietary office management software and other required software necessary for the operation of your franchise. You will also be required to pay a monthly fee of $400 for the continuing use of our proprietary office management software and other required software. We reserve the right to increase this fee up to $599 after giving you thirty (30) days prior written notice. You will also be required to have access to a broadband Internet connection at all time.

Item 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise 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 Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 3.1	Items 7 and 11
b. Pre-opening purchases/leases	Sections 3.1, 3.2, 3.3, 3.4 and 3.5	Item 7
c. Site development and other pre-opening requirements	Sections 3.2, 3.3, 3.4, 3.5 and 3.6	Items 7 and 11
d. Initial and ongoing training	Sections 4.1, 4.2 and 5.1	Item 11
e. Opening	Sections 3.1, 3.3 and 3.6; Exhibit 2 of Franchise Agreement	Items 7 and 11
f. Fees	Sections 2.6, 3.4, 4.2, 5.1, 5.2, 6, 10.1, 10.3, 10.8, 11.1, 11.2, 11.3, 12, 13.2, 14.5, 15, 16.1, 16.6, and 16.8	Items 5, 6, 7, 8 and 11
g. Compliance with standards and policies/operating manual	Sections 2.4, 3.3, 3.4, 3.5, 3.6, 5.2, 5.3 and 10	Items 8, 11, and 12
h. Trademarks and proprietary information	Sections 7 and 9	Items 13 and 14
i. Restrictions on products/services offered	Section 10.2 and 10.3	Item 16
j. Warranty and customer service requirements	Section 10.7	None
k. Territorial development and sales quotas	Section 3	Item 12

Obligations	Section in Franchise Agreement	Disclosure Document Item
l. On-going product/service purchases	Section 3.4, 5.1, 10.2, 10.3, 10.8, 10.9 and 11	Items 7, 8 and 11
m. Maintenance, appearance, and remodeling requirements	Sections 10.1 and 10.5	Items 7, 8 and 11
n. Insurance	Section 10.8	Items 6, 7 and 8
o. Advertising	Sections 6.3, 6.4 and 11	Items 6, 7, and 11
p. Indemnification	Section 8.3	Items 6 and 13
q. Owner's participation/ management and staffing	Sections 4.1 and 10.7	Items 11 and 15
r. Records/reports	Sections 12, 13.2	Item 6
s. Inspections/audits	Section 13	Item 6
t. Transfer	Section 14	Items 6 and 17
u. Renewal	Section 2.4	Items 6 and 17
v. Post-termination obligations	Section 16	Item 17
w. Non-competition covenants	Section 9.3	Item 17
x. Dispute resolution	Section 17	Item 17
y. Owners/ Shareholders/ Spousal Guarantee	Section 2.7; Exhibit 2 of Franchise Agreement	Item 15
z. Other	None	None

Item 10

FINANCING

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

Pre-Opening Obligations:

Before you open your Location franchise for business, we or our designee will:

1. Review and approve or disapprove the proposed site for your Location franchise ("Premises"). Unless we agree otherwise, you must locate and select a proposed site for the Premises that is acceptable to us as suitable for the operation of a The Joint Location franchise One Hundred Twenty (120) days prior to your Opening Deadline as contained in your Franchise Agreement. Your proposed site must be submitted in accordance with our policies and procedures and must be reviewed and approved by us. Approval of a proposed site shall be at our sole and absolute discretion and shall not constitute, nor be deemed, a judgment as to the likelihood of success of a The Joint franchise at such location, or a judgment as to the relative desirability of such location in comparison to other locations. We will approve or disapprove any proposed site within fifteen (15) business days of receipt of a completed site submission package, as same may be defined and modified by The Joint Corp from time to time in its sole and absolute discretion. If you fail to identify a site by the established deadline, then we may, in our discretion, terminate your Franchise Agreement. (Franchise Agreement – Sections 3.1 and 15). Your failure to submit a completed site approval package and request and secure our approval of a proposed site in a timely manner shall not be reason for extending the date for opening set forth in your Franchise Agreement.

2. You must obtain lawful possession of the Premises by executing a lease for the Premises ("the Lease") after our approval of the Premises associated with the site submittal package and approved site no later than seventy-five (75) days prior to the Opening Deadline contained in your Franchise Agreement. The Lease for the Premises must include the form of Addendum to Lease, attached as Exhibit 3 to the Franchise Agreement. Before executing a lease, you must submit it to us for our approval. We will approve or disapprove the lease for your Premises within fifteen (15) days of receipt of your request for approval. If you fail to execute a lease by the established deadline, then we may, in our discretion, terminate your Franchise Agreement. (Franchise Agreement – Sections 3.1 and 15).

3. Identify the products, materials, supplies, and services you must use to develop and operate your Location, the minimum standards and specifications that you must satisfy in developing and operating the franchise, and the designated and approved suppliers from whom you must or may buy or lease these items (which might be limited to or include us and/or our affiliates) (Franchise Agreement – Section 3.1). See Item 8 for additional information.

4. Lend to you one copy of our Manual ("Manual"), which contains our mandatory and suggested specifications, standards and procedures for operating your Location (Franchise Agreement – Section 5.1-5.2). **Exhibit C** to this Disclosure Document sets forth the Table of Contents for our Manual which is approximately 278 pages. The Manual is available on line, but may also be comprised of or include audiotapes, videotapes, computer disks, compact disks, and/or other written or intangible materials. We may make the Manual available to electronically via the Internet. The Manual contains our System Standards and information about your other obligations under the Franchise Agreement. We may modify the Manual periodically to reflect changes in System Standards, or send out other electronic communications to you about changes or updates to the System, the Manual, and our policies and procedures. You are required to be in compliance with the most current version of our Manual, as well as our most current policies and procedures. The Manual is confidential, and you may not copy, duplicate, record or otherwise reproduce any part of it. You may ask to view our Manual at our corporate headquarters before purchasing your Location, but must first sign a nondisclosure agreement (**Exhibit E** of this Disclosure Document) promising not to reveal any of the information contained in the Manual without our permission. See Item 14 for additional information regarding our Manual.

5. Provide you with specifications for the computer system for your Location (Franchise Agreement – Section 3.4). See below for additional information about these specifications.

6. No later than thirty (30) days before your Location opens for business, provide to you, other members of your management team, and any agents you employ our initial training program for Locations (Franchise Agreement – Section 5.1). You (if you are an individual) or at least one of your Owners as defined in your Franchise Agreement (if you are a legal entity), your general manager (if we agree for you to have a general manager; see Item 15), any licensed chiropractor practicing at the Location, and other members of your management team that we designate must complete this initial training program to our satisfaction. The training program includes classroom instruction and Location operation training at our headquarters in Scottsdale, Arizona, and on-the-job Location operation training at either a training facility or a location we designate. There will be no tuition charge for these training programs for any persons who attend, but you must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your personnel who attend the training programs. All persons who attend our initial training program must complete it to our satisfaction.

7. Provide at the Company's expense an opening supervisor to assist you with the Location's operational efficiency, staff training, Location setup and opening of your Location for one (1) day before the opening of your first Location and for one (1) day after the opening of your first Location (Franchise Agreement – Section 3.6).

Time to Open:

We will agree on the time you must open your Location franchise when you sign your Franchise Agreement, but we typically will require you to open no more than nine (9) months after you sign your Franchise Agreement. Factors affecting this length of time before you open include locating a site for the Premises and signing a lease, construction or remodeling of the site (if required), completion of required training, financing arrangements, local ordinance and building code compliance, delivery and installation of equipment, and hiring and training of your staff, securing of all manner of permits and operational licenses and approvals. If you fail to open your Location franchise by the deadline set forth in the Franchise Agreement, we have the right, in our discretion, to terminate your Franchise Agreement (Franchise Agreement – Section 3.1 and 15).

Post-Opening Obligations:

After your Location opens for business, we or our designee will:

1. Provide you with guidance and assistance in the following areas: (a) the products and services authorized for sale by the Location, and specifications, standards, and operating procedures used by Location franchises; (b) purchasing approved equipment, furniture, furnishings, signs, products, operating materials, and supplies; (c) development and implementation of local advertising and promotional programs; (d) administrative, bookkeeping, accounting, inventory control and general operating and management procedures; (e) establishing and conducting employee training programs at the Location; (f) changes in any of the above that occur from time to time; and (g) specify any approved brands, types and/or models of equipment, furniture, fixtures, and signs (Franchise Agreement – Section 5.1).

2. Continue lending to you a copy of our Manual (Franchise Agreement – Sections 5.1-5.2).

3. Allow you to use our Marks and confidential information in operating your Location (Franchise Agreement – Sections 7 and 9). You must use the Marks and confidential information only as authorized in the Franchise Agreement and our Manual. See Items 13 and 14 for additional information.

4. Indemnify you against damages for which you are held liable in any proceeding arising out of your use of our Marks in compliance with the Franchise Agreement, and reimburse you for costs you incur in defending against any such claim (Franchise Agreement – Section 7.5). See Item 13 for additional information.

5. As we deem appropriate, provide you with additional, on-going, and supplemental training programs (Franchise Agreement – Section 4.2). We may hold mandatory and optional training programs for you and your staff regarding new techniques, services or products, and other appropriate subjects. We may decide to hold these training programs at our own initiative, or in response to your request for additional or special training. We will determine the location, frequency, and instructors of these training programs. We may, but do not currently, charge you a daily attendance fee in an amount to be set by us for each owner, officer, director, manager, or employee of yours who attends any mandatory or optional training program (see Item 6). You must pay this fee to us in a lump sum before the training program begins. You must pay for all travel, lodging, meal, and personal expenses related to your attendance and the attendance of your personnel.

6. Review and approve or disapprove your advertising, marketing, and promotional materials (Franchise Agreement – Section 11.2). See Items 8 and the rest of this Item 11 for additional information about our advertising-related requirements and approval process.

7. As we deem advisable, conduct inspections and/or audits of your Location, including evaluations of its training methods, techniques, and equipment; its staff; and the services rendered to its customers (Franchise Agreement – Section 13.1). We may provide you with additional guidance and training based on the results of these inspections and/or audits.

8. If requested by you, we may provide you with a Company's employee or agent to assist you with the operation of your Location ("Store Assistance"). You will be responsible to pay to the Company a daily fee (currently set at $300) - the Company reserves the right to adjust this fee as it deems appropriate) in addition to the actual costs (including but not limited to travel, meals, lodging, car rental, etc.) for the Store Assistance (Franchise Agreement – Section 5.1).

Advertising and Marketing:

Advertising by You

You are required to contribute to the advertising of your Location in your local market area, in the minimum amount of $3,000 per month or five percent (5%) of your monthly Gross Revenue, whichever is greater ("Minimum Local Advertising Requirement"). This is separate from the amounts you will spend for your Grand Opening and the National Marketing Fund. You will be responsible for the local marketing of your Location. You may only use advertising material that is approved by us. We have the right to require you to use one or more required suppliers for your local advertising. We may require you to spend all or a portion of the Minimum Local Advertising Requirement with such required suppliers. We reserve the right to collect such amounts directly from you via EFT to pay such required suppliers. You must provide us (in a form we approve or designate) evidence of your required local advertising, marketing and promotional expenditures by the thirtieth (30th) day of each month, for the preceding calendar month, along with a year-to-date report of the total amount spent on local advertising. Any advertising or marketing material that you intend to use must receive prior written approval from us. If you do not receive our written disapproval within fifteen (15) days from the date the materials are delivered to us, then the materials will be deemed approved. The approval of the marketing or advertising material is valid for one year (Franchise Agreement – Section 11.2). Failure to spend and document to us the money spent toward meeting your Minimum Local Advertising Requirement is are considered a default under your Franchise Agreement.

You are required to join and participate in any Advertising Cooperative ("Co-op") covering your Franchise Location that may be established and duly formed. A Co-op is an association of all Franchise Owners whose Franchised Businesses 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 Location's 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, each Franchise Owner 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 for local advertising, if appropriately documented and spent according to our defined criteria for local advertising, and therefore may be applied towards the Minimum Local Advertising Requirement. We also reserve the right to determine the amount to be contributed by each member of the Co-op, as necessary. (Franchise Agreement – Section 11.3).

Advertising by Us

We may create one or several national and/or regional advertising funds (the "Ad Fund(s)") for our Locations (both franchisee-owned and Company-owned) to accomplish those advertising and promotional programs we deem necessary or appropriate for the Locations (Franchise Agreement – Section 11.1). We may, however, choose to use only one Ad Fund to meet the needs of regional, multi-regional, and national advertising and promotional programs. Each Location must contribute to the Ad Funds for their area such amounts that we periodically require. The current contribution amount is two percent (2%) of Gross Sales. See Item 6 for the amount of your required contribution to Ad Funds. The maximum contribution to the Ad Funds we may require from you is two percent (2%) of Gross Sales. Any Location owned by us will contribute to the Ad Funds on the same basis as you.

We will direct all marketing programs financed by the Ad Funds, and will have sole discretion over the creative concepts, materials and endorsements used by the Ad Funds, and the geographic, market, and media placement and allocation of the Ad Funds. We have the sole discretion to use the Ad Funds to pay the costs of administering regional, multi-regional, and/or national advertising programs, including purchasing direct mail and other media advertising; employing advertising agencies and supporting public relations, market research, and other advertising and marketing firms; and paying for advertising and marketing activities that we deem appropriate, including the costs of participating in any national or regional trade shows. We may in our discretion use Ad Funds to engage in advertising and promotional programs that benefit only one or several regionals, and not necessarily all Location franchises. We will not use the Ad Funds for advertising that is principally a solicitation for the sale of franchises.

The Ad Funds will be accounted for separately from our other funds, and will not be used to pay any of our general operating expenses, except for salaries, administrative costs, and overhead that we incur in activities reasonably related to the administration of the Ad Funds and their marketing programs, including preparing advertising and marketing materials, and collecting and accounting for contributions to the Ad Funds. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Ad Fund in that year, and the Ad Funds may borrow from us or other lenders to cover the Ad Funds' deficits, or invest any surplus for future use by the Ad Funds. We will prepare an annual statement of monies collected and costs incurred by each Ad Fund, and will provide it to you upon written request.

We may cause any Ad Fund to be incorporated or operated through an entity separate from us when we deem appropriate, and the entity will have the same rights and duties as we do under the Franchise Agreement. If established, the Ad Funds will be intended to enhance recognition of the Marks and to enhance the franchise opportunities available through our franchises. Although we will endeavor to use the Ad Funds to develop advertising and marketing materials and programs and place advertising that will benefit all Locations, we do not have to ensure that the Ad Funds' expenditures in or affecting any geographic area are proportionate or equivalent to the contributions made by Locations in that geographic area, or that any Location will benefit from the development of advertising and marketing materials or the placement of advertising by the Ad Funds directly or in proportion to the Location's contribution to the Ad Funds. We assume no direct or indirect liability or obligation to you or any other Location in connection with the establishment of an Ad Fund, or the collection, administration, or disbursement of monies paid into any Ad Fund.

We may suspend contributions to, and the operations of, any Ad Fund for any period we deem appropriate, and may terminate the Ad Fund upon thirty (30) days' written notice to you. All unspent monies held by the Ad Fund on the date of termination will be distributed to us, our affiliates, and you and our other franchisees in proportion to each party's respective contributions to the Ad Fund during the preceding twelve (12) month period. We may reinstate a

terminated Ad Fund upon the same terms and conditions set forth in the Franchise Agreement upon thirty (30) days' advance written notice to you.

As of December 31, 2015, there are nine (9) Advertising Co-ops located throughout the U.S. The Company has the right to create additional Co-ops and to decide how they will be run. Currently, each Advertising Co-op is operating according to their respective bylaws. We have the right to specify the manner in which all Co-ops are organized and governed, and may require any and all Co-ops to be legal entities of the state where they are located. We also reserve the right to determine the amount to be contributed by each member of a Co-op.

As of the date of this Disclosure Document we have one Ad Council, the National Franchise Advisory Board ("NFAB"), which is currently comprised of ten (10) franchisees. NFAB board members are elected by other franchisees, and are not selected by us. NFAB serves only in an advisory function and does not have any operational or decision-making authority. We may, in our sole discretion, change or dissolve NFAB, or any other advisory councils or similar organization we have formed or organized.

We, or our designated supplier, may become the required supplier of some or all digital marketing and advertising services. If we do, you will be required to discontinue using any of your current suppliers for this service upon expiration of any existing contracts for these services, or within thirty (30) days after receiving notice from us that we will be providing these services, whichever occurs first. Any amounts paid to us as the required supplier of digital marketing and advertising services may be applied towards the Minimum Local Advertising Requirement.

Computer System:

You must use the computer hardware and software (collectively, "Computer System") that we periodically designate to operate your Location (Franchise Agreement – Sections 3.4 and 6.6). You must obtain the Computer System, software licenses, maintenance and support services, and other related services from the suppliers we specify (which may include or be limited to us and/or our affiliates). (See Item 7 for more information regarding the cost of the Computer System) You are responsible for all costs and monthly fees associated with any such software licenses or programs, including any updates. We may periodically modify the specifications for, and components of, the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease, and/or obtain by license new or modified computer hardware and/or software, and obtain service and support for the Computer System. The Franchise Agreement does not limit the frequency or cost of these changes, upgrades, or updates. We have no obligation to reimburse you for any Computer System costs. Within sixty (60) days after you receive notice from us, you must obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly.

We may charge you a reasonable fee for installing, providing, supporting, modifying, and enhancing any proprietary software or hardware that we develop and license to you; and (ii) other Computer System-related maintenance and support services that we or our affiliates provide to you. If we or our affiliates license any proprietary software to you or otherwise allow you to use similar technology that we develop or maintain, then you must sign any software license agreement or similar instrument that we or our affiliates may require.

You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained and upgraded.

Your Computer System must be capable of supporting our required software, with Internet capability, and accessible by us remotely. You may also be required to purchase certain customer contact software and financial software, and to pay monthly charges associated with your Computer System. The specification regarding the required hardware and software for your Computer System is contained in the Manual.

We estimate the cost of purchasing the Computer System and related software and associated equipment will range from $4,200 to $6,000. In addition, you will be required to pay a recurring monthly charge for the use of our

proprietary office management software and other required software. Currently this fee is $400 per month, but is subject to change. You will also be required to pay the monthly cost of maintaining high-speed Internet access at your site. We estimate that this cost will be approximately $50 per month.

We will have independent access to the information that will be generated and stored on your Computer System. There are no limitations on when or how we may access such information.

Table of Contents of the Operating Manual:

The Table of Contents of our Operations Manual is attached to this Franchise Disclosure Documents as **Exhibit C**. You will be given the opportunity to view our Operations Manual before buying a franchise and after you execute a confidentiality agreement.

Training Program (Franchise Agreement – Section 4.2):

Our initial training program currently includes the following:

TRAINING PROGRAM			
Subject	**Hours of Classroom Training**	**Hours of On-the-Job Training**	**Location**
Introduction to The Joint	1.0		Scottsdale, AZ
Compliance Systems	.75		Scottsdale, AZ
SMO/PC awareness	.75		Scottsdale, AZ
Real Estate/ Site Location	.5		Location site
Clinic Construction	2.0		Scottsdale, AZ
Vendor Introductions	1.0		Scottsdale, AZ
Joint University/Hiring the RIGHT Doctor	3.0		Scottsdale, AZ
Patient Acquisition/Marketing	4.0	2.0	Scottsdale, AZ/ Location site
Clinic Operations	4.5	3.0	Scottsdale, AZ/ Location site
POS Software (Atlas)	3.0	1.5	Scottsdale, AZ/ Location site
Technology (Helpdesk/ SEO marketing)	1.0	1.0	Scottsdale, AZ/ Location site
Profit Management (CBRs/P&Ls)	2.0	2.0	Scottsdale, AZ/ Location site
Quizzes and Final Exam	.5		Scottsdale, AZ
Total	**24 hours**	**16 hours**	

Explanatory Notes:

(1) Most of these subjects are integrated throughout the training program (comprised of 24 hours of classroom/online training and 16 hours of initial on the job training). We plan to be flexible in scheduling training. The classroom training program must be completed to our satisfaction before the opening of the Location. On-the-job training will occur at your Location site within a few days before and after the opening of your Location.

(2) The Company also may offer additional or refresher training courses from time to time. Some of these courses may be mandatory, and some may be optional. These courses may be conducted at the Company's headquarters or at any other locations selected by the Company.

(3) You and/or your employees will be responsible for all out-of-pocket expenses in connection with all training programs, including costs and expenses of transportation, lodging, meals, wages and employee benefits. The Company reserves the right to impose reasonable charges for training classes and materials in connection with such training courses. The Company will notify you of any additional charges before you or your employees enroll in a course. The Company may charge you a non-attendance fee of up to $400 per day if you fail to attend any required trainings, including our annual training conference. We may require all employees to take and pass our certification training program. While there is no cost to take such training, we may require all employees and staff to pass such training to our satisfaction before they may begin working at your franchise Location.

(4) All classes are scheduled by advance written notice to all Franchise Owners. The Company's class cancellation policies will be included in the written notice of class schedules.

(5) The instruction materials for our training programs include handouts, the Operation Manual for Location Franchises, and lectures.

(6) Although the individual instructors of the training program may vary, all of our instructors have significant experience in their fields but in no event less than 2 years of experience in their designated subject area. The following are our main instructors:

- Shannon Ackley, Sr. Manager of Training and Development
- Jack Colmar, Construction Manager and Development Liaison
- Richard Matthews, Director of Customer Analytics
- Dr. Steven Knauf, Sr. Doctor of Chiropractic

Ms. Ackley has been with us since October of 2015. Mr. Colmar has been with us since August of 2012. Mr. Matthews has been with us since December of 2014. Dr. Knauf has been affiliated with The Joint since July 2011.

Item 12

TERRITORY

No Exclusive or Protected Territory

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You will select for our approval the location of the Premises for your Location franchise according to the requirements and within the time specified in the Franchise Agreement. Your Franchise Agreement does not provide for an exclusive or protected territory. We have the right to own, operate, and/or site build a Company-owned Location anywhere we choose and we may, in our sole and absolute discretion, decide to allow the installation of another Location franchise or Company-owned Location near you without limitation of distance or other considerations.

Unless we agree otherwise, you must lease or purchase a site for the Premises of your Location, subject to our approval, within one hundred eighty (180) days after execution of the Franchise Agreement, as noted earlier in this Disclosure Document. We have the right, in our sole discretion, to approve or disapprove the site. Our approval will be based upon a variety of factors including the viability of the proposed location in relation to population, demographics, visibility, signage, access, parking, competition, projected growth in market area and other factors affecting your Territory. See the Manual for details.

We must approve the relocation of your franchised business. We will apply the same criteria for the relocation of a franchised business as we apply when determining the location of a new franchise.

The Franchise Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional franchises.

Company Reserved Rights

We and our affiliates reserve the right to engage in any activities we deem appropriate that your Franchise Agreement does not expressly prohibit, whenever and wherever we desire, including the right to (1) own, acquire, site build, or operate, for our own account, or grant to others the right to operate, Locations on terms and conditions and at locations we deem appropriate irrespective of the location of your Location franchise; (2) provide or grant other persons the right to provide goods and services that are similar to and/or competitive with those provided by Locations through any distribution channel, including, but not limited to, sales via mail order, catalog, toll-free telephone numbers, and electronic means, including the Internet under the Marks or trademarks and services marks other than the Marks; (3) acquire the assets or ownership interest of businesses providing products and services similar to those provided at Locations, and franchising, licensing, or creating similar arrangements with respect to those acquired businesses, wherever those businesses or their franchisees or licensees are located; and (4) being acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Locations or another business.

In no event will we be required to apply any standard of reasonableness in executing our decisions and we will not be liable for any diminishment in sales, if any, nor do we have any obligation to pay you compensation, nor make any concession to you for any of these activities that may or could possibly be within the your territory, whether defined or not, or if one is granted.

Item 13

TRADEMARKS

The Company grants you the right and license to use the Proprietary Marks and the System solely in connection with your Franchised Business. You may use our trademark "The Joint… The Chiropractic Place™" and design and such other Proprietary 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 Proprietary Marks.

We have applied for registration of the following Marks with the U.S. Patent and Trademark Office ("USPTO") on the Principal Register. At the appropriate times, we intend to renew the registrations and to file all appropriate affidavits.

Mark	Serial Number	Application Date	Registration Number	Registration Date	Register
THE JOINT	86438936	October 29, 2014	4723892	April 21, 2015	Principal
RELIEF. ON SO MANY LEVELS.	86436250	October 27, 2014	4871809	December 15, 2015	Principal
THE JOINT CHIROPRACTIC	86389922	September 9, 2014	Pending	Pending	Principal
THE JOINT ...the chiropractic place	85714193	August 27, 2012	4323810	April 23, 2013	Principal
The Joint… the Chiropractic Place	85055984	June 7, 2010	3922558	February 22, 2011	Principal

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

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 Proprietary Marks. You are required to notify the Company immediately when you become aware of the use, or claim of right to, a Proprietary Mark identical or confusingly similar to our Proprietary Marks. If litigation involving the Proprietary 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 Proprietary Marks.

The Company has no actual knowledge of either superior prior rights or infringing uses that could materially affect a Franchise Owner's use of the Proprietary 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 the franchise.

Confidential Operations Manual. Under the Franchise Agreement, you must operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Manual. You will be loaned a copy of the Manual for the term of the Franchise Agreement, when you have completed the initial training program to our satisfaction. You must operate your Location franchise strictly in accordance with the Manual, as it may be revised by the Company from time to time.

You must at all times, treat the Manual and the information in it, as well as any other materials created for or approved by use for the operation of your Franchised Business, as confidential, as required by the Franchise Agreement. 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 Location Owner.

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

Confidential Information. The Franchise Agreement 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 Franchise Agreement and relating to the System will be deemed a part of the Confidential Information protected under the Franchise Agreement.

See Item 15 below concerning your obligation to obtain confidentiality and non-competition agreements from persons involved in the Franchise Business.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Owners are expected to participate in the direct operation of their franchise on a full-time basis. If they cannot, then they are obligated to have a fully trained Manager operate the franchise. However, we believe that a person with an equity interest can best ensure that our standards of quality and competence are maintained. The Franchise Agreement requires that you, or a designated Manager, be directly involved in the day-to-day operations and utilize your best efforts to promote and enhance the performance of the Franchised Business. While in most cases Franchise Owners will seek additional assistance for the labor-intensive portions of the business, we have built our reputation on Franchise Owner participation and believe it is crucial for continued success. In any case, when making decisions relating to the operation of the Location, the Franchise Owners should keep in mind that at least one licensed chiropractor must be present in the Location at all times, during the hours of business of the Location.

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. See Item 6 and the Manual for details.

Each individual who holds an ownership interest in the Franchise Owner must personally guarantee all of the obligations of the Franchise Owner under the Franchise Agreement. (See Exhibit 2 to the Franchise Agreement for the form of Guaranty and Assumption of Obligations.) The Guaranty and Assumption of Obligations must be executed by the spouse(s) of the franchisee, and all its owners, partners, etc. You must submit your operating agreement and statement of legal formation if you are an LLC and the appropriate corporate documents if you are incorporated. You are obligated to maintain them in good standing and submit copies of the by-laws and resolutions as may be required.

At the Company's request, you must obtain and deliver executed covenants of confidentiality and non-competition (See Exhibit E) from any persons who have or may have an ownership interest in the Franchise Owner or in the franchise, any Managers, or any other persons who receive or 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. You may not transfer any interest in the Franchise, the franchise agreement, or the lease for the Premises of the Franchise, without our prior written consent.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISE OWNER MAY SELL

You must operate the Franchised Business in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as set forth in the Manual and in other writings by the Company from time to time. You must use the Premises only for the operation of your Franchised Business and may not operate any other business at or from the Premises 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, which the Company may change from time to time. If you sell unapproved good or services or fail to report them, the Company has the right to terminate your franchise.

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 services.

We reserve the right to designate additional required or optional goods and 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 goods and services; however, such goods and 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 the franchisee may sell goods or services

Franchised Business Exclusivity Obligations. You, the Franchise Owner, are specifically prohibited and not authorized to offer products of services identical or similar to the products or services offered by us through any means or through any other entity in which you may have an interest, other than your franchise. Failure to abide by these terms is considered a material default under your Franchise Agreement and may result in the immediate termination of your franchise.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP **This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document**.		
Provision	**Section in Franchise or Other Agreement**	**Summary**
a. Length of the franchise term	Section 2.1	Ten (10) years
b. Renewal or extension	Section 2.4	Your renewal rights permit you to remain a franchisee after the initial term of your Franchise Agreement expires. If you wish to do so, and you satisfy the required pre-conditions to renewal, we will offer you the right to one (1) renewal term of ten (10) years.
c. Requirements for franchisee to renew or extend	Section 2.4	You must: have substantially complied with your Franchise Agreement; given notice to us of your intent to renew between twelve (12) and twenty-four (24) months before the expiration of the initial term of the franchise; sign a new Franchise Agreement in our then current form which may include terms and conditions materially different from those in the original Franchise Agreement; sign general release of claims (in a form satisfactory to us) against us and related parties; pay the applicable renewal fee (see Item 6); cure any defaults; and pay all amounts owed to us.
d. Termination by franchisee	None	None
e. Termination by franchisor without cause	None	None
f. Termination by franchise with cause	Section 15	Various breaches of Franchise Agreement.
g. "Cause" defined – curable defaults	Section 15	1) you fail to select a proposed site for your franchise that is approved by us no later than one hundred twenty (120) days before the Opening Deadline, and do not cure such default within thirty (30) days after written notice is given to you; or 2) you fail to execute a lease or purchase agreement for your franchise that is approved by us no later than seventy-five (75) days before the Opening Deadline shall be grounds for us to terminate this Agreement, and do not cure such

Provision	Section in Franchise or Other Agreement	Summary
		default within thirty (30) days after written notice is given to you; 3) you use, sell, distribute or give away any unauthorized services or products, and do not cure within ten (10) days after receiving written notice; or 4) you fail to maintain any licenses or permits necessary for the operation of the Franchise and/or fail to comply with any state and federal regulations, and do not cure within ten (10) days after receiving written notice; provided no adverse impaction upon Company already; or 5) you or any of your employees violate any health or safety law, ordinance or regulation, or operate the Franchise in a manner that presents a health or safety hazard to your customers or the public, and do not cure within three (3) days after receiving written notice, provided no adverse impact on Company already; or5) you fail to maintain or cause the associated PC to maintain a valid license to practice and/or fail to comply with any with state and federal regulations, and do not cure within ten (10) days after receiving written notice, provided no adverse impaction upon Company already; or 6) you do not pay when due any monies owed to us or our affiliates, and do not make such payment within ten (10) days after written notice is given to you; or 7) you fail to meet the Minimum Local Advertising Requirement in Section 6.4 of the Franchise Agreement, and fail to do so on two or more occasions within any consecutive (12) month period; or 8) you or any of your Owners fail to comply with any other provision of this Agreement or any mandatory specification, standard, or operating procedure, including those in our Operations Manual, and you fail to make the required changes or to comply with such provision, specification, standard or operating procedure, within ten (10) days after written notice of such failure to comply is given to you; or 9) you fail to make any changes or reports required to comply with any applicable state or federal laws within ten (10) days after written

Provision	Section in Franchise or Other Agreement	Summary
		notice of such failure to comply is given to you; or 10) you fail to procure or maintain any and all insurance coverage that we require, or otherwise fail to name us as an additional insured on any such insurance policies and failure to do so within ten (10) days after written notice is given to you; provided no adverse impact on Company already.
h. "Cause" defined – non-curable defaults	Section 15	1) you do not develop or open the Franchise by the opening deadline set forth in your provided in the Franchise Agreement; or 2) you abandon, surrender, transfer control of, lose the right to occupy the Premises of, or do not actively operate, the Franchise, or your lease for or purchase of the location of the Franchise is terminated for any reason; or 3) you or your Owners assign or transfer the Franchise Agreement, any of its, the Franchise, or assets of the Franchise without complying with certain provisions in the Franchise Agreement; or 4) you are adjudged a bankrupt, become insolvent or make a general assignment for the benefit of creditors; or 5) you or any of your Owners are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense, which is likely to adversely affect our reputation, the Franchise, and/or the goodwill associated with the Marks. 6) you are involved in any action or activity, including but not limited to dishonest, unethical, or illegal actions or activities, or any other similar act or activity, which is likely to adversely affect our reputation, the Franchise, and/or the goodwill associated with the Marks; or 7) you fail to timely notify of any event, action or other action identified in Section 10.6 of the Franchise Agreement; or 8) you or any of your Owners fail on two (2) or more separate occasions within any twelve (12) month period to submit when due any financial statements, reports, or other data, information, or supporting records; failure to provide any notice(s) required under this Agreement; pay when due any amounts due under this Agreement; or otherwise fail to comply with this Agreement.

Provision	Section in Franchise or Other Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Section 16	Includes payment of money owed to us, return Manual, cancellation of assumed names and transfer of phone numbers, cease using Proprietary Marks, cease operating Franchised Business, no confusion with Proprietary Marks, our option to purchase your inventory and equipment, your modification of the premises and our option to purchase your Franchised Business.
j. Assignment of contract by franchisor	Section 14.3	No restriction on right to transfer.
k. "Transfer" by franchisee – defined	Section 14	Includes assignment of Franchise Agreement, sale or merger of business entities, transfer of corporate stock, death of Franchise Owner or majority owner of Franchise Owner.
l. Our approval of transfer by you	Section 14.4	You need the Company's approval to transfer Location ownership or any fractional ownership interest.
m. Conditions for our approval of transfer by you	Section 14.5	New owner must have sufficient business experience, aptitude and financial resources to operate the franchise; you must pay all amounts due us or our affiliates; new owner and its director must successfully complete our initial training program; the new franchise owner and its owners and spouses must execute a guaranty in our favor; your landlord must consent to transfer of the lease, if any; you must pay us the applicable transfer fee; you and your Owners must sign a general release in favor of us, our affiliates, and our and their officers, directors, employees and agents; if applicable, the new owner must agree to remodel to bring the franchise to current standards; new owner must assume all obligations under your Franchise Agreement or, at our option, sign a new Franchise Agreement using our then-current form; the new franchise owner and its owners and spouses must execute a guaranty in our favor; you and your Principal Owners must sign a non-competition agreement agreeing not to engage in a competitive business for twenty-four (24) months within twenty-five (25) miles of your Location or any other The Joint Location. We also have a right of first refusal and may approve or disapprove the material terms of the transfer, and require that you subordinate any installment payments to the new owners' obligation to pay us. You and the new franchise owner, and all your and their owners and

Provision	Section in Franchise or Other Agreement	Summary
		spouses, must execute a transfer agreement in a form acceptable to us.
n. Our right of first refusal to acquire your business	Section 14.6	We have the option to match any offer for your Franchised Business.
o. Our option to purchase your business	Section 16.6	We have the option to purchase your Franchised Business upon termination or non-renewal.
p. Death or disability of you	Section 14.7	Franchise must be assigned by estate to approved buyer within forty-five (45) days.
q. Non-compete covenants during the term of the franchise	Section 9.3	You cannot be involved in a competitive business during the term of the Agreement.
r. Non-compete covenants after the franchise is terminated or expires	Section 9.3	No involvement in competing business for twenty-four (24) months within a twenty-five (25) mile radius of any The Joint Location.
s. Modification of the agreement	Section 20	Must be in writing by both sides.
t. Integration/merger clause	Section 20	Only the terms of the Franchise Agreement are binding. Any other promises are unenforceable. However, nothing in the Franchise Agreement will have the effect of disclaiming any of the representations made in this FDD or any of its attachments or addenda.
u. Dispute resolution by arbitration or mediation	Section 17.9	Except for certain claims, we and you must mediate all disputes in Maricopa County, Arizona.
v. Choice of forum	Section 17.11	Unless contrary to applicable state law: Mediation at the American Arbitration Association offices nearest to our principal place of business, except actions for monies owed, injunctive relief, or relief related to real property, the Marks or confidentiality information. Venue for any litigation is the state courts in Maricopa County, Arizona, and Federal Courts for the U.S. District Court for the District of Arizona.
w. Choice of law	Section 17.11	Arizona law governs, except for matters regulated by the United States Trademark Act (subject to state law).

Applicable state law might require additional disclosures or requirements related to the information contained in this Disclosure Document. These additional disclosures, if any, appear in Exhibit J of this Disclosure Document.

Item 18

PUBLIC FIGURES

The Company does not use any public figure to promote its 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.

HISTORICAL DATA

The table below present historical sales data for franchisee-owned and operated businesses only for the period January 2013 to December 2015 ("Franchised Business(es)"), and not that of any company-owned or operated business.

Operating Year	Clinic Count	Average Sales	Median Sales
Year 1	149	$142,609	$133,836
Year 2	128	$246,656	$231,127
Year 3	48	$339,168	$332,822
Year 4	18	$384,620	$355,015

Notes:

1. The term "Operating Year" means twelve (12) full months in which a Clinic is open for business, and does not reflect a particular calendar year. Year 1 may include sales prior to the first full month of operation. See Note 4 below.

2. The term "Clinic" refers to a chiropractic clinic or practice which is owned by a franchisee, or which is managed by a franchisee for a professional corporation (PC) that owns the chiropractic clinic or practice. In either case, this term refers only to Franchised Businesses, and not company-owned businesses. Whether a chiropractic clinic may be owned by a franchisee or must be owned by a PC is governed by the laws of each state. A Franchised Business which operate as a management company for a PC must enter into a management agreement with the PC.

3. The term "Sales" in the table represents the sales at a Clinic, whether owned by a franchisee or a PC. Sales includes all amounts received at a Clinic from the offer and sales of services to the patients during the applicable Operating Year, regardless whether the amounts are paid and/or received by a franchisee who owns a Clinic, or a PC who owns a Clinic. The Sales figures used are compiled using sales data that is recorded in our POS system.

4. Data used for the above Sales figures is all Sales data for Clinics from January 2013 through December 2015. Data prior to 2013 has not been used due to transitional data potential inaccuracies into a then, new POS system. In addition, the follow applies to the data for each Operating Year referred to in the table:

    a. Year 1 Data: Derived from 165 clinics that have sales data for their first year (Month 0 - Month 12). This includes the first partial month in which the clinic opened, "Month 0".

    b. Year 2 Data: Derived from 139 clinics that have sales data for their second year (Month 13 - Month 24).

    c. Year 3 Data: Derived from 55 clinics that have sales data for their second year (Month 25 - Month 36).

    d. Year 4 Data: Derived from 19 clinics that have sales data for their second year (Month 37 - Month 48).

5. The date above does not reflect the cost of sales, costs of goods, rent and occupancy costs, wage and employee benefit costs, debt service, insurance, royalty, ad fund and other marketing fees, professional management fees, facilities and property maintenance, business and regulatory fees and licenses, recruitment expenses, legal and accounting fees, bookkeeping and other professional services, or any other operating expenses or any other costs or expenses that must be deducted from Sales or gross revenue or gross sales to obtain a net income or net profit figure. Franchisees are not specifically required to report this data to us on an exact line item basis, and we do not have these operating costs for franchisees. You should conduct an independent investigation of the costs and expenses you will or may incur in operating your franchised business. Franchisees listed in this Disclosure Document may be one source of this information.

6. In addition to the points noted above, your results will be affected by factors such as prevailing economic or market conditions, demographics, geographic location, your capitalization level, interest rates, the amount and terms of any financing that you may secure, the property values and lease rates, your business and management skills, staff strengths and weakness, and the cost and effectiveness of your marketing activities.

Some Franchised Businesses have earned this amount. Your individual results may differ. There is no assurance that you will earn as much. If you rely upon our figures, you must accept the risk of not doing as well.

You are strongly encouraged to consult with your own financial advisors in reviewing the tables and, in particular, in estimating your sales (and the revenue of the outlet) as well as the types and amounts of costs and expenses that you will or may incur in operating your own Franchised Business.

Actual costs, expenses and revenues vary from business to business, and from franchisee to franchisee and from market to market. We cannot estimate the results of any specific business or franchisee. Results of a new franchisee's Franchised Business are likely to differ from those of established Franchised Businesses.

We recommend that you make your own independent judgment investigation about your Franchised Business' potential financial performance, and that you consult with your attorney and other advisors before signing any Franchise Agreement.

Written substantiation for the financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, The Joint does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting David Orwasher (16767 N. Perimeter Dr., Suite 240, Scottsdale, Arizona 85260, Telephone: (480) 245-5960), Email: david.orwasher@thejoint.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System wide Outlet Summary
For Years 2013 to 2015

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchisee	2013	82	175	+93
	2014	175	242	+67
	2015	242	265	+23
Company-Owned	2013	0	0	0
	2014	0	4	+4
	2015	4	47	+43
Total Outlets	2013	82	175	+93
	2014	175	246	+71
	2015	246	312	+66

Table No. 2
Transfers of Outlets From Franchises to New Owners
(Other than the Franchisor)
For Years 2013 to 2015

State	Year	Number of Transfers
Arizona	2013	1
	2014	2
	2015	0
California	2013	4
	2014	1
	2015	0
Colorado	2013	1
	2014	0
	2015	3
Georgia	2013	0
	2014	2
	2015	0
Nevada	2013	0
	2014	2
	2015	0
North Carolina	2013	0
	2014	3
	2015	0
Oregon	2013	4
	2014	0
	2015	0
Texas	2013	6
	2014	3
	2015	0
Utah	2013	0
	2014	1
	2015	1
Washington	2013	1
	2014	0
	2015	0
Total	2013	17
	2014	14
	2015	4

Table No. 3
Status of Franchised Outlets*
For Years 2013 to 2015

State	Year	Outlets at Start of Year	Outlets Opened	Termination	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Arizona	2013	18	6	2	0	0	0	22
	2014	22	3	0	0	0	0	25
	2015	25	1	0	0	8	2	16
California	2013	8	26	0	0	0	0	34
	2014	34	12	1	0	4	0	41
	2015	41	7	0	0	13	2	33
Colorado	2013	5	10	0	0	0	0	15
	2014	15	4	0	0	0	0	19
	2015	19	3	0	0	0	0	22
Connecticut	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	1	0
	2015	0	0	0	0	0	0	0
Florida	2013	1	0	0	0	0	0	1
	2014	1	1	0	0	0	0	2
	2015	2	6	0	0	0	0	8
Georgia	2013	6	8	0	0	0	1	13
	2014	13	10	0	0	0	0	23
	2015	23	5	0	0	0	0	28
Idaho	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Illinois	2013	0	0	0	0	0	0	0
	2014	0	2	0	0	0	0	2
	2015	2	0	0	0	0	0	2
Indiana	2013	0	1	0	0	0	0	1
	2014	1	1	0	0	0	0	2
	2015	2	3	0	0	0	0	5
Kansas	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Louisiana	2013	3	1	0	0	0	0	4
	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
Michigan	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
Minnesota	2013	1	6	0	0	0	0	7
	2014	7	1	0	0	0	0	8
	2015	8	0	0	0	0	1	7

State	Year	Outlets at Start of Year	Outlets Opened	Termination	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Missouri	2013	1	5	0	0	0	0	6
	2014	6	1	0	0	0	0	7
	2015	7	0	0	0	0	0	7
Nebraska	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Nevada	2013	2	7	0	0	0	0	9
	2014	9	2	0	0	0	0	11
	2015	11	1	0	0	0	1	11
New Jersey	2013	0	0	0	0	0	0	0
	2014	0	2	0	0	0	0	2
	2015	2	2	0	0	0	1	3
New Mexico	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	1	0	0	0	0	3
New York	2013	0	2	0	0	0	0	2
	2014	2	1	0	0	0	0	3
	2015	3	0	0	0	1	0	2
North Carolina	2013	1	5	0	0	0	0	6
	2014	6	3	0	0	0	0	9
	2015	9	2	0	0	0	0	11
Ohio	2013	0	1	0	0	0	0	1
	2014	1	1	0	0	0	0	2
	2015	2	0	0	0	0	0	2
Oregon	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
South Carolina	2013	6	1	0	0	0	0	7
	2014	7	8	0	0	0	0	15
	2015	15	2	0	0	0	0	17
Tennessee	2013	0	2	0	0	0	0	2
	2014	2	1	0	0	0	0	3
	2015	3	0	0	0	0	0	3
Texas	2013	23	12	0	0	0	0	35
	2014	35	11	0	0	0	0	46
	2015	46	10	0	0	0	0	56
Utah	2013	3	0	0	0	0	0	3
	2014	3	4	0	0	0	0	7
	2015	7	1	0	0	0	0	8

State	Year	Outlets at Start of Year	Outlets Opened	Termination	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Virginia	2013	0	0	0	0	0	0	0
	2014	0	1	0	0	0	0	1
	2015	1	6	0	0	0	0	7
Washington	2013	0	1	0	0	0	0	1
	2014	1	2	0	0	0	0	3
	2015	3	1	0	0	0	1	3
Wisconsin	2013	0	0	0	0	0	0	0
	2014	0	2	0	0	0	0	2
	2015	2	1	0	0	0	0	3
Total	2013	82	96	2	0	0	1	175
	2014	175	73	1	0	4	1	242
	2015	242	53	0	0	22	8	265

* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 4
Status of Company-Owned Outlets For
For Years 2013 to 2015

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Required from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Arizona	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	2	8	0	0	10
California	2013	0	0	0	0	0	0
	2014	0	0	4	0	0	4
	2015	4	10	13	0	0	27
Illinois	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	9	0	0	0	9
New York	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	0	1	0	0	1
Total	2013	0	0	0	0	0	0
	2014	0	0	4	0	0	4
	2015	4	21	22	0	0	47

Table No. 5 Projected Openings for 2016

State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	0	0
Alaska	0	0	0
Arizona	2	2	2
Arkansas	2	1	0
California	35	6	7
Colorado	5	4	0
Connecticut	0	0	0
Delaware	0	0	0
Florida	13	11	0
Georgia	7	4	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	0	2
Indiana	4	1	0
Iowa	0	0	0
Kansas	3	1	0
Kentucky	0	0	0
Louisiana	3	1	0
Maine	0	0	0
Massachusetts	1	0	0
Michigan	0	0	0
Minnesota	4	0	0
Mississippi	0	0	0
Missouri	1	0	0
Montana	0	0	0
Nebraska	1	0	0
Nevada	1	0	0
New Hampshire	2	1	0
New Jersey	7	3	0
New Mexico	1	0	0
New York	2	1	2
North Carolina	11	6	0
Ohio	2	0	0
Oklahoma	0	0	1
Oregon	3	1	0
Pennsylvania	1	1	0
Rhode Island	0	0	0
South Carolina	2	1	0
Tennessee	5	3	0
Texas	25	12	0
Utah	1	1	0
Vermont	0	0	0
Virginia	13	3	0

State	Franchise Agreements Signed but Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Washington	1	0	0
West Virginia	0	0	0
Wisconsin	3	0	0
Wyoming	0	0	0
Total	161	64	14

Exhibit F lists the names of all of our operating franchisees and their addresses and telephone numbers as of December 31, 2015. Exhibit F lists the franchisees who have signed Franchise Agreements for outlets which were not yet operational as of December 31, 2015, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement 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 some instances, current and former franchisees sign provisions restriction their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

We have one (1) Advisory Council staffed by franchisees (NFAB). We have no other independent franchisee organizations that have asked to be included in this Disclosure Document.

Item 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit D are: 1) our consolidated audited financial statements for the fiscal years ended December 31, 2015 and 2014, which have been taken from Item 8 of our 10-K Annual Report for 2015; and 2) 1) our consolidated audited Financial Statements for the fiscal years ended December 31, 2014 and 2013, which was taken from Item 8 of our 10-K Annual Report for 2014.

Item 22

CONTRACTS

Attached are copies of the following agreements relating to the offer of the franchise:

Exhibit B	Franchise Agreement
Exhibit E	Confidentiality Agreement
Exhibit G	Form UCC-1 Financing Statement
Exhibit K	Required Vendor Agreements

Item 23

RECEIPT

Two copies of an acknowledgement of your receipt of this Disclosure Document appear at the end of this Disclosure Document. The Receipts are detachable and one copy must be signed by you and given to us. The other copy may be retained by you for your records. If this page or any other pages or exhibits are missing from your copy, please contact the Company at the address or phone number noted in Item 1.

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

MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-4026	Minnesota Commissioner of Commerce 85 7th Place East Suite 500 St. Paul, MN 55101-2198
NEW YORK	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211	Secretary of State State of New York 99 Washington Avenue Albany, New York 12231
NORTH DAKOTA	Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505-0510
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9527	Director of Rhode Island Department of Business Regulation Floor Division of Securities 1511 Pontiac Avenue Cranston, RI 02920
SOUTH DAKOTA	Department of Revenue and Regulation Division of Securities 445 East Capitol Pierre, SD 57501 (605) 773-4823	Director of South Dakota Division of Securities 445 East Capitol Pierre, SD 57502 (605) 773-4823
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 And United Corporate Services, Inc. 700 East Main Street, Suite 1700 Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Road Tumwater, Washington 98501 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559

EXHIBIT B

FRANCHISE AGREEMENT

THE JOINT CORP.

FRANCHISE AGREEMENT

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THE JOINT CORP.

FRANCHISE AGREEMENT

This Franchise Agreement (this or the "Agreement") is being entered into effective as of the _____ day of _____, 20__ (the "Agreement Date"). The parties to this Agreement are The Joint Corp., a Delaware corporation ("we," "us," the "Company," or "The Joint Corp."); _____, as Franchise Owner ("you," "Franchise Owner," or "Franchisee"), and, if you are a partnership, corporation, or limited liability company, your " Owners" (defined below).

1. INTRODUCTION.

This Agreement has been written in an informal style in order to make it more easily readable and to be sure that you become thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. This Agreement includes several exhibits, all of which are legally binding and are an integral part of the complete Franchise Agreement. In this Agreement, we refer to The Joint Corp. as "we," "us," or the "Company." We refer to you as "you," "Franchise Owner" or "Franchisee." If you are a corporation, partnership or limited liability company, you will notice certain provisions that are applicable to those principal shareholders, partners or members on whose business skill, financial capability and personal character we are relying in entering into this Agreement. Those individuals will be referred to in this Agreement as "Owners."

Through the expenditure of considerable time, effort and money, we and our affiliates have devised a system for the establishment and operation of The Joint Corp. business model, a chiropractic location that specializes in affordable, convenient, and accessible chiropractic care. It is our mission "to improve the quality of life through affordable, routine Chiropractic care." The clinic environment is intended to be inviting, approachable and the atmosphere intended to be welcoming and where no appointments are necessary (all of these characteristics, amongst others, are referred to in this Agreement as the "System"). This business model includes a location model that offers all of our franchised services and products (individually, a "Location" and collectively, the "Locations"). We are a private pay model and currently do not accept insurance. We identify the System by the use of certain trademarks, service marks and other commercial symbols, including the marks "The Joint ®", "The Joint…The Chiropractic Place®" "The Joint

Chiropractic™" and certain associated designs, artwork and logos, which we may change or add to from time to time (the "Marks").

From time to time we grant to persons who meet our qualifications, franchises to own and operate a The Joint Corp. Location franchise business that will own, operate and/or manage clinics (as allowed by applicable law) that specialize in providing chiropractic services and products to the general public through licensed chiropractic professionals ("Clinic(s)"). This Agreement is being presented to you because of the desire you have expressed to obtain the right to develop, own, and be franchised to operate a The Joint Corp. franchise Location (we will refer to your The Joint Corp. franchise as the "Franchise" or the "Franchised Business"). You may purchase and operate your Franchise as a new, start-up Location (a "Start-up Location"), or may convert an existing chiropractic practice to a The Joint Corp. Location (a "Conversion Location"). In signing this Agreement, you acknowledge that you have conducted an independent investigation of The Joint Corp. Franchised Business, and recognize and acknowledge that, like any other business, the nature of it may evolve and change over time, AND that an investment in a The Joint Corp. Franchised Business involves business risks, and that the success of this business venture is primarily dependent on YOUR business abilities and efforts.

We expressly disclaim making, and you acknowledge that you have not received nor have you relied on, nor consider any of the information supplied to be any guarantee, express or implied, as to your potential revenues, profits, performance or likelihood of success of The Joint Corp. Franchise venture contemplated by this Agreement. You acknowledge that there have been no representations by us or our affiliates or our or their respective officers, directors, members, employees, or agents that are inconsistent with the statements made in our current Franchise Disclosure Document concerning the Franchised Business, or the provisions of this Agreement. You further represent to us, that as an inducement of our entering into this Agreement with you, there have been no misrepresentations to us in your application for the rights granted by this Agreement, or in the financial information provided by you and your Owners.

2. GRANT OF FRANCHISE.

2.1 Term; Reference to Exhibit 1.

You have applied for a franchise to own and operate a The Joint Corp. Location, and we have approved your application in reliance on all of the representations you made in that application. As a result, and subject to the provisions of this Agreement, we grant to you a Franchise to operate a The Joint Corp. Location that offers the products, services, and proprietary programs of ours, all to be used in accordance with all elements, rules and regulations of the System, that we may require for The Joint Corp. Locations and in accordance with all manner of law and applicable regulations as relate to the chiropractic profession.

You must operate the Franchise at a mutually agreeable site (the "Premises") that is approved by the Company and which is to be identified and secured by you after the signing of this Agreement, and to thereafter use the System and the Marks in the operation of that Franchise, for a term of 10 years (the "Initial Term") in strict accordance with its terms. The Initial Term will begin on the Agreement Date. (For convenience, the expiration date of the Initial Term is listed on **Exhibit 1**.) Termination or expiration of this Agreement will constitute a termination or expiration of your Franchise. (All references to the "term" of this Agreement refer to the period from the Agreement Date to the date on which this Agreement actually terminates or expires.)

2.2 Full Term Performance.

You specifically agree to be obligated to operate the Franchise, perform the obligations of this Agreement, and continuously exert your best efforts to promote and enhance the business of the Franchise for the full term of this Agreement.

2.3 Management Agreement with Professional Corporation – Non-Licensed Franchisees.

If you are not a licensed chiropractor, prior to commencing operations of the Franchised Business, you must enter into a management agreement ("Management Agreement") with a duly formed and licensed chiropractic professional corporation (or a professional limited liability company, if permitted in the state in which the Clinic is located), (a "PC"), whereby you will provide to the PC, non-chiropractic directive management and administrative services and support, consistent with the System and the lawful operation of a PC, all of which shall at all times be in compliance with all applicable laws and regulations as relates to the practice of chiropractic medicine. A form of Management Agreement, is included as an Exhibit to our Disclosure Document.

The PC shall employ and control the chiropractors and other chiropractic personnel that will provide the actual chiropractic services required to be delivered at and through the Clinic. You shall not provide any actual chiropractic services, nor shall you, direct, control or suggest to the PC or its chiropractors or employees the manner in which the PC provides or may provide actual chiropractic services to its patients or market to the public that anyone other than the PC is the owner/operator of the chiropractic practice to whom you provide management and business services.

Due to various federal and state laws regarding the practice of chiropractic medicine, and the ownership and operation of chiropractic practices and health care businesses that provide chiropractic services, you understand and acknowledge that you, as a non-chiropractor Location franchisee, shall not engage in any practice that is, or may appear to be, the practice of chiropractic medicine. You acknowledge that the PC must offer all chiropractic services in accordance with all manner of law and regulation and that

the Management Agreement and your relationship with the PC shall also be in accordance with all law and regulation and the System.

It is your responsibility to, promptly and timely, source a duly formed and licensed PC for your Franchise location and enter into an approved Management Agreement with that PC. Failure to do so will result in your inability to open your Franchise location. You must submit the duly formed PC and the credentials of the chiropractor or other authorized professionals of the licensed PC for our review and approval. You must enter into a management agreement with the PC for your Franchise location using our standard form of Management Agreement. While you must use our standard form of Management Agreement with the PC, you may negotiate the monetary terms, and with our written consent, certain other terms of the agreement with the PC. We will not unreasonably withhold our approval to request changes in the Management Agreement provided same are in compliance with all manner of law and regulation and are in compliance with the System. You must obtain our written approval of the final Management Agreement prior to your execution. You shall ensure that the PC offers all chiropractic services in accordance with the Management Agreement and the System and is compliant with all manner of law and regulation. You must have a Management Agreement in effect with a PC at all times during the operation of the Franchised Business and during the Initial Term of this Agreement.

If you are a licensed chiropractor, or part of a PC owned by licensed chiropractors, you do not need to execute a Management Agreement. However, you are still responsible for compliance with all manner of law and regulation applicable to the operation of a chiropractic Clinic and your Location franchise.

2.4 Waiver of Management Agreement.

In certain states, it may be permissible under existing law applicable to chiropractic professionals and/or practices or chiropractic clinics, for a non-chiropractor to both own and operate a Clinic and a Location Franchise. Certain of those laws may also allow a non-chiropractor or non-PC to hire chiropractic and other professional personnel to provide chiropractic services to patients at the Clinic in accordance with chiropractic regulation. If you determine that the laws that would apply to a Clinic in your state would permit you to do so, you may request that we waive certain of the requirements of the Franchise Agreement related to the separating of the ownership and/or operation of the chiropractic aspects of the Clinic from the general business management aspects. In particular, you, under those circumstances (i) would not enter into a Management Agreement with a PC that, as a separate entity, would otherwise operate the Clinic and provide all chiropractic services, and (ii) you would not be restricted from hiring and supervising chiropractic professionals in accordance with that state's regulation. Please be advised that any waiver, or modification of any of the other referenced requirements, will remain subject to compliance with all applicable laws and regulations. In such an event, and if we agree that such a waiver is appropriate, you

must enter into an Amendment to Waive Management Agreement ("Waiver Agreement"), a copy of which is attached as an exhibit to our Disclosure Document. Under the Waiver Agreement, you will agree that, in lieu of entering into the Management Agreement with a PC, you will (a) cause the Clinic to operate in accordance with all manner of law and regulation as relates to the practice of chiropractic and the standards for operating a chiropractic clinic, and (b) manage the Clinic as required in this Agreement, the System, and by performing all the responsibilities and obligations of the "Company" under the Management Agreement.

You are responsible for operating in full and Complete Compliance with all laws that apply to operating/managing a chiropractic Clinic in the state of your Franchise location. You must conduct your own diligence and make your own determination as to the required regulatory standards to be legally compliant to own or manage or operate a chiropractic clinic at your location. Please be advised, the laws applicable to your Clinic may change. If there are any chiropractic regulations or other laws that would render your operation of the Clinic through a single entity (or otherwise) in violation of any applicable medical or chiropractic regulation, you must immediately advise us of such change and of your proposed corrective action to comply with current chiropractic or applicable medical regulation, including (if applicable), but not limited to, entering into a Management Agreement with a PC. Similarly, if we discover a change in any such law or regulation applicable to your Clinic, upon providing you notice of such law or regulation,, you agree to immediately make such changes as are necessary to comply with the applicable medical or chiropractic regulation, including (if applicable), but not limited to, entering into a Management Agreement with a PC.

2.5 Selection of Premises; No Protected Territory; Reservation of Rights.

You and we will mutually select the location of the Premises upon or after the signing of this Agreement. **Notwithstanding the foregoing, you must select a site for the Premises that is approved by us no later than One Hundred Twenty (120) days before the Opening Deadline specified in this Agreement.** You acknowledge that the Franchise granted by this Agreement gives you the right to operate your Franchise only at the Premises. We make no guarantee of any protected territory. We retain all rights with respect to The Joint Corp. Location franchises, the Marks and the System. We specifically reserve the right (a) for the Company to locate and to operate/manage or grant others the right to locate and operate/manage The Joint Corp. Location franchises in any location in any territory on terms and conditions we deem appropriate; and (b) the right to operate or offer other healthcare-related companies or franchises or enter into other lines of business offering similar or dissimilar products or services under trademarks or service marks other than the Marks, in any location.

2.6 Renewal of Franchise.

(a) Franchise Owner's Right to Renew. Subject to the provisions of subparagraph 2.6(b) below, and provided you are not in default of any terms of this Agreement or any other agreement(s) you may have with us, and if you have substantially complied with all provisions of this Agreement and all other agreements between us, then upon the expiration of the Initial Term, you will have the right to renew the Franchise for one (1) additional term of ten (10) years (the "Renewal Term"). Notwithstanding the foregoing, such right of renewal is expressly conditioned upon your having refreshed and refurbished the Premises, including the replacement of fixtures, furnishings, wall decor, furniture, equipment, and signs and otherwise modify the Franchise to be in compliance with current specifications and standards then applicable for The Joint Corp. franchises within thirty (30) days prior to the commencement of the Renewal Term. Failure to comply shall be a material breach, time being of the essence, and any such Renewal will be canceled and of no further effect as if it had never been granted.

(b) Notice of Deficiencies and Other Requirements. At least one (1) year before the expiration of the Initial Term, we agree to give you written notice of any deficiencies in your operation or in the historical performance, marketing and revenue generation of the Franchise that could cause us not to renew the Franchise. Such notice will state what actions, if any, you must take to correct the deficiencies in your operation of the Franchise or of the Premises, and will specify the time period in which those deficiencies must be corrected or other requirements satisfied so that we may grant a renewal. Renewal of the Franchise will be conditioned upon your correction of the cited deficiencies and on your compliance with all the terms and conditions of this Agreement up to the date of expiration. If you are in default of any provisions of the Agreement or related Agreements you will not be granted a right to renew your Franchise. If we send a notice of non-renewal, it will state the reasons for our refusal to renew.

(c) Renewal Agreement. **Should you choose to seek to renew the Franchise, you must provide us with written notice of that intent no earlier than two (2) years and no later than one (1) year before the expiration of the Initial Term.** Should you be granted a right to renew the Franchise as set forth above, the Company, you and your Owners must execute the then current form of Franchise Agreement and any ancillary agreements with appropriate modification memorializing that a renewal fee will be due and payable and not the current, initial franchise fee. Said renewal fee shall equal 25% of the then-current initial franchise fee for Start-up Locations.

2.7 Personal Guaranty by Owners; Reference to Exhibit 2**.**

Each of the Owners and their spouses (where applicable), will be required to execute a personal guaranty (the "Guaranty"), guaranteeing the Franchise's liabilities and obligations to the Company. A copy of the Guaranty and Assumption of Obligations is incorporated herein as **Exhibit 2**.

3. DEVELOPMENT AND OPENING OF THE FRANCHISE

3.1 Site Approval; Lease or Purchase of Premises; Opening Timeline; Reference to Exhibit 3.

(a) **Unless we agree otherwise, you must locate and select a proposed site for the Premises that is acceptable and approved by us as suitable for the operation of a The Joint Location franchise no later than One Hundred Twenty (120) days prior to the Opening Deadline specified in this Agreement.** Your proposed site must be submitted with the required documentation in accordance with our policies and procedures, and must be reviewed and approved by us. Approval of a proposed site shall be at our sole and absolute discretion and shall not constitute, nor be deemed, a judgment as to the likelihood of success of a The Joint franchise at such location, or a judgment as to the relative desirability of such location in comparison to other locations. We will approve or disapprove a proposed site within ten business (10) days of receipt of a completed site submission package, as same may be defined and modified by The Joint Corp from time to time in our sole and absolute discretion. **Your failure to submit a completed site approval package with the required information, and/or failure to secure an approval from us for a proposed Site for the Premises in a timely manner shall NOT be reason for extending the Opening Deadline set forth in this Franchise Agreement. Moreover, your failure to select a proposed Site for the Premises that is approved by us no later than One Hundred Twenty (120) days prior to the Opening Deadline shall be grounds for us, in our discretion, to terminate this Agreement.**

(b) Following our approval of your site submittal package, you must obtain lawful possession of the Premises by executing a lease for the Premises ("the Lease"). **Unless we agree otherwise, you must execute a lease or purchase agreement for the Premises that is acceptable and approved by us as suitable for the operation of a The Joint Location franchise no later than seventy-five (75) days prior to the Opening Deadline specified in this Agreement.** Prior to your executing the Lease, and as a condition of our approval, be advised that the Lease for the Premises MUST include the form of Addendum to Lease, attached as Exhibit 3 to the Franchise Agreement, and which provides us amongst other things, requisite notice from the Landlord to the Franchisor for any defaults under your lease, and expressly permits us to take possession of the Premises under certain conditions and/or if this Agreement is terminated or if you violate the terms of the Lease. Before executing a lease, you must submit it to us for our approval. You agree that you will not execute a lease without our advance written approval of the lease terms which

must specifically include the designated form of Franchisor rider or additional required lease language. We will approve or disapprove the lease for your Premises within fifteen (15) days of receipt of your request for approval. **Your failure to execute a lease or purchase agreement for the Premises that is approved by us no later than seventy-five (75) days before the Opening Deadline shall be grounds for us, in our discretion, to terminate this Agreement. In addition, if you execute a lease without our advance written approval of the lease terms, then we may, in our discretion, elect to terminate your Franchise Agreement.**

(c) Unless we agree otherwise, you must open your franchise for business no later than the Opening Deadline set forth in Section (B)(3) of Exhibit 1 to this Agreement. Opening your franchise by the opening deadline is a material inducement for us having entered into this Agreement and granting you a franchise. If no Opening Deadline is set forth in Exhibit 1, then the Opening Deadline shall be deemed to be one-hundred eighty (180) days from the Agreement Date. **Your failure to open by the Opening Deadline is a breach of this Agreement and we shall be entitled to, in our discretion, terminate this Agreement based on your failure to open by the Opening Deadline.**

3.2 Prototype and Construction Plans and Specifications.

We will furnish to you prototypical, generic schematic plan together with a set of specifications for your Location, reflecting our requirements for design, decoration, furnishings, furniture, layout, equipment, fixtures and signs for The Joint Corp. Locations. You will be responsible for retaining a licensed architect designated or approved by us, who will then prepare architectural and/or mechanical and engineering plans and specifications, as may be required by, and which comply with, all applicable ordinances, building codes, permit, and lease requirements applicable to the Premises. You must submit final construction plans and specifications to us for our approval before you begin construction at the Premises, and must construct the Franchise location and secure all manner of construction and operational approvals in accordance with those approved plans and specifications.

3.3 Development of the Franchise.

You agree at your own expense to do the following by the Opening Deadline defined in Exhibit 1: (1) secure all financing required operating and development capital to fully develop, fund and operate the Franchise in accordance with this Agreement and the System; (2) obtain all required building, utility, sign, health, sanitation and business permits and licenses and any other required permits and licenses necessary to operate a Clinic at the location; (3) construct the Franchise location according to the approved construction plans and specifications; (4) decorate the Franchise location in compliance with the approved plans and specifications; (5) purchase and install all required equipment, furniture, furnishings and signs;

(6) cause the training requirements of Section 4 to be completed; (7) purchase an opening inventory of products and other supplies and materials; (8) provide proof, in a form satisfactory to us, that your operation of the Franchise at the Franchise location does not violate any applicable state or local zoning or land use laws, ordinances, or regulations, or any restrictive covenants that apply to such location; (9) provide proof, in a form satisfactory to us, that you (and/or your General Manager, as defined in Section 4.1, if any) are legally authorized and have all licenses necessary to perform all of the services to be offered by your Franchise, and that your organizational structure is consistent with all legal requirements, including but not limited to any required affiliation with a PC and/or management company; (10) provide proof, in a format satisfactory to us, that you have obtained all required insurance policies, and have name us, as an additional insurance under all such policies; (11) submit to us a completed copy of the grand opening checklist we provide to you; (12) do any other acts necessary to open the Franchise for business; (13) obtain our approval to open the Franchise for business; and (14) open the Franchise for business.

3.4 Computer System.

(a) General Requirements. You agree to exclusively use in the development and operation of the Franchise the computer terminals/billing systems and operating software ("Computer System") that we specify from time to time. You acknowledge that we may modify such specifications and the components of the Computer System from time to time. As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including without limitation a license to use proprietary software developed by us or others. Our modification of such specifications for the components of the Computer System may require you to incur costs to purchase, lease and/or obtain by license new or modified computer hardware and/or software, and to obtain service and support for the Computer System during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications thereto), and that the cost to you of obtaining the Computer System (or additions or modifications thereto), including software, may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications thereto). Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and require. You further acknowledge and agree that we and our affiliates have the right to charge a reasonable systems fee for software or systems installation services; modifications and enhancements specifically made for us or our affiliates that are licensed to you; and other maintenance and support Computer System-related services that we or our affiliates furnish to you. You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of third

parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded.

(b) Software. As a franchisee of The Joint Corp., we will provide to you The Joint Corp.'s proprietary office management software (the "Joint Software"), which you will be required to install onto the Computer System and use in the daily operation of the Franchise. In addition, we may, at any time and from time to time, contract with one or more software providers, business service providers, or other third parties (individually, a "Service Provider") to develop, license, or otherwise provide to or for the use and benefit of you and other The Joint Corp. Franchises certain software, software applications, and software maintenance and support services related to the Computer System that you must or may use in accordance with our instructions with respect to your Computer System.

3.5 Equipment, Furniture, Fixtures, Furnishings and Signs.

You agree to use in the development and operation of the Franchise only those brands, types, and/or models of equipment, furniture, fixtures, furnishings, and signs we have approved.

3.6 Franchise Opening.

You agree not to open the Franchise for business until: (1) all of your obligations under Paragraphs 3.1 through 3.4 of this Section have been fulfilled; (2) we determine that the Franchise has been constructed, decorated, furnished, equipped, and stocked with materials and supplies in accordance with plans and specifications we have provided or approved; (3) you and any of your Franchise's employees whom we require complete our pre-opening Initial Training (as defined herein) to our satisfaction; (4) the Initial Franchise Fee (as defined herein) and all other amounts due to us have been paid; (5) you have furnished us with copies of all insurance policies required by Paragraph 10.8 of this Agreement, or have provided us with appropriate alternative evidence of insurance coverage and payment of premiums as we have requested; (6) You have, if required, entered into a management agreement relationship with a duly formed and licensed PC and (7) we have approved any marketing, advertising, and promotional materials you desire to use, as provided in Paragraph 11.2 of this Agreement.

The Company will provide, at our expense, an opening supervisor to be on site at your Location to assist you with your operational efficiency, staff training, Location setup and grand opening. The opening supervisor will be on site one (1) day before the opening of your first Location and for one (1) day after the opening of your first Location franchise.

4. TRAINING.

4.1 General Manager.

At your request, we may, but are not obligated to, agree for you to employ a general manager to operate the Franchise ("General Manager"). The term "General Manager" means an individual with primary day-to-day responsibility for the Franchise's operations, and may or may not be you (if you are an individual) or an Owner, officer, director, or employee of yours (if you are other than an individual). We may or may not require that the General Manager have an equity interest in the Franchise. The General Manager will be obligated to devote his or her full time, best efforts, and constant personal attention to the Franchise's operations, and must have full authority from you to implement the System at the Franchise. You must not hire any General Manager or successor General Manager without first receiving our written approval of such General Manager's qualifications. Each General Manager and successor General Manager must attend and complete our Initial Training (as defined herein). No General Manager may have any interest in or business relationship with any business competitor of your franchise. Each General Manager must sign a written agreement, in a form approved by us, to maintain confidential our Confidential Information described in Paragraph 9.1, and to abide by the covenants not to compete described in Paragraph 9.3. You must forward to us a copy of each such signed agreement. If we determine, in our sole discretion, during or following completion of the Initial Training program, that your General Manager (if any) is not qualified to act as General Manager of the Franchise, then we have the right to require you to choose (and obtain our approval of) a new individual for that position.

4.2 Training.

You acknowledge that it is very important to the operation of the Franchise that you and your employees receive appropriate training. To that end, you agree as follows:

(a) No later than thirty (30) days before the Franchise opens for business, you must attend our initial training program for your Franchise (the "Initial Training") at the time and place we designate. You (if you are an individual) or at least one of your Owners (if you are a legal entity) must complete the Initial Training to our satisfaction. If you employ a General Manager other than yourself or one of your Owners, that General Manager must also complete the Initial Training to our satisfaction. Other employees may complete the Initial Training at your sole discretion and expense, provided you first obtain our approval and subject to availability of facilities and materials. The Initial Training may include classroom instruction and Franchise operation training, and will be furnished at our training facility in Scottsdale, Arizona, a The Joint Corp. Franchise location we designate, your Franchise location, and/or at another location we designate. Our Initial Training programs may be different for each employee depending on their responsibilities at the Franchise. There will be no tuition charge for the persons whom

we require to attend any Initial Training program or for any additional personnel of your choosing. All persons who attend our Initial Training must attend and complete the Initial Training to our satisfaction. If we, in our sole discretion, determine that any General Manager or employee whom we require to attend any Initial Training program is unable to satisfactorily complete such program, then you must not hire that person, and must hire a substitute General Manager or employee (as the case may be), who must enroll in the Initial Training program within fifteen (15) days thereafter, and complete the Initial Training to our satisfaction.

(b) You agree to have your General Manager (if any) and/or other employees who attend our Initial Training complete additional training programs at places and times as we may request from time to time during the term of this Agreement.

(c) In addition to providing the Initial Training described above, we reserve the right to offer and hold such additional ongoing training programs and franchise owners meetings regarding such topics and at such times and locations as we may deem necessary or appropriate. We also reserve the right to make any of these training programs mandatory for you and/or designated owners, employees, and/or representatives of yours. We reserve the right to charge you a daily attendance fee in an amount to be set by us for each attendee of yours who attends any mandatory or optional training program or owners meeting. If we offer any such mandatory training programs, then you or your designated personnel must attend a minimum of seventy-five percent (75%) of the programs offered on an annual basis. **In addition to any other remedies we may have, if you fail to attend any required training, we reserve the right to charge you a non-attendance fee of up to $400 per day for each day of mandatory training programs or meetings you miss or fail to attend.**

(d) You agree to pay all wages and compensation owed to, and travel, lodging, meal, transportation, and personal expenses incurred by, all of your personnel who attend our Initial Training and/or any mandatory or optional training we provide.

(e) We may require your employees to periodically and on an ongoing basis take and pass an online computer training course. While there is no cost to take such training, we may require all employees and staff to pass such training to our satisfaction before they may begin working at your Franchise location.

(f) The Franchise's General Manager (if any) and other employees shall obtain all certifications and licenses required by law in order to perform their responsibilities and duties for the Franchise.

5. GUIDANCE; OPERATIONS MANUAL.

5.1 Guidance and Assistance.

During the term of this Agreement, we may from time to time furnish you guidance and assistance with respect to: (1) specifications, standards, and operating procedures used by The Joint Corp. Location franchises; (2) purchasing approved equipment, furniture, furnishings, signs, materials and supplies; (3) development and implementation of local advertising and promotional programs; (4) general operating and management procedures; (5) establishing and conducting employee training programs for your Franchise; and (6) changes in any of the above that occur from time to time. This guidance and assistance may, in our discretion, be furnished in the form of bulletins, written reports and recommendations, operations manuals and other written materials (the "Operations Manual"), and/or telephone consultations and/or personal consultations at our offices or your Franchise. If you request—and if we agree to provide—any additional, special on-premises training of your personnel or other assistance in operating your Franchise, then you agree to pay a daily training fee in an amount to be set by us, and all expenses we incur in providing such training or assistance, including any wages or compensation owed to, and travel, lodging, transportation, and living expenses incurred by, our Company personnel.

5.2 Operations Manual.

The Operations Manual we lend to you will contain mandatory and suggested specifications, standards, and operating procedures that we prescribe from time to time for your Franchise, as well as information relative to other obligations you have in the operation of the Franchise. The Operations Manual may be composed of or include audio recordings, video recordings, computer disks, compact disks, and/or other written or intangible materials. We may make all or part of the Manual available to you through various means, including the Internet. A previously delivered Operations Manual may be superseded from time to time with replacement materials to reflect changes in the specifications, standards, operating procedures and other obligations in operating the Franchise, you must keep your copy of the Operations Manual current. If you and we have a dispute over the contents of the Manual, then our master copy of the Manual will control. You agree that you will not at any time copy any part of the Operations Manual, permit it to be copied, disclose it to anyone not having a need to know its contents for purposes of operating your Franchise, or remove it from the Franchise location without our permission. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, then you must obtain a replacement copy for us at our then-applicable charge.

5.3 Modifications to System.

We will continually be reviewing and analyzing developments in the healthcare, and chiropractic industries, as well as developments in fields related to small-business management, and based upon our evaluation of this information, may make changes in the System, including but not limited to, adding new components to services offered and equipment used by The Joint Corp. Location franchises. Moreover, changes in laws regulating the services offered by The Joint Corp. franchises may (a) require us to restructure our franchise program, (b) require your General Manager (if any) and employees to obtain additional licenses or certifications, (c) require you to retain or establish relationships with additional professionals and specialists in the chiropractic and/or healthcare industries, and/or (d) require you to modify your ownership or organizational structure. You agree, at our request, to modify the operation of the Franchise to comply with all such changes, and to be solely responsible for all related costs.

5.4 Advisory Councils.

You agree to participate in, and, if required, become a member of any advisory councils or similar organizations we form or organize for The Joint Corp. Location franchises. We may, in our sole discretion, change or dissolve any advisory councils or similar organization we have formed or organized.

6. FEES AND COSTS.

6.1 Initial Franchise Fee.

You agree to pay us the initial franchise fee of Thirty-Nine Thousand and Nine Hundred Dollars ($39,900.00) (the "Initial Franchise Fee") when you sign this Agreement. In recognition of the expenses we incur in furnishing assistance and services to you, you agree that we will have fully earned the Initial Franchise Fee, and that is due and non-refundable when you sign this Agreement.

6.2 Royalty Fee.

You agree to pay us a continuing franchise royalty fee ("Royalty Fee") in the amount of seven percent (7%) of the gross revenues of the Franchise for all periods, with a minimum monthly amount of Seven Hundred and No/100 Dollars ($700.00). This fee will be payable on the 1st and 16th of each month based on the Franchise's gross revenues. If the 1st or 16th of the month fall on a weekend or holiday, then the fee is payable on the next business day. If, at the end of any calendar month, the total Royalty Fee collected for the preceding month is less than $700.00, the difference between the amount collected and $700.00 shall be due on the tenth (10th) day of the following month. Your obligation to pay the minimum Royalty Fee of $700.00 begins on the date that you are required to open your Franchise for business under this Agreement, and not on the date that you actually open your Franchise for business. The terms "gross

revenues" shall, for purposes of this Agreement, mean the total of all revenue and receipts derived from the operation of the Franchise, including all amounts received at or away from the site of the Franchise, or through the business the Franchise conducts (such as fees for chiropractic care, fees for the sale of any service or product, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions); and excludes only sales taxes collected from customers and paid to the appropriate taxing authority, and all customer refunds and credits the Franchise actually makes. For the avoidance of doubt, you specifically acknowledge that "gross revenues" includes the gross revenues of any P.C. or any of P.C.'s clinics that are managed by you pursuant to a Management Agreement, even if those revenues are not recognized on your books, and that you are responsible for determining those revenues and paying the Royalty Fee as if those revenues were recognized on your books. You and we acknowledge and agree that the Royalty Fee represents compensation paid by you to us for the guidance and assistance we provide and for the use of our Marks, Confidential Information (as defined herein), know-how, and other intellectual property we allow you to use under the terms of this Agreement. The Royalty Fee does not represent payment for the referral of customers to you, and you acknowledge and agree that the services we offer to you and our other The Joint Corp. franchisees do not include the referral of customers.

6.3 Regional and National Advertising Fee.

Recognizing the value of advertising to the goodwill and public image of The Joint Corp. Location franchises, we may, in our sole discretion, establish, maintain and administer one or more regional and/or national advertising funds (the "Ad Fund(s)") for such advertising as we may deem necessary or appropriate in our sole discretion. We may, however, choose to use only one Ad Fund to meet the needs of regional, multi-regional, and national advertising and promotional programs. You agree to contribute to the Ad Fund a percentage of gross revenues of the Franchise in an amount we designate, up to a maximum of two percent (2%) of the gross revenues of the Franchise. As of the date of this Agreement, the current required contribution to the Ad Fund is two percent (2%) of the gross revenues of the Franchise. These advertising fees ("Advertising Fees") will be payable with and at the same time as your Royalty Fees payable under Paragraph 6.2 above. A further description of the Ad Fund and your obligations with respect to advertising and promoting the Franchise is found in Section 11 of this Agreement.

6.4 Local Advertising.

(a) By Franchisee. In addition to the Advertising Fees set forth in Paragraph 6.3, which will be used by us to promote The Joint Corp. on a regional and national level, you agree to spend a certain amount on advertising in your local market area. **This amount must equal the greater of (a) Three Thousand and No/100 Dollars ($3,000.00); or (b) five percent (5%) of the Franchise's gross revenues**

for each month during the term of this Agreement (the "Minimum Local Advertising Requirement"). We may require you to use one or more required suppliers or vendors for your local advertising. All proposed local advertising must be submitted to and approved by us before you enter into any advertising agreements. You must provide us (in a form we approve or designate) evidence of your required local advertising, marketing and promotional expenditures by the thirtieth (30th) day of each month, for the preceding calendar month, along with a year-to-date report of the total amount spent on local advertising.

(b) Local and Regional Advertising Cooperative. In the event that more than one The Joint Corp. Location franchise is located in a Designated Market Area ("DMA"), we reserve the right to form, or require you and the other Location franchisees in the DMA to form, a local or regional advertising cooperative (the "Ad Co-op"). 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. You may require you to join any Ad Co-op and contribute to its funding. While the amounts you pay to your Ad Co-op are typically determined by the Co-op members, we reserve the right to determine the amount to be contributed, as necessary. Amounts contributed to any Ad Co-op may be applied towards your Minimum Local Advertising Requirement set forth in Paragraphs 6.4(a) and 11.2.

6.5 Grand Opening Costs.

During sixty (60) day period that begins thirty (30) days prior to the opening of your Franchise, and ends thirty (30) days after the opening of your Franchise (the "Grand Opening Period"), **you will be required to expend at least Ten Thousand and No/100 Dollars ($10,000.00) in verifiable marketing costs to publicize the grand opening of your Franchise.** These costs may include, but are not limited to, temporary signage, local advertising, flyers, promotions, digital advertising, giveaways and other promotions. Upon conclusion of the Grand Opening Period, you must send to us a report detailing the amounts spent and that allocated to the particular medium to publicize the grand opening of your franchise during the Grand Opening Period. All proposed grand opening advertising must be submitted to and approved by us. At our request, you must provide us with any documentation we request showing that you have met the required spend requirement for your Grand Opening.

6.6 Software and Programing Fees.

You are responsible for all costs associated with the purchase and installation of The Joint Software. **For each month during the term of this Agreement, the on-going license fee for the Joint Software is Four Hundred and No/100 Dollars ($400.00)**, which will be debited from the Account on the fifth (5th) day of each month for the preceding month. **We reserve the right to increase the license fee for the Joint Software to $599.00 a month.** We will give you thirty (30) days prior written notice prior to increasing

the cost of The Joint Software fee, after which time, the new amount will be automatically debited from your account.

You are responsible for the cost to purchase and maintain any other software licenses or programs that we may require you to use in connection with your franchise.

6.7 Relocation Fee.

If you must relocate the Premises of your Location for any reason, you must pay to us a Franchise Relocation Fee (the "Relocation Fee") of Two Thousand Five Hundred and No/100 Dollars ($2,500.00). The Relocation Fee will help the Company defray the costs of approving a new location, reviewing and approving plans for the new location, and updating Company records and marketing materials to reflect the new location.

6.8 Late Payments.

All Royalty Fees, Advertising Fees, amounts due from you for purchases from us or our affiliates, and other amounts which you owe us or our affiliates (unless otherwise provided for in a separate agreement between us or our affiliates) will begin to accrue interest after their respective due dates at the lesser of (i) the highest commercial contract interest rate permitted by state law, and (ii) the rate of eighteen percent (18%) per annum. **In addition to any accruing interest, all late payments will incur a late charge of Fifty and No/100 Dollars ($50.00) per day until the payment is made.** Payments due us or our affiliates will not be deemed received until such time as funds from the deposit of any check by us or our affiliates is collected from your account. You acknowledge that the inclusion of this Paragraph in this Agreement does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to extend credit to, or otherwise finance your operation of the Franchise. We have the right to require that any payments due us or our affiliates be made by certified or cashier's check in the event that any payment by check is not honored by the bank upon which the check is drawn. **We also reserve the right to charge you a fee of One Hundred and No/100 Dollars ($100.00) for any payment by check that is not honored by the bank upon which it is drawn.**

6.9 Electronic Funds Transfer.

We have the right to require you to participate in an electronic funds transfer program under which Royalty Fees, Advertising Fees, and any other amounts payable or owed to us or our affiliates, including any non-compliance fees, are deducted or paid electronically from your bank account (the "Account"). In the event you are required to authorize us to initiate debit entries, you agree to make the funds available in the Account for withdrawal by electronic transfer no later than the payment due date. The amount actually transferred from the Account to pay Royalty Fees and Advertising Fees will be based on the Franchise's

gross revenues as reported in the Franchise's practice management software. **If you have not properly input the Franchise's gross revenues for any reporting period, then we will be authorized to debit the Account in an amount equal to one hundred twenty percent (120%) of the Royalty Fee, Advertising Fee, and other amounts transferred from the Account for the last reporting period for which a report of the Franchise's gross revenues was provided to us. If at any time we determine that you have under-reported the Franchise's gross revenues or underpaid any Royalty Fee or Advertising Fee due us under this Agreement, then we will be authorized to initiate immediately a debit to the Account in the appropriate amount, plus applicable interest, in accordance with the foregoing procedure.** Any overpayment will be credited, without interest, against the Royalty Fee, Advertising Fee, and other amounts we otherwise would debit from your account during the following reporting period. Our use of electronic funds transfers as a method of collecting Royalty Fees and Advertising Fees due us does not constitute a waiver of any of your obligations to provide us with weekly reports as provided in Section 12, nor shall it be deemed a waiver of any of the rights and remedies available to us under this Agreement.

6.10 Application of Payments.

When we receive a payment from you, we have the right in our sole discretion to apply it as we see fit to any past due indebtedness of yours due to us or our affiliates, whether for Royalty Fees, Advertising Fees, purchases, interest, or for any other reason, regardless of how you may designate a particular payment should be applied.

6.11 Modification of Payments.

If, by operation of law or otherwise, any fees contemplated by this Agreement cannot be based upon gross revenues, then you and we agree to negotiate in good faith an alternative fee arrangement. If you and we are unable to reach an agreement on an alternative fee arrangement, then the Company reserves the right to terminate this Agreement upon notice to you, in which case all of the post-termination obligations set forth in Section 16 shall apply.

6.12 Non-Compliance Charge.

In addition to our other rights and remedies, **we may charge you a non-compliance charge in an amount up to one hundred dollars ($100) per day per violation by you of any term or condition of this Agreement**, including, without limitation, failure to pay (or to have adequate amounts available for electronic transfer of) amounts owed to Franchisor or Franchisor's affiliates or failure to timely provide required reports, or failure to obtain prior approval from Franchisor whenever Franchisor approval is required (i.e., advertising), which is a reasonable estimate of the damages that we would incur from your continued non-compliance with or of our standards, and not a penalty.

7. MARKS.

7.1 Ownership and Goodwill of Marks.

You acknowledge that your right to use the Marks is derived solely from this Agreement, and is limited to your operation of the Franchise pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures we prescribe from time to time during the term of the Franchise. You understand and acknowledge that our right to regulate the use of the Marks includes, without limitation, any use of the Marks in any form of electronic media, such as Websites (as defined herein) or web pages, or as a domain name or electronic media identifier. If you make any unauthorized use of the Marks, it will constitute a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that all your usage of the Marks and any goodwill established by your use will inure exclusively to our benefit and the benefit of our affiliates, and that this Agreement does not confer any goodwill or other interests in the Marks on you (other than the right to operate the Franchise in compliance with this Agreement). All provisions of this Agreement applicable to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork, or logos we may authorize and/or license you to use during the term of this Agreement.

7.2 Limitations on Franchise Owner's Use of Marks.

You agree to use the Marks as the sole trade identification of the Franchise, except that you will display at the Franchise location a notice, in the form we prescribe, stating that you are the independent owner of the Franchise pursuant to a Franchise Agreement with us. You agree not to use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos and additional trade and service marks licensed to you under this Agreement), or in any modified form. You also shall not use any Mark or any commercial symbol similar to the Marks in connection with the performance or sale of any unauthorized services or products, or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe at the Franchise and in connection with advertising and marketing materials, and to use, along with the Marks, any notices of trade and service mark registrations we specify. You further agree to obtain any fictitious or assumed name registrations as may be required under applicable law.

7.3 Notification of Infringements and Claims.

You agree to immediately notify us in writing of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark, or service mark of which you become aware. You agree not to communicate with anyone except us and our counsel in connection with any such infringement, challenge, or claim. We have the right to exclusively

control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Mark. You agree to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks, or to otherwise protect and maintain our interests in the Marks.

7.4 Discontinuance of Use of Marks.

If it becomes advisable at any time in our sole judgment for the Franchise to modify or discontinue the use of any Mark, or use one or more additional or substitute trade or service marks, including the Marks used as the name of the Franchise, then you agree, at your sole expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trade or service marks, within a reasonable time after our notice to you.

7.5 Indemnification of Franchise Owner.

We agree to indemnify you against, and reimburse you for, all damages for which you are held liable in any trademark infringement proceeding arising out of your use of any Mark pursuant to and in compliance with this Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim, and have otherwise complied with this Agreement.

8. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.

8.1 Independent Contractor; No Fiduciary Relationship.

This Agreement does not create a fiduciary relationship between you and us. You and we are independent contractors, and nothing in this Agreement is intended to make either party a general or special agent, joint venture, partner, or employee of the other for any purpose whatsoever. You agree to conspicuously identify yourself in all your dealings with customers, suppliers, public officials, Franchise personnel, and others as the owner of the Franchise pursuant to a Franchise Agreement with us, and to place any other notices of independent ownership on your forms, business cards, stationery, advertising, and other materials as we may require from time to time.

8.2 No Liability, No Warranties.

We have not authorized or empowered you to use the Marks except as provided by this Agreement, and you agree not to employ any of the Marks in signing any contract, check, purchase agreement, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability to us for any indebtedness or obligation of yours. Except as expressly authorized by this Agreement, neither you nor we will make any express or implied agreements, warranties, guarantees or

representations, or incur any debt, in the name of or on behalf of the other, or represent that your and our relationship is other than that of franchisor and franchisee.

8.3 Indemnification.

We will not assume any liability or be deemed liable for any agreements, representations, or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to you or any person or property directly or indirectly arising out of the operation of the business you conduct pursuant to this Agreement, whether or not caused by your negligent or willful action or failure to act. We will have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied against you or your assets, or on us, in connection with the business you conduct, or any payments you make to us pursuant to this Agreement (except for our own income taxes). We will not assume any liability or be deemed liable for any agreements you enter with any third-parties, whether or not they are an approved or required vendor. You agree to indemnify, defend, and hold us, our affiliates and our and their respective owners, directors, officers, employees, agents, successors, and assigns (individually, an "Indemnified Party," and collectively, the "Indemnified Parties"), harmless against, and to reimburse such Indemnified Parties for, all such obligations, damages, and taxes for which any Indemnified Party may be held liable, and for all costs the Indemnified Party reasonably may incur in the defense of any such claim brought against the Indemnified Party, or in any such action in which the Indemnified Party may be named as a party, including without limitation actual and consequential damages; reasonable attorneys', accountants', and/or expert witness fees; cost of investigation and proof of facts; court costs; other litigation expenses; and travel and living expenses. Each Indemnified Party has the right to defend any such claim against the Indemnified Party. You further agree to hold us harmless and indemnify and defend us for all costs, expenses, and/or losses we incur in enforcing the provisions of this Agreement, defending our actions taken relating to this Agreement, or resulting from your breach of this Agreement, including without limitation reasonable attorneys' fees (including those for appeal), unless, after legal proceedings are completed, you are found to have fulfilled and complied with all of the terms of this Agreement. Your indemnification obligations described above will continue in full force and effect after, and notwithstanding, the expiration or termination of this Agreement.

9. CONFIDENTIAL INFORMATION; NON-COMPETITION.

9.1 Types of Confidential Information.

We possess certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, products, and knowledge developed by us, including but not limited to: (1) services and products offered and sold at The Joint Corp. franchises;

(2) knowledge of sales and profit performance of any one or more The Joint Corp. franchises; (3) knowledge of sources of products sold at The Joint Corp. franchises, advertising and promotional programs, and image and decor; (4) the Joint Software; (5) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of The Joint Corp. franchises; (6) customer lists, records, membership agreements and/or contracts; and (7) the selection and methods of training employees. We will disclose much of the above-described information to you in advising you about site selection, providing our Initial Training, the Operations Manual, the Joint Software, and providing guidance and assistance to you under this Agreement. In addition, in the course of the operation of your Franchise, you or your employees may develop ideas, concepts, methods, or techniques of improvement relating to the Franchise that you disclose to us, and that we may then authorize you to use in the operation of your Franchise, and may use or authorize others to use in other The Joint Corp. franchises owned or franchised by us or our affiliates. Any such information disclosed to or developed by you will be referred to in this Agreement as "Confidential Information".

9.2 Non-Disclosure Agreement.

You agree that your relationship with us does not vest in you any interest in the Confidential Information, other than the right to use it in the development and operation of the Franchise, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information belongs to us, may contain trade secrets belonging to us, and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form that may be copied or duplicated; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to your employees, and the use of non-disclosure and non-competition agreements we may prescribe or approve for your shareholders, partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information.

9.3 Non-Competition Agreement.

You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure, and would be unable to encourage a free exchange of ideas and information among The Joint Corp. franchises, if franchise owners of The Joint Corp. franchises were permitted to hold interests in any competitive businesses (as described below). Therefore, during the term of this Agreement, neither

you, nor any Owner, nor any member of your immediate family or of the immediate family of any Owner, shall perform services for, or have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, manager, consultant, representative, or agent in, any business that offers products or services the same as or similar to those offered or sold at The Joint Corp. Location franchises. The ownership of one percent (1%) or less of a publicly traded company will not be deemed to be prohibited by this Paragraph. Upon expiration or termination of this Agreement for any reason, you agree not to engage in a competitive business for a period of two (2) years after the termination or expiration and within twenty-five (25) miles of your Franchise Premises or any other The Joint Corp. Location franchise location.

10. THE JOINT CORP. FRANCHISE OPERATING STANDARDS.

10.1 Condition and Appearance of the Franchise.

You agree that:

(a) neither the Franchise nor the Premises will be used for any purpose other than the operation of the Franchise in compliance with this Agreement;

(b) you will maintain the condition and appearance of the Franchise; its equipment, furniture, furnishings, and signs; and the Premises in accordance with our standards and consistent with the image of a The Joint Corp. Location franchise as an efficiently operated business offering high quality services, and observing the highest standards of cleanliness, sanitation, efficient, courteous service and pleasant ambiance, and in that connection will take, without limitation, the following actions during the term of this Agreement: (1) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at reasonable intervals; (2) interior and exterior repair of the Premises; and (3) repair or replacement of damaged, worn out or obsolete equipment, furniture, furnishings and signs;

(c) you will not make any material alterations to the Premises or the appearance of the Franchise, as originally developed, without our advance written approval. If you do so, we have the right, at our option and at your expense, to rectify alterations we have not previously approved;

(d) you will promptly replace or add new equipment when we reasonably specify in order to meet changing standards or new methods of service;

(e) **you will expend at least Ten Thousand and No/100 Dollars ($10,000.00) every four (4) years in remodeling, expansion, redecorating and/or refurnishing of the Premises and the Franchise, if deemed necessary by us (any changes to the decoration or furnishing of the Premises must be approved by us)**;

(f) on notice from us, you will engage in remodeling, expansion, redecorating and/or refurnishing of the Premises and the Franchise to reflect changes in the operations of The Joint Corp. franchises that we prescribe and require of new franchisees, provided that (1) no material changes will be required unless there are at least two (2) years remaining on the Initial Term of the Franchise (any changes to the decoration or furnishing of the Premises must be approved by us); and (2) we have required the proposed change in at least twenty-five percent (25%) of all similarly situated Company and affiliate-owned The Joint Corp. Locations, and have undertaken a plan to make the proposed change in the balance of such Company and affiliate-owned Locations (any expenditures incurred pursuant to this Paragraph 10.1(f) shall apply to the requirement in Paragraph 10.1(e));

(g) you will place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve; and

(h) if at any time in our reasonable judgment, the general state of repair, appearance, or cleanliness of the premises of the Franchise or its fixtures, equipment, furniture, or signs do not meet our standards, then we shall have the right to notify you specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within (ten) 10 days after receipt of our notice, and then continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, then we shall have the right, in addition to all other remedies available to us at law or under this Agreement, to enter the Premises or the Franchise and perform any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand.

10.2 Franchise Services and Products.

You agree that (a) the Franchise will offer for sale all services and products that we from time to time specify for Locations, (b) the Franchise will offer and sell approved services and products only in the manner we have prescribed; (c) you will not offer for sale or sell at the Franchise, the Premises, or any other location any services or products we have not approved; (d) all products will be offered at retail prices, and you will not offer or sell any products at wholesale prices; (e) you will not use the Premises for any purpose other than the operation of the Franchise; and (f) you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing**. In the event that you use, sell or distribute unauthorized products or services or fail to report the sale of authorized any products or services, we may, in additional to any other rights we may have, terminate this Agreement and your Franchise rights, if you failure to cure such default. Regardless of whether or not we terminate this Agreement, you will be responsible to pay us a non-compliance fee of $500 per day, any royalty due to us, and any amounts we incur due to or as a result of your sale of**

unapproved services or products. You understand and agree that we may debit such amounts directly from your bank account via EFT. You agree to maintain an inventory of approved products sufficient in quantity and variety to realize the full potential of the Franchise. We may, from time to time, conduct market research and testing to determine consumer trends and the saleability of new services and products. You agree to cooperate by participating in our market research programs, test marketing new services and products in the Franchise, and providing us with timely reports and other relevant information regarding such market research. In connection with any such test marketing, you agree to offer a reasonable quantity of the products or services being tested, and effectively promote and make a reasonable effort to sell them.

10.3 Approved Products, Distributors and Suppliers.

We have developed or may develop various unique products or services that may be prepared according to our formulations. We have approved, and will continue to periodically approve, specifications for suppliers and distributors (which may include us and/or our affiliates) for products or services required to be purchased by, or offered and sold at, The Joint Corp. Location franchises, that meet our standards and requirements, including without limitation standards and requirements relating to product quality, prices, consistency, reliability, and customer relations. You understand and acknowledge we will not be liable to you or anyone else for any damages or claims arising out of or resulting from the acts or omissions any supplier and distributor of products or services, whether or not such supplier or distributor is an approved or required supplier or distributor of products or services. You agree that the Franchise will: (1) purchase any required products or services in such quantities as we designate; (2) utilize such formats, formulae, and packaging for products or services as we prescribe; and (3) purchase all designated products and services only from distributors and other suppliers we have approved. In the event we designate a required supplier or distributor during the term of this Agreement, or any subsequent franchise agreement, you must begin to use such required supplier or distributor with thirty (30) days of the date we notify you that you must use such supplier or distributor, unless we designate a longer period for you to switch or convert over to such supplier or distributor. Your failure or refusal to do so shall constitute a breach of this Agreement.

We may approve a single distributor or other supplier (collectively "supplier") for any product, and may approve a supplier only as to certain products. We may concentrate purchases with one or more suppliers to obtain lower prices or the best advertising support or services for any group of The Joint Corp. Locations franchised or operated by us. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria, and may be temporary, pending our continued evaluation of the supplier from time to time.

If you would like to purchase any items from any unapproved supplier, then you must submit to us a written request for approval of the proposed supplier. We have the right to inspect the proposed supplier's facilities, and require that product samples from the proposed supplier be delivered, at our option, either directly to us, or to any independent, certified laboratory that we may designate, for testing. We may charge you a supplier evaluation fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. 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.

We and/or our affiliates may be an approved supplier of certain products or services to be purchased by you for use and/or sale by the Franchise. We and our affiliates reserve the right to charge any licensed manufacturer engaged by us or our affiliates a royalty to manufacture products for us or our affiliates, or to receive commissions or rebates from vendors that supply goods or services to you. We or our affiliates may also derive income from our sale of products or services to you, and may sell these items at prices exceeding our or their costs in order to make a profit on the sale.

10.4 Hours of Operation.

You agree to keep the Franchise open for business at such times and during such hours as we may prescribe from time to time.

10.5 Specifications, Standards and Procedures.

You agree to comply with all mandatory specifications, standards, and operating procedures relating to the appearance, function, cleanliness, sanitation and operation of the Franchise. Any mandatory specifications, standards, and operating procedures that we prescribe from time to time in the Operations Manual, or otherwise communicate to you in writing, will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to "this Agreement" include all such mandatory specifications, standards, and operating procedures.

10.6 Compliance with Laws and Good Business Practices.

You agree to secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of the Franchise. You also agree to operate the Franchise in full compliance with all applicable laws, ordinances, and regulations, including without limitation all government regulations relating to worker's compensation insurance, Medicare, HIPAA, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. You agree that at all time during the term of this Agreement, that you will maintain sufficient working capital to fulfill your obligations under this Agreement. You agree to execute any and all documents, including documents with us, our agents, affiliates, etc., or others, that we may require from

time to time, to ensure compliance with any applicable laws, whether such laws are applicable now or in the future.

All advertising you employ must be completely factual, in good taste (in our judgment), and conform to the highest standards of ethical advertising and all legal requirements. You acknowledge that chiropractic is a regulated profession and that certain marketing requirements need to be engaged in a manner that conforms to state and/or local regulation or code. You shall be required to inform yourself of those requirements and strictly comply with their protocols. You agree that in all dealings with us and any of our affiliates, other franchisees, your customers, your suppliers, and public officials, you will adhere to all manner of code, regulation and law and the highest standards of honesty, integrity, fair dealing and ethical conduct. You further agree to refrain from any business or advertising practice that may be legally non-compliant or harmful to the business of the Company, the Franchise, and/or the goodwill associated with the Marks and other The Joint Corp. franchises.

You must notify us in writing within 5 days of any of the following: (1) the commencement of any action, investigation, suit, or proceeding, and/or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental unit of the Franchise or any Owner, that may adversely affect the Franchise's operations, financial condition, or reputation; or the reputation of the Company and/or the goodwill associated with the Marks; (2) your receipt or knowledge any notice of violation of any law, ordinance, or regulation relating to any health, safety, medical, healthcare, or chiropractic rules or laws, as well as any inquires that may lead to a notice of violation of any such rules or laws; (3) any activity or action, involving your Franchise, the Franchise Owner, or any Owner, which may the operations of the Franchise, the reputation of the Franchise or the Company, or the goodwill associated with the Marks; or (4) whether you or any of your Owners are indicted for, convicted of, or plead no contest to a felony, or are indicted for, convicted or plead no contest to any crime or offense, which may adversely affect the reputation of the Company, the Franchise, and/or the goodwill associated with the Marks.

You agree that Company shall have the right to conduct periodic background and/or credit checks on you or any of your Owners. You agree to cooperate by providing any necessary information or authorizations necessary to conduct such background or credit checks. You understand and acknowledge that the purpose of such background and credit checks is verify compliance with your duty to report adverse legal or financial changes that may adversely affect the operation of the Franchise, the reputation of the Franchise or the Company, and/or the goodwill associated with the Marks or the validity of the Agreement.

10.7 Management and Personnel of the Franchise.

Unless we approve your employment of a General Manager to operate the Franchise as provided in Paragraph 4.1, you must actively participate in the actual, on-site, day-to-day operation of the Franchise, and devote as much of your time as is reasonably necessary for the efficient operation of the Franchise. If you are other than an individual, then at least one (1) Owner, director, officer, or other employee of you whom we approve must comply with the this requirement. If we agree that you may employ a General Manager, then the General Manager must fulfill this requirement. Any General Manager shall each obtain all licenses and certifications required by law before assuming his or her responsibilities at the Franchise. You will ensure that your employees and independent contractors of the Franchise have any licenses as may be required by law, and hold or are pursuing any licenses, certifications, and/or degrees required by law or by us in the Operations Manual, as updated from time to time. You will be exclusively responsible for the terms of your employees' and independent contractors' employment and compensation, and for the proper training of your employees and independent contractors in the operation of the Franchise. You must establish any training programs for your employees and/or independent contractors that we may prescribe in writing from time to time. You must require all employees and independent contractors to maintain a neat and clean appearance, and conform to the standards of dress that we specify in the Operations Manual, as updated from time to time. Each of your employees and independent contractors must sign a written agreement, in a form approved by us, to maintain confidential our Confidential Information, proprietary information, and trade secrets as described in Paragraph 9.1, and to abide by the covenants not to compete described in Paragraph 9.3. You must forward to us a copy of each such signed agreement. All of your employees and independent contractors must render prompt, efficient and courteous service to all customers of the Franchise. **Failure to do so shall constitute a default hereunder and we may terminate your Franchise thereunder for failure to adequately and appropriately staff and train your employees or consultants.** You agree not to recruit or hire, either directly or indirectly, any employee (or a former employee, for sixty (60) days after his or her employment has ended) of any The Joint Corp. Location franchise operated by us, our affiliates, or another The Joint Corp. franchise owner without first obtaining the written consent of us, our affiliate, or the franchise owner that currently employs (or previously employed) such employee. If you violate this provision, in addition to any other right or remedy we may have, you agree to pay the employee's current or former employer twice the employee's annual salary, plus all costs and attorneys' fees incurred as a result of the violation. This amount is set at twice the employee's annual salary because it is a reasonable estimation of the damages that would occur from such a breach, and it will almost certainly be impossible to calculate precisely the actual damages from such a breach.

10.8 Insurance.

Before you open the Franchise and during any Term of this Agreement, you must maintain in force, under policies of insurance written on an occurrence basis issued by carriers with an A.M. Best rating of A-VIII or better approved by us, and in such amounts as we may determine from time to time: (1) comprehensive public, professional, product, sexual harassment, medical malpractice and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchise or otherwise in conjunction with your conduct of the Franchise Business pursuant to this Agreement, under one or more policies of insurance containing minimum liability coverage amounts as set forth in the Operations Manual; (2) general casualty insurance, including theft, cash theft, fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of the Franchise and its contents, and any other assets of the Franchise; (3) worker's compensation and employer's liability insurance as required by law, with limits equal to or in excess of those required by statute; (4) business interruption insurance for a period adequate to reestablish normal business operations, but in any event not less than six (6) months; (5) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements; and (6) umbrella liability coverage with limits of not less than $1,000,000/$3,000,000 or such other amounts that we may establish in the Operations Manual. You must purchase such insurance coverage(s) only from our approved or designated supplier(s). We may periodically increase or decrease the amounts of coverage required under these insurance policies, and/or require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

Each insurance policy must name us (and, if we so request, our members, directors, employees, agents, and affiliates) as additional insureds, and must provide us with thirty (30) days' advance written notice of any material modification, cancellation, or expiration of the policy. Deductibles must be in reasonable amounts, and are subject to review and written approval by us. You must provide us with copies of policies evidencing the existence of such insurance concurrently with execution of this Agreement and prior to each subsequent renewal date of each insurance policy, along with certificates evidencing such insurance. You are 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.

Prior to the expiration of the term of each insurance policy, you must furnish us with a copy of a renewal or replacement insurance policy and appropriate certificates of insurance. If you at any time fail or refuse to maintain any insurance coverage required by us, or to furnish satisfactory evidence thereof, or to name us as an additional insured under any such policies, then we, at our option and in addition to our other rights and remedies under this Agreement, may, but need not, obtain such insurance coverage on your behalf. **You shall immediately reimburse us on demand for any costs or premiums paid or incurred by us, and pay an administrative fee of $500 plus any others fees, including attorneys' fees, which we may incur. If you fail to pay us within ten (10) days of our demand for reimbursement, we reserve the right to debit your account the amounts owed to us for any premiums paid on your behalf for such insurance coverage along with any other administrative fees, costs, surcharges expenses and fees we incur to obtain such coverage on your behalf or on behalf of your franchise.** We reserve the right to require you to provide us with an application for insurance (in a form acceptable to our required supplier for insurance) for any medical professional that has been offered a position to work in a Franchise location so that we may, if you fail to do so, procure any necessary insurance coverage for such medical professional. **Nothing in this Section 10.8 or elsewhere in this Agreement shall negate or otherwise effect our right to terminate this Agreement for failure to meet all applicable insurance requirements pertaining to your Franchise.**

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 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. In addition to the requirements of the foregoing paragraphs of this Paragraph 10.8, 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 the Premises.

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 Section 7 of this Agreement.

10.9 Credit Cards and Other Methods of Payment.

You must at all times have arrangements in existence with Visa, Master Card, American Express, Discover and any other credit and debit card issuers or sponsors, check verification services, and electronic fund transfer systems that we designate from time to time, in order that the Franchise may accept customers'

credit and debit cards, checks, and other methods of payment. We may require you to obtain such services through us or our affiliates.

10.10 Pricing.

To the extent permitted by applicable law, we may periodically establish maximum and/or minimum prices for services and products that the Franchise location offers, including without limitation, prices for promotions in which all or certain The Joint Franchise locations participate. If we establish such prices for any services or products, you agree not to exceed or reduce that price, but will charge the price for the service or product that we establish. You hereby agree to apply any pricing matrix or schedule established by us. If you wish to offer an alternate pricing matrix, you must obtain our prior written approval, which approval we may withhold in our sole and absolute discretion. In states where you must enter a Management Agreement (Section 2.3), this provision shall be modified, to the extent legally permissible, and/or legally construed to conform to the laws of the state where your Franchise location will be located.

11. ADVERTISING.

11.1 By Company.

As stated in Paragraph 6.3, due to the value of advertising and the importance of promoting the public image of Location franchises (both franchisee- and Company-owned), we will establish, maintain, and administer one or more Ad Funds to support and pay for national, regional, and/or local marketing programs that we deem necessary, desirable, or appropriate to promote the goodwill and image of all Location franchises. You will contribute to the Ad Fund the Advertising Fee set forth in Section 6.3. We agree that any Locations owned by us or our affiliates will contribute to the Ad Fund on at least the same basis as you do.

We will be entitled to direct all advertising programs financed by the Ad Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. We will have the sole discretion to use the Ad Fund to pay the costs of preparing and producing video, audio, and written advertising materials; administering regional, multi-regional and/or national advertising programs; including purchasing direct mail and other media advertising; employing advertising agencies and supporting public relations, market research, and other advertising and marketing firms; and paying for advertising and marketing activities that we deem appropriate, including the costs of participating in any national or regional trade shows. and providing advertising and marketing materials to Location franchises. We may in our discretion use the Ad Fund to engage in advertising and promotional programs that benefit only one or several regionals, and not

necessarily all Location franchises Ad Funds. The Ad Fund will furnish you with approved advertising materials at its direct cost of producing those advertising materials. The amounts you contribute to the Ad Fund will not be used for collective media placement of advertising in television, radio, newspaper or other media for the benefit of franchisees in a local or regional market. Rather, any collective media placement for the benefit of franchisees in a local or regional market will be conducted through the local and regional advertising cooperatives described in Section 11.3.

The Ad Fund will be accounted for separately from other funds of the Company, and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs, and overhead we may incur in activities reasonably related to the administration of the Ad Fund and its advertising programs (including without limitation conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Ad Fund). We may spend in any fiscal year an amount greater or less than the total contributions to the Ad Fund in that year. We may cause the Ad Fund to borrow from us or other lenders to cover deficits of the Ad Fund, or to invest any surplus for future use by the Ad Fund. You authorize us to collect for remission to the Ad Fund any advertising monies or credits offered by any supplier to you based upon purchases you make. We will prepare an annual statement of monies collected and costs incurred by the Ad Fund and will make it available to you on written request.

You understand and acknowledge that the Ad Fund will be intended to maximize recognition of the Marks and patronage of Locations franchises (both franchisee-owned and Company-owned) that are using the Marks. Although we will endeavor to use the Ad Fund to develop advertising and marketing materials, and to place advertising in a manner that will benefit Location franchises that are using the Marks, we undertake no obligation to ensure that expenditures by the Ad Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Ad Fund by Location franchises operating in that geographic area, or that any Location franchise will benefit directly or in proportion to its contribution to the Ad Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this Paragraph, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Ad Fund.

We will have the right to terminate the Ad Fund by giving you thirty (30) days' advance written notice. All unspent monies on date of termination will be divided between the Company and the contributing franchisees in proportion to our and their respective contributions. At any time thereafter, we will have the right to reinstate the Ad Fund under the same terms and conditions as described in this Section (including the rights to terminate and reinstate the Ad Fund) by giving you thirty (30) days' advance written notice of reinstatement.

11.2 By Franchise Owner.

You must spend, in addition to any contributions to the Ad Fund, a minimum of the greater of (a) Three Thousand and No/100 Dollars ($3,000.00); or (b) five percent (5%) of the Franchise's gross revenues for each month during the term of this Agreement, as outlined in Paragraph 6.4, for local advertising, promotion and marketing. We may require you to use one or more required suppliers or vendors for your local advertising. You must provide us (in a form we approve or designate) evidence of your required local advertising, marketing and promotional expenditures allocated by medium spend, by the thirtieth (30th) day of each month, for the preceding calendar month, along with a year-to-date report of the total amount spent on local advertising.

You agree to list and advertise the Franchise within your market area, in those business classifications as we prescribe from time to time, using any standard form of advertisement we may provide.

On each occasion before you use them, samples of all local advertising and promotional materials not prepared or previously approved by us must be submitted to us for approval. If you do not receive our written disapproval within fifteen (15) days from the date we receive the materials, the materials will be deemed to have been approved. You agree not to use any advertising or promotional materials that we have disapproved. You will be solely responsible and liable to ensure that all advertising, marketing, and promotional materials and activities you prepare comply with applicable federal, state, and local law, and the conditions of any agreements or orders to which you may be subject.

11.3 Local and Regional Advertising Cooperatives.

You are required to join and participate in any Ad Co-ops (as defined in Section 6.4) covering your Location. One function of the Co-op is to establish a local or regional advertising pool, of which the funds must be used for local or regional advertising purposes, and for the mutual benefit of each Co-op member. All Ad Co-ops must operate according to their bylaws. We have the right to specify the manner in which any Ad Co-ops are organized and governed, and may require any and all Ad Co-ops to be legal entities of the state where they are located. You must contribute to the Ad Co-op according to the Ad Co-op's rules and regulations, and bylaws, as determined by the Co-op members. However, we reserve the right to determine the amount to be contributed to any Ad Co-op, as necessary. Amounts contributed to any Ad Co-op may be applied towards your Minimum Local Advertising Requirement set forth in Paragraphs 6.4(a) and 11.2

11.4 Websites and Other Forms of Advertising Media.

You acknowledge and agree that any Website or Other Forms of Advertising Media (as defined below) will be deemed "advertising" under this Agreement, and will be subject to, among other things, the

need to obtain our prior written approval in accordance with Paragraphs 7.2 and 11.2. As used in this Agreement, the term or reference to "Website or Other Forms of Advertising Media" means any interactive system, including but not limited to all types of online communications, virtual applications, social media, or the like, including but not limited to Groupon, Living Social, Facebook, Twitter, etc., that you operate or use, or authorize others to operate or use, and that refer to the Franchise, the Marks, us, and/or the System. The term or reference Website or Other Forms of Advertising Media includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website or Other Forms of Advertising Media, you agree to the following:

(a) Before establishing any Website or Other Form of Advertising Media, you will submit to us a sample of such Website or Other Form of Advertising Media format and information in the form and manner we may require.

(b) You will not establish or use any Website or Other Forms of Advertising Media without our prior written approval.

(c) In addition to any other applicable requirements, you must comply with our standards and specifications for Website or Other Forms of Advertising Media as we prescribe in the Operations Manual or otherwise in writing, including any specifications relating to the use of organic and paid search engine optimization, keyword and landing page management. If we require, you will establish a website as part of our corporate website and/or establish electronic links to our corporate website.

(d) If you propose any material revision to Website or Other Forms of Advertising Media or any of the information contained therein, you will submit each such revision to us for our prior written approval.

12. ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS.

You agree to maintain, at your own expense, the Joint Software and other accounting software, to act as a bookkeeping, accounting, and record keeping system for the Franchise. The Joint Software includes the capability of being polled by our central computer system, which you agree to permit. **With respect to the operation and financial condition of the Franchise, we will pull from the Joint Software (if available), or require you to provide from your accounting software (in a form we designate) or in accordance with General Acceptably Accounting Principles ("GAAP"), as the case may be, the following:** (1) by Tuesday of each week, an electronic report of the Franchise's gross revenues for the preceding week ending on, and including, Sunday, and any other data, information, and supporting records that we may require; (2) by the thirtieth (30^{th}) day of each month, a profit and loss statement for the preceding calendar month, and a year-to-date profit and loss statement and balance sheet; (3) within ninety (90) days after the end of your fiscal year, a fiscal year-end balance sheet, and an annual profit and loss

statement for that fiscal year, reflecting all year-end adjustments; and (4) such other reports as we require from time to time (collectively, all of the above are referred to as "Reports"). You agree to input all Franchise transactions into the Joint Software and your accounting software in a timely manner to ensure that all Reports are accurate. **If it is determined that any information was omitted from the Joint Software, or that any information was input in the Joint Software and/or reported to us inaccurately, and/or you have failed to provide us any required Reports, we may charge a non-refundable accounting fee of One Hundred and No/100 Dollars ($100.00) per day, payable in a lump sum by the fifth (5th) day of the month following the month during which the inaccurate report was submitted or for any late or unsubmitted Reports.** You agree to maintain and furnish upon our request complete copies of federal and state income tax returns you file with the Internal Revenue Service and state tax departments, reflecting revenues and income of the Franchise or the corporation, partnership, or limited liability company that holds the Franchise. We reserve the right to require you to have audited or reviewed financial statements prepared by a certified public accountant on an annual basis. You agree to retain hard copies of all records for a minimum of four (4) years.

13. INSPECTIONS AND AUDITS.

13.1 Company's Right to Inspect the Franchise.

To determine whether you and the Franchise are complying with this Agreement and the specifications, standards, and operating procedures we prescribe for the operation of the Franchise, we or our agents have the right, at any reasonable time and without advance notice to you, to: (1) inspect the Premises; (2) observe the operations of the Franchise for such consecutive or intermittent periods as we deem necessary; (3) interview personnel of the Franchise; (4) interview customers of the Franchise; and (5) inspect and copy any books, records and documents relating to the operation of the Franchise. You agree to fully cooperate with us in connection with any of those inspections, observations and interviews. You agree to present to your customers any evaluation forms we periodically prescribe, and agree to participate in, and/or request that your customers participate in, any surveys performed by or on our behalf. Based on the results of any such inspections and audits and your other reports, we may provide to you such guidance and assistance in operating your Franchise as we deem appropriate.

13.2 Company's Right to Audit.

We have the right at any time during business hours, and without advance notice to you, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the Franchise, and the books and records of any corporation, limited liability company, or partnership that holds the Franchise. You agree to fully cooperate with our representatives and any independent accountants we may hire to conduct any inspection

or audit. **If the inspection or audit is necessary because of your failure to furnish any reports, supporting records, other information or financial statements as required by this Agreement, or to furnish such reports, records, information, or financial statements on a timely basis, or if an understatement of gross revenues for any period is determined by an audit or inspection to be greater than two percent (2%), then you agree to pay us all monies owed, plus interest of one and one-half percent (1.5%) per month, and reimburse us for the cost of such inspection or audit, including without limitation any attorneys' fees and/or accountants' fees we may incur, and the travel expenses, room and board, and applicable per diem charges for our employees or contractors.** The above remedies are in addition to all our other remedies and rights under this Agreement or under applicable law.

14. TRANSFER REQUIREMENTS.

14.1 Organization.

If you are a corporation, partnership or limited liability company (or if this Agreement is assigned to a corporation, partnership or limited liability company in accordance with the requirements set forth below), you represent and warrant to us that you are and will continue to be throughout the term of this Agreement, maintain duly organized and validly existing in good standing under the laws of the state of your incorporation, registration or organization, that you are qualified to do business and will continue to be qualified to do business throughout the term of this Agreement in all states in which you are required to qualify, that you have the authority to execute, deliver and carry out all of the terms of this Agreement, and that during the term of this Agreement the only business you (i.e., the corporate, partnership or limited liability entity) will conduct will be the development, ownership and operation of the Franchise. Prior to your assignment of this Agreement to a corporation, partnership or limited liability company, you must obtain our prior written approval and must execute any and all documents we may require, or which are otherwise required to preserve our rights under this Agreement, or to ensure the continued operation of the Franchise, including but not limited to, any and all documents relating to the lease for the Premises. You must deliver to us, any and all documents we may require to confirm that the ownership interest of the Franchisor Owner remains the same as described in Exhibit 4, as well as any other documents we request, prior to, or after the assignment, relating to the organization structure of the Franchise Owner, including but not limited to, articles or amendments relating to formation, bylaws, operating agreements, or any other agreements or documents which pertain to the ownership, management or operation of the Franchise or the Franchise Owner.

14.2 Interests in Franchise Owner; Reference to Exhibit 4.

You and each Owner represent, warrant and agree that all "Interests" in Franchise Owner are owned in the amount and manner described in Exhibit 4. No Interests in Franchise Owner will, during the term of this Agreement, be "public" securities (i.e., securities that require, for their issuance, registration with any state or federal authority). (An "Interest" is defined to mean any shares, membership interests, or partnership interests of Franchise Owner and any other equitable or legal right in any of Franchise Owner's stock, revenues, profits, rights or assets. When referring to Franchise Owner's rights or assets, an "Interest" means this Agreement, Franchise Owner's rights under and interest in this Agreement, any The Joint Corp. franchise, or the revenues, profits or assets of any The Joint Corp. franchise.) You and each Owner also represent, warrant, and agree that no Owner's Interest has been given as security for any obligation (i.e., no one has a lien on or security interest in an Owner's Interest), and that no change will be made in the ownership of an Interest other than as expressly permitted by this Agreement or as we may otherwise approve in writing. You and each Owner agree to furnish us with such evidence as we may request from time to time to assure ourselves that the Interests of Franchise Owner and each of your Owners remain as permitted by this Agreement, including a list of all persons or entities owning any Interest, as defined above. **If you have transferred your Interests in violation of this Agreement you shall be considered in breach of this Agreement.**

14.3 Transfer by Company.

This Agreement is fully transferable by us and will inure to the benefit of any person or entity to whom it is transferred, or to any other legal successor to our interests in this Agreement.

14.4 No Transfer Without Approval.

You understand and acknowledge that the rights and duties created by this Agreement are personal to you and that we have entered into this Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of you and your Owners. Accordingly, neither this Agreement nor any part of your interest in it, nor any Interest (as defined in Paragraph 14.2) of Franchise Owner or an Owner, may be transferred (see definition below) without our advance written approval. **Any Transfer that is made without our approval will constitute a breach of this Agreement and convey no rights to or interests in this Agreement, you, the Franchise, or any and will constitute a default under this Agreement, and afford us the right, in our discretion, to terminate this Agreement.**

As used in this Agreement the term "Transfer" means any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest, or occurrence of any other event which would

or might change the ownership of any Interest, and includes, without limitation: (1) the Transfer of ownership of capital stock, partnership interest or other ownership interest (including the granting of options (such as stock options or any option which give anyone ownership rights now or in the future); (2) merger or consolidation, or issuance of additional securities representing an ownership interest in Franchise Owner; (3) sale of common stock of Franchise Owner sold pursuant to a private placement or registered public offering; (4) Transfer of an Interest in a divorce proceeding or otherwise by operation of law; or (5) Transfer of an Interest by will, declaration of or transfer in trust, or under the laws of intestate succession.

If one or more of the Owners desires to transfer or sell any Interest in the Franchise Owner, you and such Owner(s) must obtain our prior written consent to such transfer or sale, and, except as provided in this paragraph, you and such Owner(s) must also comply with any of the provisions of Section 14.5 that we require and/or any other conditions we may choose to impose, in our sole and absolute discretion. If one or more of the Owners desires to transfer an interest in the Franchise Owner, the Transfer fee set forth in Section 14.5(e) must be paid on or before the transfer of the Interest of such Owner(s). Your formal partnership, corporation or other formation documents and all stock certificates, partnership units or other evidence of ownership must recite or bear a legend reflecting the transfer restrictions of this Paragraph 14.4.

14.5 Conditions for Approval of Transfer.

If you and your Owners are in full compliance with this Agreement, we will not unreasonably withhold our approval of a Transfer that meets all the applicable requirements of this Section 14 and this Agreement. The person or entity to whom you wish to make the Transfer, or its owners ("Proposed New Owner"), must be individuals of good moral character and otherwise meet our then-applicable standards for The Joint Corp. Location franchisees as same is determined in our sole and absolute judgment. If you propose to Transfer this Agreement, the Franchise or its assets, or all of the Franchisor Owner's Interest in the Franchise, then all of the following conditions must be met before or at the time of the Transfer:

(a) the Proposed New Owner must have sufficient business experience, aptitude, and financial resources to operate the Franchise;

(b) you must pay any amounts owed for purchases from us and our affiliates, and any other amounts owed to us or our affiliates which are unpaid;

(c) the Proposed New Owner's directors and such other personnel as we may designate must have successfully completed our Initial Training program, and shall be legally authorized and have all licenses necessary to perform the services offered by the Franchise. The Proposed New Owner shall be responsible for any wages and compensation owed to, and the travel and living expenses (including all

transportation costs, room, board and meals) incurred by, the attendees who attend the Initial Training program;

(d) if your lease for the Premises requires it, the lessor must have consented to the assignment of the lease of the Premises to the Proposed New Owner;

(e) **you (or the Proposed New Owner) must pay us a Transfer Fee equal to either (1) $5,000, if your Location is unopened, and you are not in default of this agreement or any other agreement with us; or (2) $15,000, if your Location is opened, and you are not in default of this or any other agreement with us. You must reimburse us for reasonable expenses incurred by us in investigating and processing any Proposed New Owner where the Transfer is not consummated for any reason, including but not limited to any attorneys' fees we incur (not to exceed $5,000) plus costs and expenses.** If you are in default of this Agreement, or any other agreement with us, in addition to the Transfer Fee, we may require you to pay any amounts we deem necessary, in our sole discretion, to cure the default, provided that the default is curable;

(f) you and your Owners and your and their spouses must execute a general release (in a form satisfactory to us) of any and all claims you and/or they may have against us, our affiliates, and our and our affiliates' respective officers, directors, employees, and agents;

(g) we must approve the material terms and conditions of the proposed Transfer, including without limitation that the price and terms of payment are not so burdensome as to adversely affect the operation of the Franchise;

(h) the Franchise and the Premises shall have been placed in an attractive, neat and sanitary condition;

(i) you and your Owners must enter into an agreement with us providing that all obligations of the Proposed New Owner to make installment payments of the purchase price (and any interest on it) to you or your Owners will be subordinate to the obligations of the Proposed New Owner to pay any amounts payable under this Agreement or any new Franchise Agreement that we may require the Proposed New Owner to sign in connection with the Transfer;

(j) you and your Owners must enter into a non-competition agreement wherein you agree not to engage in a competitive business for a period of two (2) years after the Transfer and within twenty-five (25) miles of your Franchise Premises or any other The Joint Corp. Location franchise location;

(k) the Franchise shall have been determined by us to contain all equipment and fixtures in good working condition, as were required at the initial opening of the Franchise. The Proposed New Owner

shall have agreed, in writing, to make reasonable capital expenditures to remodel, equip, modernize and redecorate the interior and exterior of the premises in accordance with our then existing plans and specifications for a The Joint Corp. Location franchise, and shall have agreed to pay our expenses for plan preparation or review, and site inspection;

(l) upon receiving our consent for the Transfer or sale of the Franchise, the Proposed New Owner shall agree to assume all of your obligations under this Agreement in a form acceptable to us, or, at our option, shall agree to execute a new Franchise Agreement with us in the form then being used by us. We may, at our option, require that you guarantee the performance, and obligations of the Proposed New Owner;

(m) the proposed New Proposed Owner and any of its owner(s) and their spouses must execute a personal guaranty (in a form satisfactory to us), guaranteeing the Franchise's liabilities and obligations to the Company.

(n) you must have properly offered us the opportunity to exercise our right of first refusal as described below, and we must have then declined to exercise it.

14.6 Right of First Refusal.

If you or any of your Owners wishes to Transfer any Interest, we will have a right of first refusal to purchase that Interest as follows. The party proposing the Transfer (the "transferor") must obtain a bona fide, executed written offer (accompanied by a "good faith" earnest money deposit of at least five percent (5%) of the proposed purchase price) from a responsible and fully disclosed purchaser, and must submit an exact copy of the offer to us. You also agree to provide us with any other information we need to evaluate the offer, if we request it within five (5) days of receipt of the offer. We have the right, exercisable by delivering written notice to the transferor within fifteen (15) days from the date of last delivery to us of the offer and any other documents we have requested, to purchase the Interest for the price and on the terms and conditions contained in the offer, except that we may substitute cash for any form of payment proposed in the offer, and will not be obligated to pay any "finder's" or broker's fees that are a part of the proposed Transfer. We also will not be required to pay any amount for any claimed value of intangible benefits, for example, possible tax benefits that may result by structuring and/or closing the proposed Transfer in a particular manner or for any consideration payable other than the bona fide purchase price for the Interest proposed to be transferred. (In fact, we may in our sole and absolute discretion withhold consent to any proposed Transfer if the offer directly or indirectly requires payment of any consideration other than the bona fide purchase price for the Interest proposed to be transferred.) Our credit will be deemed equal to the credit of any other proposed purchaser, and we will have at least sixty (60) days to prepare for closing.

We will be entitled to all customary representations and warranties given purchasers in connection with such sales. If the proposed Transfer includes assets not related to the operation of the Franchise, we may purchase only the assets related to the operation of the Franchise or may also purchase the other assets. (An equitable purchase price will be allocated to each asset included in the Transfer.)

If we do not exercise our right of first refusal, the transferor may complete the sale to the Proposed New Owner pursuant to and on the terms of the offer, as long as we have approved the Transfer as provided in this Section 14. You must immediately notify us of any changes in the terms of an offer. Any change in the terms of an offer before closing will make it a new offer, revoking any previous approval or previously made election to purchase and giving us a new right of first refusal effective as of the day we receive formal notice of a material change in the terms. If the sale to the Proposed New Owner is not completed within sixty (60) days after we have approved the Transfer, our approval of the proposed Transfer will expire. Any later proposal to complete that proposed Transfer will be deemed a new offer, giving us a new right of approval and right of first refusal effective as of the day we receive formal notice of the new (or continuing) proposal. We will not exercise a right of first refusal with respect to a proposed Transfer of less than a controlling interest to a member of an Owner's immediate family or to your key employees.

14.7 Death and Disability.

Upon the death or permanent disability of you or an Owner, the executor, administrator, conservator or other personal representative of the deceased or disabled person must Transfer the deceased or disabled person's Interest within a reasonable time, not to exceed forty-five (45) days from the date of death or permanent disability, to a person we have approved. Any transfer of ownership pursuant to this Section 14.7, including without limitation transfers by a will or inheritance, will be subject to all the terms and conditions for assignments and Transfers contained in this Agreement. Failure to so dispose of an Interest within the forty-five (45) day period of time will constitute grounds for termination of this Agreement.

14.8 Effect of Consent to Transfer.

Our consent to a proposed Transfer pursuant to this Section 14 will not constitute a waiver of any claims we may have against you or any Owner, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the Proposed New Owner.

14.9 Consent Not Unreasonably Delayed.

If all the conditions are met to transfer the FA or any interest therein, we will not unreasonably delay granting our consent to the transfer.

15. TERMINATION OF THE FRANCHISE.

We have the right to terminate this Agreement effective upon delivery of notice of termination to you, if:

(a) you do not timely develop or open the Franchise as provided in this Agreement, or

(b) you fail to select a proposed Site for the Premises that is approved by us no later than one hundred and twenty (120) days before the Opening Deadline, **and do not cure such default within thirty (30) days after written notice is given to you; or**

(c) you fail to execute a lease or purchase agreement for the Premises that is approved by us no later than seventy-five (75) days before the Opening Deadline, **and do not cure such default within thirty (30) days after written notice is given to you;**

(d) you abandon, surrender, transfer control of, lose the right to occupy the Premises of, or do not actively operate, the Franchise, or your lease for or purchase of the location of the Franchise is terminated for any reason; or

(e) you or your Owners assign or Transfer this Agreement, any Interest, the Franchise, or assets of the Franchise without complying with the provisions of Section 14; or

(f) you are adjudged a bankrupt, become insolvent or make a general assignment for the benefit of creditors; or

(g) you use, sell, distribute or give away any unauthorized services or products, **and you do not cure such default within ten (10) days after written notice is given to you**; or

(h) you fail to maintain any licenses or permits necessary for the operation of the Franchise and/or fail to comply with any state and federal regulations which is likely to adversely affect the reputation of the Company, the Franchise, and/or the goodwill associated with the Marks or put the Company at risk, **and you do not cure such default within ten (10) days after written notice is given to you; provided, however, that you shall not have the right to cure if such failure has or is likely to (even if cured) adversely affect the reputation of the Company, the Franchisor, or the goodwill associated with the Mark, or if, due to your failure, a lawsuit or other type of legal proceeding (whether criminal, civil or administrative) has already been or is likely to be brought or initiated against the Company or any of its officers, directors, agents, employees, affiliates or franchisees;** or

(i) you or any of your Owners are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense, which is likely to adversely affect the reputation of the Company, the Franchise, and/or the goodwill associated with the Marks; or

(j) you are involved in any action or activity, including but not limited to dishonest, unethical, or illegal actions or activities, or any other similar act or activity, which is likely to adversely affect the reputation of the Company, the Franchise, and/or the goodwill associated with the Marks; or

(k) you fail to timely notify of any event, action or other action identified in Section 10.6, which is likely to adversely affect the reputation of the Company, the Franchise, and/or the goodwill associated with the Marks; or

(l) you or any of your employees violate any health or safety law, ordinance or regulation, or operate the Franchise in a manner that presents a health or safety hazard to your customers or the public, **and you do not cure such default within three (3) days after written notice is given to you**; or

(m) you fail to maintain a valid license or operate your Location with a PC that does not maintain a valid license to practice and/or fail to comply with any state and federal regulations, other than those covered by subsection (f), **and do not cure the failure within ten (10) days after written notice is given to you**; or

(n) you do not pay when due any monies owed to us or our affiliates, **and do not make payment within ten (10) days after written notice is given to you**; or

(o) you fail to meet the Minimum Local Advertising Requirement in Section 6.4, including any required reporting therefore **and fail to do so on two or more occasions within any consecutive (12) month period**; or

(p) you or any of your Owners fail to comply with any other provision of this Agreement or any mandatory specification, standard, or operating procedure, including those in our Operations Manual, **and you fail to make the required changes or to comply with such provision, specification, standard or operating procedure, within ten (10) days after written notice of your failure to comply is given to you**; or

(q) you fail to make any changes or submit or file any reports which are required to comply with any applicable state or federal laws, **and you do not cure such failure within ten (10) days after written notice of such failure to comply is given to you; provided, however, you shall not have the right to cure if any such failure has or is likely to (even if cured) adversely affect the reputation of the Company, the Franchisor, or the goodwill associated with the Marks**; or

(r) you fail to procure or maintain any and all insurance coverage that we require, or otherwise fail to name us as an additional insured on any required insurance policies, **and you do not cure such default within ten (10) days after written notice is given to you; provided, however, you shall not have the right to cure if, due to your failure, a lawsuit or other type of legal proceeding (whether criminal,**

civil or administrative) has already been or is likely to be brought or initiated against the Company or any of its officers, directors, agents, employees, affiliates or franchisees; or

(s) you or any of your Owners fail on two (2) or more separate occasions within any twelve (12) consecutive month period to submit when due any financial statements, reports, or other data, information, or supporting records; failure to provide any notice(s) required under this Agreement; pay when due any amounts due under this Agreement; or otherwise fail to comply with this Agreement, whether or not your failures to comply are corrected after notice is given to you or your Owners.

In addition, if, in the opinion of our legal counsel, any provision of this Agreement is contrary to law, then you and we agree to negotiate in good faith an amendment that would make this Agreement conform to the applicable legal requirements. If you and we are unable to reach an agreement on the applicable legal requirements, or if fundamental changes to this Agreement are required to make it conform to the legal requirements, then we reserve the right to terminate this Agreement upon notice to you, in which case all of the post-termination obligations set forth in Section 16 shall apply.

In the event that we terminate this Agreement under this Section or other applicable provisions of this Agreement, we shall be entitled, in those states in which termination fees are enforceable, to receive from you a termination fee in the amount equal to one-half (1/2) of our then-current initial franchise fee for new The Joint Corp. Location franchises (the "Termination Fee"). The Termination Fee shall be payable by you in addition to any damages payable to us, including loss of future revenues, resulting from your improper or wrongful breach or other termination of this Agreement. We shall be entitled to recover all costs, including attorneys' fees, incurred in connection with the termination and collection of the Termination Fee.

If you continue to operate the Franchise after termination of this Agreement, in addition to any other right or remedy we may have (including the Termination Fee), you agree to pay to us the amount of One Thousand and No/100 Dollars ($1,000.00) per day that you operate the Franchise in violation of this Agreement, plus all costs and attorneys' fees incurred as a result of the violation. This amount is set at $1,000 per day because you and we agree that, as of the commencement of this Agreement, it is a reasonable estimation of the damages that would occur from the premature termination of this Agreement, and it will be impractical or impossible to calculate precisely the actual damages arising from the breach of this Agreement.

16. RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISE OWNER UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.

16.1 Payment of Amounts Owed to Company.

You agree to pay us within five (5) days after the effective date of termination or expiration of the Franchise, or any later date that the amounts due to us are determined, all amounts owed to us or our affiliates which are then unpaid.

16.2 Marks and Other Information.

You agree that after the termination or expiration of the Franchise you will:

(a) not directly or indirectly at any time identify any business with which you are associated as a current or former The Joint Corp. franchise or franchisee;

(b) not use any Mark or any colorable imitation of any Mark in any manner or for any purpose, or use for any purpose any trademark or other commercial symbol that suggests or indicates an association with us;

(c) return to us all customer lists, records, membership agreements and/or contracts, forms and materials containing any Mark or otherwise relating to a The Joint Corp. franchise or its network of franchises;

(d) remove all Marks affixed to uniforms or, at our direction, cease to use those uniforms; and

(e) take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark.

16.3 De-Identification.

Following termination, if you lawfully retain possession of the Premises, you agree to completely remove or modify, at your sole expense, any part of the interior and exterior decor that we deem necessary to fully disassociate the Premises with the image of a The Joint Corp. franchise, including any signage bearing the Marks. If you do not take the actions we request within thirty (30) days after notice from us, we have the right to enter the Premises and make the required changes at your expense, and you agree to reimburse us for those expenses on demand.

16.4 Confidential Information.

You agree that on termination or expiration of the Franchise you will immediately cease to use any of the Confidential Information, and agree not to use it in any business or for any other purpose. You

further agree to immediately return to us all copies of the Operations Manual and any written Confidential Information or other confidential materials that we have loaned or provided to you.

16.5 Joint Software.

You agree that on termination or expiration of the Franchise, you will immediately cease to use the Joint Software and will uninstall it from all computer systems owned by the Franchise.

16.6 Company's Option to Purchase Franchise Assets and Assumption of Lease.

(a) Upon the expiration of the Franchise, we have the option, but not the obligation, exercisable for ten (10) days upon written notice to you, to purchase at fair market value, as same may be depreciated any or all of the furniture, inventory, or equipment used in or associated with the Franchise, as well as any and all supplies, materials, and other items imprinted with any of our Marks. If we cannot agree on a fair market value for the furniture or equipment or other items, within a reasonable time, we will designate an independent appraiser to determine the fair market items of these items. The appraiser's determination of value shall be binding upon the parties. For purposes of this Section 16.6(a), the fair market of any purchased items shall not include any value attributable to any of the following: 1) the Franchise or any rights granted under this Agreement or the Lease; 2) goodwill attributable to the Marks; or 3) our brand image and other intellectual property; and 3) any patient lists. In no event shall we be obligated or required to assume any liabilities, debts or obligations of the Franchise in connection with our purchase of any items pursuant to this Section 16.6(a), and you will indemnify us from any and all claims made against us arising out of the sale of these items.

(b) Upon the termination or expiration of the Franchise, we shall have the option, but not the obligation, exercisable for thirty (30) days upon written notice, to take an assignment of the lease for the Premises and any other lease agreement necessary for the operation of the Franchise.

(c) In the event we elect, upon termination of the Franchise, to assume the lease pursuant to Section 16.6(b), unless otherwise required or prohibited by law, we shall have the right to retain possession of any and all furniture, fixtures, inventory, and equipment associated with the Franchise. If we are required by law to purchase from you any equipment, supplies, signs, advertising materials or items bearing our name or Marks, and/or any inventory associated with the Franchise, we will pay you the fair market value of these items (less the amount of any outstanding liens or encumbrances). If we cannot agree on a fair market value for the items to be purchased within a reasonable time, we will designate an independent appraiser to determine the fair market items of these items. The appraiser's determination of value shall be binding upon the parties. For purposes of this Section 16.6(c), the fair market of any purchased items shall not include any value attributable to any of the following: 1) the Franchise or any rights granted under this

Agreement or the Lease; 2) goodwill attributable to the Marks; or 3) our brand image and other intellectual property.

16.7 Continuing Obligations.

All obligations of this Agreement (whether yours or ours) that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire.

16.8 Management of the Franchise.

In the event that we are entitled to terminate this Agreement in accordance with Section 15 above, or any other provision of this Agreement, and in addition to any other rights or remedies available to us in the event of termination, we may, but need not, assume the management of the Franchise. In the event we assume the management of the Franchise, we may charge you (in addition to the Royalty Fee and Advertising Fee contributions due under this Agreement) a reasonable management fee in an amount that we may specify, equal to up to ten percent (10%) of the Franchise's gross revenues during the period we are managing the Franchise, plus our direct out-of-pocket costs and expenses, as compensation for our management services. We have a duty to utilize only our reasonable efforts in managing the Franchise, and will not be liable to you for any debts, losses, or obligations the Franchise incurs, or to any of your creditors for any products or services the Franchise purchases, while we manage it pursuant to this Paragraph.

17. ENFORCEMENT.

17.1 Invalid Provisions; Substitution of Valid Provisions.

To the extent that the non-competition provisions of Sections 9.3 and 14.5 are deemed unenforceable because of their scope in terms of area, business activity prohibited, or length of time, you agree that the invalid provisions will be deemed modified or limited to the extent or manner necessary to make that particular provisions valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that such provisions under the laws applied in the forum in that we are seeking to enforce such provisions.

If any lawful requirement or court order of any jurisdiction (1) requires a greater advance notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action which is not required by this Agreement, or (2) makes any provision of this Agreement or any specification, standard, or operating procedure we prescribed invalid or unenforceable, then the advance notice and/or other action required or revision of the specification, standard, or operating procedure will be substituted for the comparable provisions of this Agreement in order to make the modified

provisions enforceable to the greatest extent possible. You agree to be bound by the modification to the greatest extent lawfully permitted.

17.2 Unilateral Waiver of Obligations.

Either you or we may, by written notice, unilaterally waive or reduce any obligation or restriction of the other under this Agreement. The waiver or reduction may be revoked at any time for any reason on ten (10) days' written notice.

17.3 Written Consents from Company.

Whenever this Agreement requires our advance approval or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing.

17.4 Lien.

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 Franchise, 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 Franchise now existing or subsequently arising, together with all interest in you and/or the Franchise, 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 Franchise, now existing or subsequently arising; and (d) all general intangibles of you and/or the Franchise, 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.

17.5 No Guarantees.

If in connection with this Agreement we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, then we will not be deemed to have made any warranties or guarantees upon which you may rely, and will not assume any liability or obligation to you.

17.6 No Waiver.

If at any time we do not exercise a right or power available to us under this Agreement or do not insist on your strict compliance with the terms of the Agreement, or if there develops a custom or practice that is at variance with the terms of this Agreement, then we will NOT be deemed to have waived our right

to demand or exact compliance with any of the terms of this Agreement at a later time. Similarly, any failure to act as to any particular breach or series of breaches under this Agreement by us, or of any similar term in any other agreement between us and any other The Joint Corp. franchisee will not affect our rights with respect to any later breach or to assert our rights as to that or any subsequent or ongoing breach. It will also not be deemed to be a waiver of any breach of this Agreement for us to accept payments that are past due to us under this Agreement.

17.7 Cumulative Remedies.

The rights and remedies specifically granted to either you or us by this Agreement will not be deemed to prohibit either you or us from exercising any other right or remedy provided under this Agreement, or permitted by law or equity.

17.8 Specific Performance; Injunctive Relief.

Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to the entry of temporary and permanent injunctions and orders of specific performance to (1) enforce the provisions of this Agreement relating to your use of the Marks and non-disclosure and non-competition obligations under this Agreement; (2) prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance, or regulation; constitutes a danger to the public; or may impair the goodwill associated with the Marks or The Joint Corp. franchises; or (3) prevent any other irreparable harm to our interests. If we obtain an injunction or order of specific performance, then you shall pay us an amount equal to the total of our costs of obtaining it, including without limitation reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision. You further agree to waive any claims for damage in the event there is a later determination that an injunction or specific performance order was issued improperly.

17.9 **MEDIATION AND LITIGATION**.

(a) **MEDIATION. DURING THE TERM OF THIS AGREEMENT CERTAIN DISPUTES MAY ARISE THAT WE AND YOU 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.

(1) THE MEDIATION SHALL BE CONDUCTED BY A MEDIATOR THAT WE AND YOU 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 FIFTEEN (15) DAYS AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, WE AND YOU 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.

(2) NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS SECTION 17.9(a), 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.

(b) JURISDICTION AND FORUM SELECTION. WITH RESPECT TO ANY CONTROVERSIES, DISPUTES OR CLAIMS THAT ARE NOT FULLY RESOLVED THROUGH MEDIATION AS PROVIDED IN SECTION 17.9(a) 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.

17.10 Waiver of Punitive Damages and Jury Trial; Limitations of Actions.

Except with respect to your obligations to indemnify us and claims that we may bring under Sections 7, 9, 15, or 16 of this Agreement, and except for claims arising from your non-payment or underpayment of any amounts owed to us or our affiliates, (1) any and all claims arising out of or related to this Agreement or the relationship between you and us shall be barred, by express agreement of the parties, unless an action or proceeding is commenced within two (2) years from the date the cause of action accrues; and (2) you and we hereby 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, except to the extent provided to the contrary in this Agreement, in the event of a dispute between you and us, each party will be limited to the recovery of any actual damages sustained by it. You and we irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either you or us.

17.11 Governing Law/Consent To Jurisdiction.

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 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.

17.12 Binding Effect.

This Agreement is binding on and will inure to the benefit of our successors and assigns and, subject to the Transfers provisions contained in this Agreement, will be binding on and inure to the benefit of your successors and assigns, and if you are an individual, on and to your heirs, executors, and administrators.

17.13 No Liability to Others; No Other Beneficiaries.

We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity that is not a party to this Agreement, and no other party shall have any rights because of this Agreement.

17.14 Construction.

All headings of the various Sections and Paragraphs of this Agreement are for convenience only, and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. The term "affiliate" as used in this Agreement is applicable to any company directly or indirectly owned or controlled by you or your Owners, or any company directly or indirectly owned or controlled by us that sells products or otherwise transacts business with you.

17.15 Joint and Several Liability.

If two (2) or more persons are the Franchise Owner under this Agreement, their obligation and liability to us shall be joint and several.

17.16 Multiple Originals.

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other parties hereto. This Agreement, once executed by a party, may be delivered to the other parties hereto by facsimile transmission or other electronic means of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

17.17 Timing Is Important.

Time is of the essence of this Agreement. "Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this case, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.

17.18 Independent Provisions.

The provisions of this Agreement are deemed to be severable. In other words, the parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement.

17.19 Cross-Default.

Any default by Franchisee under any other agreement between Franchisor or its affiliates as one party, and Franchisee or any of Franchisee's owners or affiliates as the other party, shall be deemed to be a default of this Agreement, and Franchisor shall have the right, at its option, to terminate this Agreement

and/or any other agreement between the Franchisee and the Franchisor or its affiliates, without affording Franchisee an opportunity to cure, effective immediately upon notice to Franchisee.

17.20 Conflicts with Applicable Laws and Regulations.

The Parties acknowledge that if there is a conflict between the terms and conditions of this Agreement, our Operations Manual, or any other specifications, standards, or operating procedure we require in connection with the operation of your franchise, and any applicable federal or state laws or regulations which you, or any licensed professionals working for or with the Franchise must observe or follow, including those relating to the practice of chiropractic, such laws or regulations shall control.

18. NOTICES AND PAYMENTS.

All written notices, reports and payments permitted or required under this Agreement or by the Operations Manual will be deemed delivered: (a) at the time delivered by hand; (b) one (1) business day after transmission by telecopy, facsimile or other electronic system; (c) one (1) business day after being placed in the hands of a reputable commercial courier service for next business day delivery; or (d) three (3) business days after placed in the U.S. mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and addressed to the party to be notified or paid at its most current principal business address of which the notifying party has been advised, or to any other place designated by either party. Any required notice, payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before it is due) will be deemed delinquent.

19. INDEPENDENT PROFESSIONAL JUDGMENT OF YOU AND YOUR GENERAL MANAGER.

You and we acknowledge and agree that the specifications, standards and operating procedures related to the services offered by the Franchise are not intended to limit or replace your or your General Manager's (if any) professional judgment in supervising and performing the services offered by your Franchise. The specifications, standards, and operating procedures represent only the minimum standards, and you and your General Manager (if any) are solely responsible for ensuring that the Franchise performs services in accordance with all applicable requirements and standards of care. Nothing in this Agreement shall obligate you or your General Manager (if any) to perform any act that is contrary to your or your General Manager's (if any) professional judgment; provided, however, that you must notify us immediately upon your determination that any specification, standard or operating procedure is contrary to your or your General Manager's (if any) professional judgment.

20. ENTIRE AGREEMENT.

This Agreement, together with the introduction and exhibits to it, constitutes the entire agreement between us, and there are no other oral or written understandings or agreements between us concerning the subject matter of this Agreement. This Agreement may be modified only by written agreement signed by both you and us, except that we may modify the Operations Manual at any time as provided herein. However, nothing in this Agreement or any addendum shall have the effect of disclaiming any of the representations made in the Franchise Disclosure Document or any of its exhibits.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the Agreement Date.

"COMPANY" THE JOINT CORP., a Delaware corporation	"FRANCHISE OWNER" _____, a_____
By: _____ Name: _____ Title: _____	By: _____ Name: _____ Title: _____

EXHIBIT 1 TO FRANCHISE AGREEMENT

FRANCHISE AGREEMENT EXPIRATION DATE

FRANCHISING OPENING DEADLINE

A. **Expiration Date**. Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement will expire on _____.

B. **Franchising Opening Schedule**. In signing the foregoing Agreement to which this **Exhibit 1** is attached, you acknowledge that:

1. You have purchased the Franchise to which the Agreement corresponds as a The Joint Corp. Location Franchise. You will establish this Franchise as a Start-up Location.

2. You must open the Franchise mentioned above within a certain time period specified by us.

3. You must open the Franchise to which this Agreement corresponds by the deadline set forth below (**the "Opening Deadline"**), subject to the requirements of Paragraphs 3.3 and 3.6, and any other applicable provision of the Agreement:_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

Franchise Owner's Initials

EXHIBIT 2

TO THE JOINT CORP. FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Franchise Agreement, dated as of this _____ day of _____, 20__ (the "Agreement"), by and between The Joint Corp. ("us") and _____ (the "Franchise Owner"), each of the undersigned owners of the Franchise Owner and their respective spouses ("you," for purposes of this Guaranty only), hereby personally and unconditionally agree to perform and keep during the terms of the Agreement, each and every covenant, obligation, payment, agreement, and undertaking on the part of Franchise Owner contained and set forth in the Agreement. Each of you agree that all provisions of the Agreement relating to the obligations of Franchise Owners, including, without limitation, the covenants of confidentiality and non-competition and other covenants set forth in the Agreement, shall be binding on you.

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 Franchise Owner or any other person as a condition of your liability; (3) all right to payment or reimbursement from, or subrogation against, the Franchise Owner which you may have arising out of your guaranty of the Franchise Owner'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 Franchise Owner fails or refuses to do so when required; (3) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchise Owner 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 Franchise Owner 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 Franchise Owner has any obligations under the Agreement.

If we are required to enforce this Guaranty in a judicial 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', mediation, 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.

[Remainder of Page Left Intentionally Blank – Signature Page Follows]

This Guaranty is now executed as of the Agreement Date.

OWNER:	**OWNER'S SPOUSE:**
_____	_____
Name: _____	Name: _____
OWNER:	**OWNER'S SPOUSE:**
_____	_____
Name: _____	Name: _____
OWNER:	**OWNER'S SPOUSE:**
_____	_____
Name: _____	Name: _____

EXHIBIT 3 TO FRANCHISE AGREEMENT

ADDENDUM TO LEASE AGREEMENT

This Addendum to Lease Agreement (this "Addendum"), is entered into effective on this _____ day of _____, 20___, (the "Effective Date") by and between _____, a _____ (the "Lessor"), and _____, a _____ (the "Lessee") (each a "Party" and collectively, the "Parties").

RECITALS

WHEREAS, the Parties hereto have entered into a certain Lease Agreement, dated on the _____ day of _____, 20___ (the "Agreement"), and pertaining to the premises located at _____ (the "Premises");

WHEREAS, Lessor acknowledges that Lessee intends to operate The Joint franchise from the Premises pursuant to a Franchise Agreement (the "Franchise Agreement") with The Joint Corp. ("Franchisor") under the name The Joint or other name designated by Franchisor ("Franchised Business"); and

WHEREAS, the Parties now desire to amend the Lease Agreement in accordance with the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth and each act done and to be done pursuant hereto, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby represent, warrant, covenant and agree as follows:

1. Remodeling and Decor. The above recitals are hereby incorporated by reference. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

2. Assignment. Lessee shall have the right to assign all of its right, title and interest in and to the Lease Agreement to Franchisor or its parent, subsidiary, or affiliate, (including another franchisee) at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor's consent, pursuant to the terms of the Collateral Assignment of Lease attached hereto as **Exhibit A**. However, no assignment shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other

document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease Agreement, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its parent unless and until the Lease Agreement is assigned to, and accepted in writing by, Franchisor or its parent, subsidiary or affiliate. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Landlord's consent in accordance with Section 4(a).

3. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease Agreement, Lessor shall give Lessee and Franchisor written notice of the default or violation within ten (10) days after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option to cure, but is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

The Joint Corp.
16767 N. Perimeter Dr., Suite 240
Scottsdale, AZ 85260
Attention: Property Management
E-mail: david.orwasher@thejoint.com

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's approval of the Lease Agreement, Lessee agrees not to terminate, or in any way alter or amend the same during the Initial Term of the Franchise Agreement or any Interim Period thereof without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

4. Termination or Expiration.

(a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease Agreement or the Franchise Agreement, Franchisor will, at

its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest in the Lease Agreement and at any time thereafter to re-assign the Lease Agreement to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease Agreement. Upon notice from Franchisor to Lessor requesting an automatic assignment, Lessor will, at the cost of Franchisor, take appropriate actions to secure the leased premises including but not limited changing the locks and granting Franchisor sole rights to the Premises.

(b) Upon the expiration or termination of either the Lease Agreement or the Franchise Agreement (attached), Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect The Joint marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee or has rights to those through the terms and conditions any agreement between Lessee and Franchisor, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

5. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Exhibit A**.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

6. Sales Reports. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business.

7. Amendments. No amendment or variation of the terms of the Lease or this Addendum shall be valid unless made in writing and signed by the Parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease Agreement shall remain in full force and effect and are incorporated herein by reference and made a part of this Addendum as though copied herein in full.

9. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

[Remainder of Page Left Intentionally Blank – Signature Page Follows]

IN WITNESS WHEREOF, the Parties have duly executed this Addendum as of the Effective Date.

LESSOR:	**LESSEE:**
_____,	_____,
a _____	a _____
By: _____	By: _____
Name: _____	Name: _____
Its: _____	Its: _____

EXHIBIT A

COLLATERAL ASSIGNMENT OF LEASE

This COLLATERAL ASSIGNMENT OF LEASE (this "Assignment") is entered into effective as of the ___ day of _____, 20___ (the "Effective Date"), the undersigned, _____, ("Assignor") hereby assigns, transfers and sets over unto The Joint Corp., a Delaware Corporation ("Assignee") all of Assignor's right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit 1** (the "Lease Agreement") with respect to the premises located at _____ (the "Premises"). This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises demised by the Lease Agreement pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease Agreement and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease Agreement nor the Premises demised thereby.

Upon a default by Assignor under the Lease Agreement or under that certain franchise agreement for The Joint between Assignee and Assignor ("Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises, expel Assignor therefrom, and, in the event, Assignor shall have no further right, title or interest in the Lease Agreement.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease Agreement without the prior written consent of Assignee. Through the Initial Term of the Franchise Agreement and any Renewal Period thereof (as defined in the Franchise Agreement), Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease Agreement not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease Agreement as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

IN WITNESS WHEREOF, Assignor and Assignee have duly executed this Collateral Assignment of Lease as of the Effective Date.

ASSIGNOR:	**ASSIGNEE:**
_____,	**THE JOINT CORP.,**
a _____	a Delaware corporation
By: _____	By: _____
Name: _____	Name: _____
Its: _____	Its: _____

EXHIBIT 4 TO FRANCHISE AGREEMENT

OWNERSHIP INTERESTS IN FRANCHISE OWNER

4-1. Full name and address of the owners of, and a description of the type of, all currently held Interests in Franchise Owner:_____

4-2. Minimum individual and aggregate Owner ownership percentage required at all times during the term of this Agreement:

4-2.1 During the term of this Agreement, unless we agree otherwise, the Owners together must have a "controlling interest" of no less than one hundred percent (100%) of the equity, voting control and profits in the Franchise Owner.

4-2.2 Unless otherwise permitted, the required minimum "ownership interest" of each Owner during the term of this Agreement is:

Name	**Ownership Percentage**
Total	**100%**

_____
Franchise Owner's Initial

EXHIBIT 5 TO FRANCHISE AGREEMENT

STATE-SPECIFIC ADDENDA

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

1. If any of the provisions of the Agreement concerning termination are inconsistent with either the California Franchise Relations Act or with the Federal Bankruptcy Code (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

2. The Agreement requires that it be governed by Arizona law. This requirement may be unenforceable under California law.

3. 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 Franchise Agreement on the same date as the Franchise Agreement was executed.

THE JOINT CORP.,
a Delaware corporation,

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Title: _____

By: _____

Title: _____

HAWAII ADDENDUM TO FRANCHISE AGREEMENT

1. The Franchise 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 Franchise 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 Franchise Agreement permits us to terminate the Agreement on the bankruptcy of you and/or your affiliates. This Article 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 Franchise Agreement on the same date as the Franchise Agreement was executed.

THE JOINT CORP.,
a Delaware corporation,

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Title: _____

By: _____

Title: _____

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

1. Any provisions of the Agreement requiring a general release as a condition of renewal and transfer of the franchise shall be limited to exclude claims arising under the Illinois Franchise Disclosure Act.

2. If any of the provisions of Section 15 of the Agreement concerning termination are inconsistent with Section 705/19 of the Illinois Franchise Disclosure Act of 1987, the provisions of Section 705/19 shall apply.

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. Although the Agreement requires litigation to be instituted in a state or federal court in the county and state where our principal executive offices are located, you must institute all litigation in a court of competent jurisdiction located in the State of Illinois, subject to the mediation provision of the Agreement.

5. 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.

6. 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.

7. If any of the provisions of this Section 17.10 of the Agreement concerning waivers is inconsistent with Section 705/41 of the Illinois Franchise Disclosure Act of 1987, the provisions of Section 705/41 shall apply.

8. To the extent that Section 17.11 of the Agreement concerning periods of limitation is inconsistent with Section 705/27 of the Illinois Franchise Disclosure Act of 1987, the provisions of Section 705/27 shall apply.

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

THE JOINT CORP.,
a Delaware corporation,

By: _____

Print Name: _____

Title:_____

FRANCHISEE

By: _____ By: _____

Title: _____ Title: _____

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

1. Articles 2.6 and 14.5 each contain 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 Article 8.3, 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. Article 17.9 is amended to provide that mediation between you and us will be conducted at a mutually agreed-on location.

4. Article 17.11 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 Franchise Agreement on the same date as the Franchise Agreement was executed.

THE JOINT CORP.,
a Delaware corporation,

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Title:_____

By: _____

Title:_____

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

a. 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:

b. The provision in the Franchise 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.).

c. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

d. A franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

e. Any limitation on the period of time litigation claims may be brought shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

f. The acknowledgements and representations of the franchisee made in the franchise agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended to nor shall they act to release, estoppel or waive any liability incurred under the Maryland Franchise Registration and Disclosure Law.

THE JOINT CORP.,
a Delaware corporation,

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Title: _____

By: _____

Title: _____

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

1. Article 8 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. Articles 2.6 and 14.5 each 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 Minnesota Franchise Law.

3. Article 15 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 in advance of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

4. Article 17.10 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. Articles 17.8, and 17.9 are each 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 Franchise 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. Under this statute and rule, franchisor cannot require you to consent to inunction relief; however, franchisor may seek injunctive relief from the Court.

6. Article 17.10 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 Franchise Agreement on the same day as the Franchise Agreement was executed.

THE JOINT CORP.,
a Delaware corporation,

By:_____
Print Name: _____
Title:_____

FRANCHISEE

By:_____
Title: _____

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

1. Article 14.3 is amended to add the following:

However, we will not make any such transfer or assignment except to a person who, in our good faith judgment, is willing and able to assume our obligations under this Agreement, and all rights enjoyed by you and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will 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.

2. Article 14.5 is amended to add the following:

However, all rights enjoyed by you 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 will 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.

3. Article 8.3 is amended to add the following:

However, you will not be required to hold harmless or indemnify us for any claim arising out of a breach of this Agreement by us or any other civil wrong of us.

4. Article 20 is amended to add the following:

No amendment or modification of any provision of this Agreement, however, will impose any new or different requirement which unreasonably increases your obligations or places an excessive economic burden on your operations.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this New York Addendum to the Franchise Agreement on the same date as the Franchise Agreement was executed.

THE JOINT CORP.,
a Delaware corporation,

By:_____
Print Name: _____
Title:_____

FRANCHISEE

By:_____
Title: _____

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

1. Articles 2.6 and 14.5 each contain 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. Article 17.9 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 mediation.

3. Article 9.3 is amended to add that covenants not to compete on termination or expiration of a Franchise Agreement are generally not enforceable in the State of North Dakota except in limited circumstances provided by North Dakota law.

4. Article 17.9 will be 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. Article 17.11 will be 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. Article 17.10 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 Franchise Agreement.

7. Article 17.10 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 Franchise 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 Franchise Agreement on the same day as the Franchise Agreement was executed.

THE JOINT CORP.,
a Delaware corporation,

By:_____
Print Name: _____
Title:_____

FRANCHISEE

By:_____
Title: _____

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

1. Articles 2.6 and 14.5 each 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 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. Article 17.11 of the Agreement will each be 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 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.'"

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 Franchise Agreement on the same date as the Franchise Agreement was executed.

THE JOINT CORP.,
a Delaware corporation,

By:_____

Print Name: _____

Title:_____

FRANCHISEE

By: _____

Title:_____

By: _____

Title: _____

VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to cancel a franchise without reasonable cause. If any grounds for default or terminated stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchise to use undue influence to induce a franchisee to surrender any rights given to him under the franchise. If any provision of the franchise agreement involved the use of undue influence by the franchisor to induce the franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

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

THE JOINT CORP.,
a Delaware corporation,

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Title: _____

By: _____

Title: _____

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise 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 Franchise 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 Franchise Agreement on the same date as the Franchise Agreement was executed.

THE JOINT CORP.,
a Delaware corporation,

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Title: _____

By: _____

Title: _____

EXHIBIT C

OPERATIONS MANUAL

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FRANCHISE OPERATIONS MANUAL

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EXHIBIT D

FINANCIAL STATEMENTS

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

Financial Statements and Supplementary Data

For the Fiscal Years Ended

December 31, 2015 and 2014

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
The Joint Corp. and Subsidiary
Scottsdale, Arizona

We have audited the accompanying consolidated balance sheets of The Joint Corp. and Subsidiary (the "Company") as of December 31, 2015 and 2014 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Joint Corp. and Subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ EKS&H LLLP

Denver, Colorado
March 17, 2016

THE JOINT CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,792,850	$ 20,796,783
Restricted cash	385,282	224,576
Accounts receivable, net	743,239	704,905
Income taxes receivable	70,981	395,814
Notes receivable - current portion	60,908	27,528
Deferred franchise costs - current portion	605,850	622,800
Prepaid expenses and other current assets	366,033	375,925
Total current assets	19,025,143	23,148,331
Property and equipment, net	7,138,746	1,134,452
Notes receivable, net of current portion and reserve	15,823	31,741
Deferred franchise costs, net of current portion	1,534,700	2,574,450
Deferred tax asset	-	208,800
Intangible assets, net	2,542,269	153,000
Goodwill	2,466,937	636,104
Deposits and other assets	638,710	585,150
Total assets	$ 33,362,328	$ 28,472,028
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,996,971	$ 1,178,987
Accrued expenses	375,529	92,418
Co-op funds liability	201,078	186,604
Payroll liabilities	1,493,375	617,944
Notes payable - current portion	451,850	-
Deferred rent - current portion	334,560	93,398
Deferred revenue - current portion	2,579,423	1,957,500
Other current liabilities	54,596	50,735
Total current liabilities	7,487,382	4,177,586
Notes payable, net of current portion	130,000	-
Deferred rent, net of current portion	457,290	451,766
Deferred revenue, net of current portion	4,369,702	7,915,918
Other liabilities	238,648	299,405
Total liabilities	12,683,022	12,844,675
Commitments and contingencies		
Stockholders' equity:		
Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of December 31, 2015, and December 31, 2014	-	-
Common stock, $0.001 par value; 20,000,000 shares authorized, 13,070,180 shares issued and 12,536,180 shares outstanding as of December 31, 2015 and 10,196,510 shares issued and 9,662,510 outstanding as of December 31, 2014	13,070	10,197
Additional paid-in capital	35,267,376	21,420,975
Treasury stock (534,000 shares as of December 31, 2015 and December 31, 2014, at cost)	(791,638)	(791,638)
Accumulated deficit	(13,809,502)	(5,012,181)
Total stockholders' equity	20,679,306	15,627,353
Total liabilties and stockholders' equity	$ 33,362,328	$ 28,472,028

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

THE JOINT CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,	
	2015	2014
Revenues:		
Royalty fees	$ 4,515,203	$ 3,194,286
Franchise fees	2,471,259	1,933,500
Revenues and management fees from company clinics	3,651,273	-
Advertising fund revenue	1,191,124	459,493
IT related income and software fees	808,070	840,825
Regional developer fees	866,802	478,500
Other revenues	331,700	210,058
Total revenues	13,835,431	7,116,662
Cost of revenues:		
Franchise cost of revenues	2,642,451	2,081,382
IT cost of revenues	177,462	264,440
Total cost of revenues	2,819,913	2,345,822
Selling and marketing expenses	3,691,782	1,117,163
Depreciation and amortization	1,268,955	210,123
General and administrative expenses	15,371,223	5,070,263
Total selling, general and administrative expenses	20,331,960	6,397,549
Loss from operations	(9,316,442)	(1,626,709)
Other income (expense):		
Bargain purchase gain	261,147	-
Other income (expense), net	22,119	(64,075)
Total other income (expense)	283,266	(64,075)
Loss before income tax (expense) benefit	(9,033,176)	(1,690,784)
Income tax (expense) benefit	235,855	(1,340,436)
Net loss and comprehensive loss	$ (8,797,321)	$ (3,031,220)
Loss per share:		
Basic and diluted loss per share	$ (0.88)	$ (0.56)
Weighted average shares	10,042,001	5,451,851

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

THE JOINT CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid In	Treasury	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	Total
Balances, December 31, 2013	25,000	$ 25	5,340,000	$ 5,340	$ 1,546,373	$(791,638)	$ (1,980,961)	$ (1,220,861)
Stock-based compensation expense	-	-	-	-	101,830	-	-	101,830
Issuance of common stock - IPO, net of offering costs of $2,647,396	-	-	3,450,000	3,450	19,774,154	-	-	19,777,604
Issuance of vested restricted stock	-	-	71,510	72	(72)	-	-	-
Conversion of preferred stock to common stock	(25,000)	(25)	1,335,000	1,335	(1,310)	-	-	-
Net loss	-	-	-	-	-	-	(3,031,220)	(3,031,220)
Balances, December 31, 2014	-	-	10,196,510	10,197	21,420,975	(791,638)	(5,012,181)	15,627,353
Stock-based compensation expense	-	-	-	-	825,145	-	-	825,145
Issuance of common stock, net of offering costs of $1,351,403	-	-	2,613,636	2,614	13,020,981	-	-	13,023,595
Issuance of vested restricted stock	-	-	259,589	260	(260)	-	-	-
Exercise of stock options	-	-	445	-	534	-	-	534
Net loss	-	-	-	-	-	-	(8,797,321)	(8,797,321)
Balances, December 31, 2015	-	$ -	13,070,180	$13,070	$35,267,376	$(791,638)	$(13,809,502)	$20,679,306

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

THE JOINT CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (8,797,321)	$ (3,031,220)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for bad debts	61,629	102,782
Regional developer fees recognized upon acquisition of development rights	(254,250)	-
Regional developer fees recognized upon termination of regional developer agreements	(282,750)	-
Net franchise fees recognized upon termination of franchise agreements	(521,350)	-
Notes receivable issued for payment of transfer fees	(59,850)	-
Depreciation and amortization	1,268,955	210,123
(Gain) loss on sale of property and equipment	(11,500)	10,127
Deferred income taxes	40,800	1,758,100
Bargain purchase gain	(261,147)	-
Stock based compensation expense	825,145	101,830
Changes in operating assets and liabilties, net of effects from acquisitions:		
Restricted cash	(160,706)	(165,790)
Accounts receivable	(99,963)	(369,532)
Income taxes receivable	324,833	(395,814)
Prepaid expenses and other current assets	9,892	(352,196)
Deferred franchise costs	127,550	(20,400)
Deposits and other assets	(39,235)	-
Accounts payable	(291,480)	952,230
Accrued expenses	165,602	92,418
Co-op funds liability	14,474	132,471
Payroll liabilities	875,431	489,574
Other liabilities	(105,973)	(25,447)
Deferred rent	246,686	545,164
Income taxes payable	-	(419,297)
Deferred revenue	128,049	(52,568)
Net cash used in operating activities	(6,796,479)	(437,445)
Cash flows from investing activities:		
Cash paid for acquisitions	(4,925,525)	(900,000)
Reacquisition and termination of regional developer rights	(1,075,500)	-
Advances for reacquisition and termination of regional developer rights	-	(507,500)
Purchase of property and equipment	(4,065,946)	(659,305)
Proceeds received on sale of property and equipment	11,500	2,500
Payments received on notes receivable	42,388	4,179
Net cash used in investing activities	(10,013,083)	(2,060,126)
Cash flows from financing activities:		
Proceeds from issuance of common stock - initial public offering	-	22,425,000
Proceeds from issuance of common stock - follow-on public offering	14,374,998	-
Offering costs paid	(1,351,403)	(2,647,396)
Proceeds from exercise of stock options	534	-
Repayments on note payable	(218,500)	-
Net cash provided by financing activities	12,805,629	19,777,604
Net (decrease) increase in cash	(4,003,933)	17,280,033
Cash at beginning of year	20,796,783	3,516,750
Cash at end of year	$ 16,792,850	$ 20,796,783

Supplemental disclosure of cash flow information:

During the year ended December 31, 2015 and 2014, cash paid for income taxes was $0 and $420,250, respectively. During the year ended December 31, 2015 and 2014, cash paid for interest was $2,344 and $0, respectively.

Supplemental disclosure of non-cash activity:

In connection with our acquisitions of franchises during the year ended December 31, 2015, we acquired $1,504,169 of property and equipment, intangible assets of $1,942,180, goodwill of $1,830,833, favorable leases of $521,825, assumed unfavorable leases of $49,077, deferred revenue associated with membership packages paid in advance of $106,908, and a deferred tax liability of $168,000 in exchange for $4,925,525 in cash and an aggregate amount of $800,350 in notes payable to the sellers. Additionally, at the time of these transactions, we carried deferred revenue of $1,005,500, representing franchise fees collected upon the execution of franchise agreements, and deferred costs of $493,500, related to our acquisition of undeveloped franchises. In accordance with ASC-952-605, we netted these amounts against the aggregate purchase price of the acquisitions (Note 2).

In connection with our reacquisition and termination of regional developer rights during the year ended December 31, 2015, we had deferred revenue of $914,000, representing license fees collected upon the execution of the regional developer agreements. In accordance with ASC-952-605, we netted these amounts against the aggregate purchase price of the acquisitions (Note 6).

As of December 31, 2015, we had property and equipment purchases of $1,109,464 and $117,509 which were included in accounts payable and accrued expenses respectively.

During the year ended December 31, 2014, warrants were issued for services in connection with the Company's initial public offering of $113,929. During the year December 31, 2014 $25 of preferred stock was converted to common stock.

As of December 31, 2014, we recorded a deposit of $507,500 for the reacquisition and termination of regional developer rights, which were paid in advance. During the year ended December 31, 2015, upon the effective date of the agreement, we reclassified $507,500 from deposits to intangible assets.

During the year ended December 31, 2014, warrants were issued for services in connection with the Company's initial public offering of $113,929. During the year December 31, 2014 $25 of preferred stock was converted to common stock.

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

THE JOINT CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Joint Corp. and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC (collectively, the "Company"), which was dormant for all periods presented.

All significant intercompany accounts and transactions between The Joint Corp. and its subsidiary have been eliminated in consolidation. Certain balances were reclassified from selling and marketing expenses and general and administrative expenses to IT cost of revenues for the year ended December 31, 2014 to conform to current year presentation.

Comprehensive Loss

Net loss and comprehensive loss are the same for the years ended December 31, 2015 and 2014.

Nature of Operations

The Joint Corp., a Delaware corporation, was formed on March 10, 2010. Its principal business purposes are owning, operating, managing and franchising chiropractic clinics, selling regional developer rights and supporting the operations of owned, managed and franchised 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 or that are company-owned or managed for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
Franchised clinics:	**2015**	**2014**
Clinics open at beginning of period	242	175
Opened during the period	54	73
Acquired during the period	(24)	(4)
Closed during the period	(7)	(2)
Clinics in operation at the end of the period	265	242

	Year Ended December 31,	
Company-owned or managed clinics:	**2015**	**2014**
Clinics open at beginning of period	4	-
Opened during the period	21	-
Acquired during the period	24	4
Closed during the period	(2)	-
Clinics in operation at the end of the period	47	4
Total clinics in operation at the end of the period	312	246
Clinics licenses sold but not yet developed	168	268

Variable Interest Entities

An entity deemed to hold the controlling interest in a voting interest entity or deemed to be the primary beneficiary of a variable interest entity ("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. Investments where the Company does not hold the controlling interest and are not the primary beneficiary are accounted for under the equity method.

Certain states in which the Company manages clinics, regulate the practice of chiropractic care and require that chiropractic services be provided by legal entities organized under state laws as professional corporations or PCs. Such PCs are VIEs. In these states, the Company has entered into management services agreements with PCs under which the Company provides on an exclusive basis, all non-clinical services of the chiropractic practice. The Company has analyzed its relationship with the PCs and has determined that the Company does not have the power to direct the activities of the PCs. As such, the activity of the PCs is not included in the Company's consolidated financial statements

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 of the proceeds of its public offerings in short-term bank deposits. The Company had no cash equivalents as of December 31, 2015 and 2014.

Restricted Cash

Restricted cash relates to cash franchisees and corporate clinics contribute to the Company's National Marketing Fund and cash 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 Franchise Disclosure Document with a focus on regional and national marketing and advertising.

Concentrations of Credit Risk

From time to time the Company grants credit in the normal course of business to franchisees related to the collection of royalties, and other operating revenues. The Company periodically performs credit analysis and monitors the financial condition of the franchisees to reduce credit risk. As of December 31, 2015 and 2014, three PC entities, and six franchisees represented 31% and 56%, respectively, of outstanding accounts receivable. The Company did not have any franchisees that represented greater than 10% of our revenues during the years ended December 31, 2015 and 2014.

Accounts Receivable

Accounts receivable represent amounts due from franchisees for initial franchise fees, royalty fees and marketing and advertising expenses and amounts due from PCs for which we perform management services for the repayment of working capital advances. The Company considers a reserve for doubtful accounts based on the creditworthiness of the franchisee or named entity. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on specific identification and historical performance that the Company tracks on an ongoing basis. The losses ultimately could differ materially in the near term from the amounts estimated in determining the allowance. As of December 31, 2015 and 2014, the Company had an allowance for doubtful accounts of $142,661 and $81,032, respectively.

Deferred Franchise Costs

Deferred franchise costs represent commissions that are paid in conjunction with the sale of a franchise and are expensed when the respective revenue is recognized, which is generally upon the opening of a clinic.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of three to seven 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.

Software Developed

The Company capitalizes certain software development costs. These capitalized costs are primarily related to proprietary 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, generally 5 years.

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 range from six to eight years. The fair value of customer relationships is amortized over their estimated useful life of two 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 discussed in Note 2. Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. As required, the Company performs an annual impairment test of goodwill as of the first day of the fourth quarter or more frequently if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. No impairments of goodwill were recorded for the years ended December 31, 2015 and 2014.

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 have been impaired. No impairments of long-lived assets were recorded for the years ended December 31, 2015 and 2014.

Advertising Fund

The Company has established an advertising fund for national/regional marketing and advertising of services offered by its clinics. The monthly marketing fee was increased to 2% in January 2015. 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 advertising fund revenue and a related expense. Amounts collected in excess of marketing expenditures are included in restricted cash on the Company's consolidated balance sheets.

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 marketing funds collected are segregated and used for the purposes specified by the Co-Ops' officers. The marketing funds are included in restricted cash on the Company's consolidated balance sheets.

Deferred Rent

The Company leases office space for its corporate offices and company-owned and managed clinics under operating leases, which may include rent holidays and rent escalation clauses. It recognizes rent holiday periods and scheduled rent increases on a straight-line basis over the term of the lease. The Company records tenant improvement allowances as deferred rent and amortizes the allowance over the term of the lease, as a reduction to rent expense.

Revenue Recognition

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

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 as revenue when the Company has substantially completed its initial services under the franchise agreement, which typically occurs upon opening of the clinic. 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.

During the year ended December 31, 2015, we terminated 33 franchise licenses that were in default of various obligations under their respective franchise agreements. In conjunction with these terminations, during the year ended December 31, 2015, we recognized $957,000 of revenue and $435,650 of costs, which were previously deferred.

Regional Developer Fees. During 2011, the Company established a regional developer program to engage independent contractors to assist in developing specified geographical regions. Under this program, regional developers pay a license fee ranging from $7,250 to 25% of the then current franchise fee, for each franchise they receive the right to develop within the region. Each regional developer agreement establishes a minimum number of franchises that the regional developer must develop. Regional developers receive fees ranging from $14,500 to $19,950 which are collected upon the sale of franchises within their region and a royalty of 3% of sales generated by franchised clinics in their region. Regional developer fees are non-refundable and are recognized as revenue when the Company has performed substantially all initial services required by the regional developer agreement, which generally is considered to be upon the opening of each franchised clinic. Upon the execution of a regional developer agreement, the Company estimates the number of franchised clinics to be opened, which is typically consistent with the contracted minimum. When the Company anticipates that the number of franchised clinics to be opened will exceed the contracted minimum, the license fee on a per-clinic basis is determined by dividing the total fee collected from the regional developer by the number of clinics expected to be opened within the region. Certain regional developer agreements provide that no additional fee is required for franchises developed by the regional developer above the contracted minimum, while other regional developer agreements require a supplemental payment. The Company reassesses the number of clinics expected to be opened as the regional developer performs under its regional developer agreement. When a material change to the original estimate becomes apparent, the fee per clinic is revised on a prospective basis, and the unrecognized fees are allocated among, and recognized as revenue upon the opening of, the expected remaining unopened franchised clinics within the region. The franchisor's services under regional developer agreements include site selection, grand opening support for the clinics, sales support for identification of qualified franchisees, general operational support and marketing support to advertise for ownership opportunities. Several of the regional developer agreements grant the Company the option to repurchase the regional developer's license.

Revenues and Management Fees from Company Clinics. The Company earns revenues from clinics that it owns and operates or manages throughout the United States. In those states where the Company owns and operates the clinic, 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 up front for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed. In other states where state law requires the chiropractic practice to be owned by a licensed chiropractor, the Company enters into a management agreement with the doctor's PC. Under the management agreement, the Company provides administrative and business management services to the doctor's PC in return for a monthly management fee. When the collectability of the full management fee is uncertain, the Company recognizes management fee revenue only to the extent of fees expected to be collected from the PCs.

Royalties. 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. Certain franchisees with franchise agreements acquired during the formation of the Company pay a monthly flat fee. Royalties are recognized as revenue when earned. Royalties are collected bi-monthly two working days after each sales period has ended.

IT Related Income and Software Fees. The Company collects a monthly computer software fee for use of its proprietary chiropractic software, computer support, and internet services support. These fees are recognized on a monthly basis as services are provided. IT related revenue represents a flat fee to purchase a clinic's computer equipment, operating software, preinstalled chiropractic system software, key card scanner (patient identification card), credit card scanner and credit card receipt printer. These fees are recognized as revenue upon receipt of equipment by the franchisee.

Advertising Costs

The Company incurs advertising costs in addition to those included in the advertising fund. The Company's policy is to expense all operating advertising costs as incurred. Advertising expenses for years ended December 31, 2015 and 2014 were $1,525,687 and $145,492, respectively.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740 that requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to depreciation of property and equipment and treatment of revenue for franchise fees and regional developer fees collected. 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. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

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 condensed 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.

At December 31, 2015 and 2014, the Company maintained a liability for income taxes for uncertain tax positions of approximately $66,000 and $122,000, respectively, of which $33,000 and $30,000, respectively, represent penalties and interest and are recorded in the "other liabilities" section of the accompanying consolidated balance sheets. Interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses. The Company's tax returns for tax years subject to examination by tax authorities include 2011 through the current period for state and 2012 through the current period for federal reporting purposes.

Loss per Common Share

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

	Year Ended December 31,	
	2015	2014
Net loss	$ (8,797,321)	$ (3,031,220)
Weighted average common shares outstanding - basic	10,042,001	5,451,851
Effect of dilutive securities:		
Stock options	-	-
Weighted average common shares outstanding - diluted	10,042,001	5,451,851
Basic and diluted loss per share	$ (0.88)	$ (0.56)

The following table summarizes the potential shares of common stock that were excluded from diluted net loss per share, because the effect of including these potential shares was anti-dilutive:

	Year Ended December 31,	
	2015	2014
Unvested restricted stock	339,288	590,868
Stock options	477,459	314,775
Warrants	90,000	90,000

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 quoted market prices and the grant-date fair value of stock options using the Black-Scholes option pricing model. In order to calculate the fair value of the options, certain assumptions are made regarding the components of the model, including the estimated fair value of underlying common stock, risk-free interest rate, volatility, expected dividend yield and expected option life. Prior to the IPO the grant date fair value was determined by the Board of Directors. 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.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 the allowance for doubtful accounts, share-based compensation arrangements, fair value of stock options, useful lives and realizability of long-lived assets, classification of deferred revenue and deferred franchise costs, uncertain tax positions, realizability of deferred tax assets, impairment of goodwill and intangible assets and purchase price allocations.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard becomes effective for us on January 1, 2018. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor have we determined the effect of the standard on its ongoing financial reporting.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern: Disclosures about an Entity's Ability to Continue as a Going Concern." The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The new guidance is effective for annual periods ending after December 15, 2016, and interim periods thereafter. The Company is currently evaluating the effect of adoption of this standard, if any, on its consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. ASU 2015-03 is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The guidance provides clarification on whether a cloud computing arrangement includes a software license. If a software license is included, the customer should account for the license consistent with its accounting of other software licenses. If a software license is not included, the arrangement should be accounted for as a service contract. The update is effective for reporting periods beginning after December 15, 2015. The Company is currently evaluating the effect of adoption of this standard, if any, on its consolidated financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." The update requires than an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, including the cumulative effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The adjustments related to previous reporting periods since the acquisition date must be disclosed by income statement line item either on the face of the income statement or in the notes. The Company adopted this ASU during the third quarter of 2015. Accordingly, the Company applied the amendments in this update to the measurement period adjustments made during the year and disclosed the adjustments in Note 2.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 470): Balance Sheet Classification of Deferred Taxes." The update eliminates the requirement to separate deferred income tax assets and liabilities into current and noncurrent amounts within a classified balance sheet. Under ASU 2015-17, the presentation of deferred income taxes is simplified, as all deferred income tax assets and liabilities are to be classified as noncurrent. The existing requirement that deferred income tax assets and liabilities of a tax-paying component of an entity be offset and presented as a single amount is not affected by ASU 2015-17. The Company has adopted the guidance under ASU 2015-17 retrospectively and prior periods were retrospectively adjusted.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10)," Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is not permitted. The Company is currently evaluating the effect of adoption of this standard, if any, on its consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The changes require that substantially all operating leases be recognized as assets and liabilities on our balance sheet, which is a significant departure from the current standard, which classifies operating leases as off balance sheet transactions and accounts for only the current year operating lease expense in the statement of operations. The right to use the leased property is to be capitalized as an asset and the expected lease payments over the life of the lease will be accounted for as a liability. The effective date is for fiscal years beginning after December 31, 2018. While we have not quantified the impact this proposed standard would have on our financial statements, if our current operating leases are instead recognized on the balance sheet, it will result in a significant increase in the liabilities reflected on our balance sheet and in the interest expense and depreciation and amortization expense reflected in our statement of operations, while reducing the amount of rent expense. This could potentially decrease our reported net income.

Note 2: Acquisitions

Franchises acquired during 2014

During 2014, the Company acquired substantially all the assets and certain liabilities of six franchises including franchises that manage four clinics operating in Los Angeles County, for a purchase price of $900,000 which was paid in cash. The Company is operating four of the acquired franchises as managed company clinics and has terminated the two remaining franchises. On January 1, 2015, the Company acquired an additional three undeveloped franchises. This resulted in a net deferred revenue adjustment of $41,100 to the net purchase price. No additional consideration was paid on January 1, 2015. The remaining $858,900 was accounted for as the total consideration paid for the acquired franchises.

The purchase price allocation for these acquisitions is complete. The following summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date:

Property and equipment	$	297,630
Intangible assets		153,000
Goodwill		636,104
Total assets acquired		1,086,734
Unfavorable leases		(227,834)
Net assets acquired	$	858,900

Intangible assets consist of reacquired franchise rights of $81,000 and customer relationships of $72,000 and will be amortized over their estimated useful lives of seven years and two years, respectively.

Unfavorable leases consist of leases with rents that are in excess of market value. This liability will be amortized over the lives of the associated leases.

Goodwill recorded in connection with this acquisition was attributable to the workforce of the clinics and synergies expected to arise from cost savings opportunities. All of the recorded goodwill is tax-deductible.

The Company has retrospectively adjusted the consolidated balance sheet as of December 31, 2014 related to adjustments to the purchase price allocation of the above acquisition. The impacts are adjustments to deferred franchise costs, goodwill and deferred revenue, with no changes to total net assets. There were no impacts on the consolidated statements of operations or cash flows for any prior periods as a result of these adjustments. The balance sheet impacts are as follows:

	December 31, 2014	
	As reported	As revised
Deferred franchise costs - current portion	$ 668,700	$ 622,800
Goodwill	$ 677,204	$ 636,104
Deferred revenue - current portion	$ 2,044,500	$ 1,957,500

Franchises acquired during 2015

During the year ended December 31, 2015, the Company continued to execute its growth strategy and entered into a series of unrelated transactions with existing franchisees to re-acquire an aggregate of 24 developed and 35 undeveloped franchises throughout Arizona, California, and New York for an aggregate purchase price of $5,725,875, subject to certain adjustments, consisting of cash of $4,925,525 and notes payable of $800,350. Of the 24 developed franchises, the Company is operating 22 as company-owned or managed clinics and has closed the remaining two clinics. The 35 undeveloped franchises have been terminated and the Company may relocate them. At the time these transactions were consummated, the Company carried a deferred revenue balance of $1,005,500, representing franchise fees collected upon the execution of the franchise agreements, and deferred franchise costs of $493,500, related to undeveloped franchises. The Company accounted for the franchise rights associated with the undeveloped franchise as a cancellation, and the respective deferred revenue and deferred franchise costs were netted against the aggregate purchase price. The remaining $5,213,875 was accounted for as consideration paid for the acquired franchises.

Additionally, in January 2015, in connection with the default by a franchisee under its franchise agreement, the Company assumed substantially all of the assets of a clinic in Tempe, Arizona in exchange for $25,000. The Company has accounted for this as a business combination. The Company completed its valuation of the fair value of the assets acquired, including intangible assets, in September 2015. Because the net assets acquired exceeded the consideration paid, the Company recognized a bargain purchase gain of $233,804 during the year ended December 31, 2015.

The Company also recognized a bargain purchase gain of $27,343 related to the acquisition of two developed clinics and seven undeveloped units in San Diego, California. Total bargain purchase gain for the year ended December 31, 2015 was $261,147.

The Company incurred $393,069 of transaction costs related to these acquisitions for the year ended December 31, 2015 which are included in general and administrative expenses in the accompanying statements of operations.

Purchase Price Allocation

The purchase price allocations for these acquisitions are complete with the exception of the acquisition completed on December 29, 2015. For that transaction the balances are preliminary and subject to further adjustment upon finalization of the opening balance sheet. The following summarizes the aggregate fair values of the assets acquired and liabilities assumed during 2015 as of the acquisition date:

Property and equipment	$ 1,504,169
Intangible assets	1,942,180
Favorable leases	521,825
Goodwill	1,830,833
Total assets acquired	5,799,007
Unfavorable leases	(49,077)
Deferred membership revenue	(106,908)
Net assets acquired	5,643,022
Deferred tax liability	(168,000)
Bargain purchase gain	(261,147)
Net purchase price	$ 5,213,875

Intangible assets in the table above consist of reacquired franchise rights of $1,458,667 and customer relationships of $483,514, and will be amortized over their estimated useful lives ranging from six to eight years and two years, respectively.

The estimates of the fair value of the assets or rights acquired and liabilities assumed at the date of the applicable acquisition are subject to adjustment during the measurement period (up to one year from the particular acquisition date). The primary areas of the accounting for the acquisitions that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired, residual goodwill and any related tax impact. The fair value of these net assets acquired are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. While the Company believes that such preliminary estimates provide a reasonable basis for estimating the fair value of assets acquired and liabilities assumed, it evaluates any necessary information prior to finalization of the fair value. During the measurement period, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the revised estimated values of those assets or liabilities as of that date. The effect of measurement period adjustments to the estimated fair value is reflected as if the adjustments had been completed on the acquisition date. The impact of all changes that do not qualify as measurement period adjustments are included in current period earnings. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the condensed consolidated financial statements could be subject to a possible impairment of the intangible assets or goodwill, or require acceleration of the amortization expense of intangible assets in subsequent periods. During the year ended December 31, 2015, the Company made certain measurement period adjustments related to several acquisitions consummated during the year. Property and equipment was decreased by $128,900, intangible assets increased by $317,959, favorable leases increased by $455,279, deferred membership revenue increased by $10,393, deferred tax liability increased by $168,000 and bargain purchase gain decreased by $123,067 with the resulting offset to goodwill of $609,798.

Goodwill recorded in connection with these acquisitions was attributable to the workforce of the clinics and synergies expected to arise from cost savings opportunities. All of the recorded goodwill is tax-deductible.

Pro Forma Results of Operations (Unaudited)

The following table summarizes selected unaudited pro forma condensed consolidated statements of operations data for the years ended December 31, 2015 and 2014 as if the acquisitions had been completed on January 1, 2014.

	Pro Forma for the Year Ended December 31,	
	2015	2014
Revenues, net	$ 15,083,156	$ 10,566,763
Net loss	$ (9,927,271)	$ (4,518,553)

This selected unaudited pro forma consolidated financial data is included only for the purpose of illustration and does not necessarily indicate what the operating results would have been if the acquisitions had been completed on that date. Moreover, this information is not indicative of what the Company's future operating results will be. The information for 2014 and 2015 prior to the acquisitions is included based on prior accounting records maintained by the acquired companies. In some cases, accounting policies differed materially from accounting policies adopted by the Company following the acquisitions. For 2015, this information includes actual data recorded in its financial statements for the period subsequent to the date of the acquisitions. The Company's consolidated statement of operations for the year ended December 31, 2015 includes net revenue and net loss of $3,651,139 and $(3,443,459), respectively, attributable to the 2015 acquisitions. As the 2014 acquisition occurred on the last day of the period, there were no net revenues or income attributable to the acquisition.

The pro forma amounts included in the table above reflect the application of accounting policies and adjustment of the results of the clinics to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property and equipment and intangible assets had been applied from January 1, 2014, together with the consequential tax impacts.

Note 3: Notes Receivable

Effective July 2012, the Company sold a company-owned clinic, including the license agreement, equipment, and customer base, in exchange for a $90,000 unsecured promissory note. The note bears interest at 6% per annum for fifty-four months and requires monthly principal and interest payments over forty-two months, beginning August 2013 and maturing January 2017.

Effective July 2015, the Company entered into two license transfer agreements, in exchange for $10,000 and $29,925 in separate unsecured promissory notes. The non-interest bearing notes require monthly principal payments over 24 months, beginning on September 1, 2015 and maturing on August 1, 2017.

Effective July 2015, the Company entered into a license transfer agreement, in exchange for $29,925 in an unsecured promissory note. The note bears interest at 4.0% per annum, and requires monthly principal payments over 12 months, beginning on August 1, 2015 and maturing on July 1, 2016.

The outstanding balance of the notes as of December 31, 2015 and 2014 were $76,731 and $59,269, respectively.

Note 4: Property and Equipment

Property and equipment consist of the following:

	December 31, 2015	December 31, 2014
Office and computer equipment	$ 963,299	$ 209,575
Leasehold improvements	4,672,582	665,961
Software developed	691,827	564,560
Gross property and equipment	6,327,708	1,440,096
Accumulated depreciation	(1,098,438)	(305,644)
	5,229,270	1,134,452
Construction in progress	1,909,476	-
Property and equipment, net	$ 7,138,746	$ 1,134,452

Depreciation expense was $792,794 and $210,123 for the years ended December 31, 2015 and 2014, respectively.

Construction in progress relates to the ongoing development of company-owned or managed clinics, which are not yet placed in service.

Note 5: Fair Value Consideration

The Company's financial instruments include cash, restricted cash, accounts receivable, notes receivable, accounts payable accrued expenses and notes payable. The carrying amounts of its financial instruments approximate their fair value due to their short maturities.

The Company does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks.

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, 2015 and 2014, the Company does not have any financial instruments that are measured on a recurring basis as Level 1, 2 or 3.

Note 6: Intangible Assets

During the year ended December 31, 2015, the Company entered into several agreements to repurchase regional developer licenses, reacquiring rights in Los Angeles County, San Diego, and Orange County, all located in the state of California, Erie County, Monroe County, Nassau County, Suffolk County, and Albany County, all located in the state of New York, and the regional developer license in New Jersey in exchange for cash consideration of $1,583,000, of which $507,500 was recorded as a cash advance at December 31, 2014. The Company carried a deferred revenue balance associated with these transactions of $914,000, representing license fees collected upon the execution of the regional developer agreements. In accordance with ASC 952-605, the Company accounted for the development rights associated with the unsold or undeveloped franchises as cancellations, and the respective deferred revenue was netted against the aggregate purchase price or recognized as revenue to the extent deferred revenue was in excess of the cash consideration paid. During the year ended December 31, 2015, the revenue recognized as excess deferred regional developer fees totaled $254,250. The remaining balance was accounted for as consideration paid for the reacquired development rights. As the deferred revenue with respect to these regional developer rights had previously been taken into account for income tax purposes, the tax basis in the reacquired development rights is equal to the cash consideration paid.

Intangible assets consisted of the following:

	As of December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:			
Reacquired franchise rights	$ 1,539,667	$ 174,313	$ 1,365,354
Customer relationships	555,513	190,500	365,013
Reacquired development rights	923,250	111,348	811,902
	$ 3,018,430	$ 476,161	$ 2,542,269
Unamortized intangible assets:			
Goodwill			2,466,937
Total intangible assets			$ 5,009,206

Amortization expense was $476,161 for the year ended December 31, 2015. There was no amortization expense for the year ended December 31, 2014.

Estimated amortization expense for 2016 and subsequent years is as follows:

2016	$ 660,596
2017	470,096
2018	351,006
2019	351,006
2020	351,006
Thereafter	358,559
Total	$ 2,542,269

Note 7: Notes Payable

Beginning in February, 2015, the Company delivered 12 notes payable totaling $800,350 as a portion of the consideration paid in connection with the Company's various acquisitions. Interest rates range from 1.5% to 5.25% with maturities through February of 2017. Repayments during the year ended December 31, 2015 totaled $218,500.

Maturities of the Company's notes payable are as follows as of December 31, 2015:

2016	$ 451,850
2017	130,000
Total	$ 581,850

Note 8: Equity

Public Offerings of Common Stock

The Company completed its initial public offering of 3,000,000 shares of common stock at a price to the public of $6.50 per share on November 14, 2014, whereupon it received aggregate net proceeds of approximately $17,065,000 after deducting underwriting discounts, commissions and other offering expenses. The Company's underwriters exercised their option to purchase 450,000 additional shares of common stock to cover over-allotments on November 18, 2014, pursuant to which it received aggregate net proceeds of approximately $2,710,000, after deducting underwriting discounts, commissions and expenses. Also, in conjunction with the IPO, the Company issued warrants to the underwriters for the purchase of 90,000 shares of common stock, which can be exercised between November 10, 2015 and November 10, 2018 at an exercise price of $8.125 per share.

On November 25, 2015 the Company closed its follow-on offering of 2,272,727 shares of our common stock, offered and sold by the Company, at a price to the public of $5.50 per share. On December 30, 2015 the underwriters of the Company's s public offering of common stock exercised their over-allotment option to purchase an additional 340,909 shares of common stock at a public offering price of $5.50 per share After giving effect to the over-allotment exercise, the total number of shares offered and sold in the Company's follow-on public offering increased to 2,613,636 shares. With the over-allotment option exercise, the Company received aggregate net proceeds of approximately $13.0 million.

Stock Options

In November 2012, the Company adopted the 2012 Stock Plan ("2012 Plan"). The 2012 Plan's purpose is to attract and retain the best available personnel for positions of substantial responsibility, provide incentives and additional ownership opportunities for employees, directors, and consultants, and generally promote the success of the Company's business. The 2012 Plan permits the Company to grant incentive stock options, non-statutory stock options, restricted stock, stock appreciation rights, performance units and performance shares to employees, directors, and consultants for a period of ten years.

On May 15, 2014, the Company adopted the 2014 Stock Plan ("2014 Plan"). The 2014 Plan is designed to supersede and replace the 2012 Plan, effective as of the adoption date and set aside 1,513,000 shares of the Company's common stock that may be granted under the 2014 Plan.

During the year ended December 31, 2014, the Company granted 321,895 stock options to employees and certain non-employee members of its board of directors with exercise prices ranging from $1.20 - $6.50.

During the year ended December 31, 2015, the Company granted 240,160 stock options to employees and certain non-employee members of its board of directors with exercise prices ranging from $5.99 - $9.62.

The fair value of the Company's common stock prior to its IPO was estimated by the Board of Directors at or about the time of grant for each share-based award. At each grant, the board considered a number of factors in establishing a value for the Company's common stock including its EBITDA, assessments of an amount its shareholders would accept in the private sale of the company, discussions with its investment bankers regarding pricing of the Company's common stock in an initial public offering and the probability of successfully completing an IPO. Although the methods for determining the fair value of the Company's common stock are not complex, the board's estimate of the fair value of the common stock did involve subjectivity, especially assessments of value in a private sale and estimates of value in the public stock market.

Upon the completion of the Company's IPO, its stock trading price became 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, it will rely upon the volatilities from publicly traded companies with similar business models until its common stock has accumulated enough trading history for it to utilize its own historical volatility. The expected life of the options granted is based on the average of the vesting term and the contractual term of the option. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury 10-year yield curve in effect at the date of the grant.

The Company has computed the fair value of all options granted during the years ended December 31, 2015 and 2014, using the following assumptions:

	Years Ended December 31,	
	2015	2014
Expected volatility	44% - 50%	43% - 46%
Expected dividends	None	None
Expected term (years)	5.5 - 7	5.5 - 7.5
Risk-free rate	1.54% to 2.01%	0.07% - 2.05%
Forfeiture rate	20%	None

The information below summarizes the stock options:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2013	-	-	-	
Granted at market price	321,895	2.04		
Exercised	-	-		
Cancelled	(7,120)	1.20		
Outstanding at December 31, 2014	314,775	$ 2.23	$ 0.92	9.2
Granted at market price	240,160	8.16		
Exercised	(445)	1.20		
Cancelled	(77,031)	7.88		
Outstanding at December 31, 2015	477,459	$ 4.30	$ 2.01	8.7
Exercisable at December 31, 2015	178,856	$ 3.08	$ 1.36	8.2

The intrinsic value of the Company's stock options outstanding was $1,171,360 at December 31, 2015.

For the years ended December 31, 2015 and 2014, stock based compensation expense for stock options was $328,772 and $32,105, respectively. Unrecognized stock-based compensation expense for stock options for the year ended December 31, 2015 was $854,051, which is expected to be recognized ratably over the next 2.48 years.

Restricted Stock

On January 1, 2014, the Company granted restricted stock awards to executives to earn an aggregate of 567,375 shares of common stock. The restricted stock was granted in two tranches. The first tranche vests over a period of four years from the grant date. The second tranche began vesting upon completion of the Company's initial public offering on November 14, 2014 over a three year period. The fair market value of the 567,375 shares of restricted stock was valued at $1.20 per share, determined by the Board of Directors, totaling approximately $679,000 to be recognized ratably as the stock is vested.

On December 16, 2014, the Company granted restricted stock to an executive to earn 95,000 shares of common stock. These shares vest over a four year period from the grant date. The estimated fair market value of these shares was valued at $6.20 per share, based on the Company's stock trading price, totaling approximately $589,000 to be recognized ratably as the stock is vested.

During 2015, the Company granted restricted stock to two employees to earn 8,000 shares of common stock. These shares vest over a four year period from grant date. The estimated fair market value of these shares was valued at $9.62 per share, based on the Company's stock trading price, totaling approximately $76,960 to be recognized ratably as the stock is vested.

The information below summaries the restricted stock activity:

Restricted Stock Awards	Shares
Outstanding at December 31, 2013	-
Restricted stock awards granted	662,375
Awards forfeited or exercised	-
Outstanding at December 31, 2014	662,375
Restricted stock awards granted	8,000
Awards forfeited or exercised	-
Outstanding at December 31, 2015	670,375

For the years ended December 31, 2015 and 2014, stock based compensation expense for restricted stock awards was $496,373 and $69,725, respectively. Unrecognized stock based compensation expense for restricted stock awards as of December 31, 2015 was $790,706 to be recognized ratably over 2.51 years.

Warrants

In conjunction with the IPO, the Company issued warrants to the underwriters for the purchase of 90,000 shares of common stock, which can be exercised between November 10, 2015 and November 10, 2018 at an exercise price of $8.125 per share. For the year ended December 31, 2014, a net cost of $113,929 was recorded against proceeds under additional paid in capital, associated with these awards. The fair value of the warrants was determined using the Black-Scholes option valuation model. The warrants expire on November 10, 2018 and have a remaining contractual life of 2.9 years as of December 31, 2015.

The Company has computed the fair value of all warrants granted during the year ended December 31, 2015 and 2014, using the following assumptions:

	December 31,	
	2015	2014
Volatility	-	33%
Risk-free interest rate	-	0.78%
Contractual term (years)	-	4.0

The information below summarizes the warrants:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding at December 31, 2014	90,000	$ 8.13	3.9	-
Granted	-	-	-	-
Outstanding at December 31, 2015	90,000	$ 8.13	2.9	$ -
Exercisable at December 31, 2015	90,000	$ 8.13	2.9	$ -

Preferred Stock

The Company has 50,000 shares authorized as preferred stock. The preferred stock is senior to common stock and each share has the same voting rights as the common stockholders. The liquidation preference is equal to the stated value of the stock plus any dividends declared but unpaid at the time of a liquidation event. The preferred shares are convertible to common stock at the option of the holder at a rate of one share of preferred stock for 53.4 shares of common stock. On November 14, 2014, the holders of the Company's preferred stock converted all 25,000 outstanding shares of preferred stock to 1,335,000 shares of common stock.

Common Stock

On November 26, 2012, the Board declared a dividend of 29 shares of the Company's common stock on each share of common stock outstanding as of December 1, 2012. The stock dividend was effective and payable automatically as of the effective date of the Certificate of Amendment to the Company's Certificate of Incorporation which was January 9, 2013. The stock dividend has been accounted for as a stock split and retroactively reflected in these consolidated financial statements. On September 16, 2014, the Board declared a second stock dividend of .78 shares of common stock for each share of common stock outstanding as of September 15, 2014. The second stock dividend was effective and payable automatically as of the effective date of the Company's Amended and Restated Certificate of Incorporation, which was September 17, 2014. This stock dividend has been accounted for as a stock split and retroactively reflected in these consolidated financial statements.

On January 9, 2013, a Certificate of Amendment of Certificate of Incorporation was filed with the Delaware Secretary of State. This amendment authorized the Company to increase the number of common stock shares from 150,000 to 4,000,000. A subsequent Certificate of Amendment of Certificate of Incorporation was filed on December 24, 2013, authorizing the Company to increase the number of common stock shares to 4,250,000. An Amended and Restated Certificate of Incorporation was filed on September 17, 2014, authorizing the Company to increase the number of common stock shares to 20,000,000.

Note 9: Income Taxes

Income tax (benefit) provision reported in the consolidated statements of operations is comprised of the following:

	December 31,	
	2015	**2014**
Current benefit:		
Federal	$ (208,900)	$ (388,900)
State, net of state tax credits	(67,800)	(28,800)
Total current benefit	(276,700)	(417,700)
Deferred provision:		
Federal	40,800	1,403,100
State	-	355,000
Total deferred provision	40,800	1,758,100
Total income tax (benefit) provision	$ (235,900)	$ 1,340,400

The following are the components of the Company's net deferred taxes for federal and state income taxes:

	December 31,	
	2015	2014
Deferred revenue	$ 1,988,200	$ 2,999,300
Deferred franchise costs	(664,000)	(932,900)
Allowance for doubtful accounts	1,781,000	30,800
Accrued expenses	74,900	197,300
Goodwill	87,000	-
Restricted stock compensation	(44,100)	(231,300)
Nonqualified stock options	109,600	-
Deferred rent	209,700	207,000
Net operating loss carryforwards	1,849,100	38,200
Tax Credits	14,200	-
Charitable contribution carryover	1,300	400
Asset basis difference related to property and equipment	167,500	(45,400)
Gross non-current deferred tax asset	5,574,400	2,263,400
Less valuation allowance	(5,574,400)	(2,054,600)
Net non-current deferred tax asset	$ -	$ 208,800

At December 31, 2015, the Company has federal and state net operating losses of approximately $4,533,000 and $6,016,000, respectively. These net operating losses are available to offset future taxable income and will begin to expire in 2035 for federal purposes and 2019 for state purposes.

The following is a reconciliation of the statutory federal income tax rate applied to pre-tax accounting net loss, compared to the income tax (benefit) provision in the consolidated statements of operations:

	For the Years Ended December 31,			
	2015		2014	
	Amount	Percent	Amount	Percent
Expected federal tax benefit	$ (3,071,300)	-34.00%	$ (574,900)	-34.00%
State tax provision, net of federal benefit	(387,500)	-4.29%	(72,500)	-4.29%
Effect of increase in valuation allowance	3,519,800	38.97%	2,054,600	121.52%
Permanent differences	(58,800)	-0.65%	23,900	1.41%
Non-deductible expenses	(46,500)	-0.51%	(20,900)	-1.24%
Effect of reduced state rates for deferred	(80,100)	-0.89%	33,000	1.95%
Other, net	(111,500)	-1.23%	(102,800)	-6.08%
Total income tax (benefit) provision	$ (235,900)	**-2.61%**	$ 1,340,400	**79.28%**

The state tax expense (benefit), penalties and interest stem from uncertain tax positions related to unresolved state apportionment of taxable income.

Changes in the Company's income tax (benefit) provision related primarily to changes in pretax loss during the year ended December 31, 2015, as compared to year ended December 31, 2014, and changes in the effective rate of -2.6% and 79.3%, respectively. The difference is due to a valuation allowance on the Company's deferred tax assets, uncertain tax positions that were recorded during the prior period, the increase in the state income tax rate, and the impact of certain permanent differences on taxable income.

For the year ended December 31, 2015 and, 2014, the Company recorded a liability for income taxes for operations and uncertain tax positions of $65,600 and $121,700, respectively, of which $33,000 and $30,000 respectively, represent penalties and interest and are recorded in the "other liabilities" section of the accompanying consolidated balance sheets. Interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses. Management made a determination that the Company was not in compliance with several state and local tax jurisdictions in which the Company was doing business. Accordingly, management undertook to analyze its tax exposures, both income and otherwise, with respect to jurisdictions in which compliance was deemed to be inadequate and has entered into Voluntary Disclosure Agreements (VDAs) with the taxing authorities. The Company's tax returns for tax years subject to examination by tax authorities include 2012 through the current period for state and federal reporting purposes.

The following table sets forth a reconciliation of the beginning and ending amount of uncertain tax benefits during the tax years ended December 31, 2015 and 2014:

	2015	2014
Unrecognized tax benefit - January 1	$ 91,700	$ 114,500
Gross increases - tax positions in prior period	-	-
Gross decreases - tax positions in prior period	(59,100)	(22,800)
Gross increases - tax positions in current period	-	-
Settlements	-	-
Lapse of statute of limitations	-	-
Uncertain tax benefit - December 31	**$ 32,600**	**$ 91,700**

Note 10: Related Party Transactions

The Company entered into consulting and legal agreements with certain common stockholders related to services performed for the operations and transaction related activities of the Company. Amounts paid to or for the benefit of these stockholders was approximately $643,000 and $923,000 for the years ended December 31, 2015 and 2014, respectively.

Note 11: Commitments and Contingencies

Operating Leases

The Company leases its corporate office space with 66 monthly payments increasing from $10,500 to $22,000, beginning February 3, 2014, the date it took occupancy of the new office space. During the year ended 2015, the Company assumed 47 additional leases for clinic locations. These leases vary in length from 18 to 124 months and have monthly payments ranging from $1,432 to $13,213.

Total rent expense for the years ended December 31, 2015 and 2014 was $1,574,803 and $134,801, respectively.

Future minimum annual lease payments are as follows:

2016	$ 2,731,356
2017	2,807,921
2018	2,290,057
2019	1,998,139
2020	1,763,150
Thereafter	8,373,011
Total	$ 19,963,634

Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and believe that resolution of such litigation will not have a material adverse effect on the Company.

On July 7, 2015, a group of six current or former franchisees that owned 18 franchise licenses, whose licenses had been terminated by the Company due to defaults in performance, commenced a collective arbitration proceeding in San Diego, California. The claimants' demand for arbitration asserts claims for breach of contract, promissory fraud, negligent misrepresentation, breach of the implied covenant of good faith and fair dealing, wrongful termination of franchise agreements and "wrongful competition" pursuant to unspecified state business practices, unfair competition and franchise statutes. The claimants also seek "a preliminary and permanent injunction prohibiting the Company from seeking to operate corporate clinics within 25 miles of any franchise clinic." Although commenced in California, the arbitration proceeding has been moved to Arizona, pursuant to the franchise agreements in dispute, which include clauses that make it mandatory for any arbitration proceeding to be conducted in Phoenix, Arizona. Each agreement also requires claims to be arbitrated on an individual, not class-wide basis. The Company does not believe any of the claims, either collectively or individually, have any legal merit and intends to vigorously defend the arbitration proceeding.

Note 12: Subsequent Events

On January 1, 2016, the Company entered into an agreement under which it repurchased the right to develop franchises in San Bernardino and Riverside Counties in California. The total consideration for the transaction was $275,000, all of which was funded from the proceeds of the Company's offerings of its common stock.

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Financial Statements and Supplementary Data

For the Fiscal Years Ended

December 31, 2014 and 2013

ITEM8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
The Joint Corp. and Subsidiary
Scottsdale, Arizona

We have audited the accompanying consolidated balance sheets of The Joint Corp. and Subsidiary (the "Company") as of December 31, 2014 and 2013 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Joint Corp. and Subsidiary as of December 31, 2014 and 2013, 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.

/s/ EKS&H LLLP

Denver, Colorado
March 20, 2015

THEJOINT CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,796,783	$ 3,516,750
Restricted cash	224,576	58,786
Accounts receivable, net	704,905	394,655
Income taxes receivable	395,814	-
Note receivable - current portion	27,528	25,929
Deferred franchise costs - current portion	668,700	939,750
Deferred tax asset - current portion	208,800	701,200
Prepaid expenses and other current assets	375,925	23,729
Total current assets	23,403,031	5,660,799
Property and equipment, net	1,134,452	400,267
Note receivable	31,741	59,269
Note receivable - related party, net of allowance	-	21,750
Deferred franchise costs, net of current portion	2,574,450	2,283,000
Deferred tax asset - noncurrent	-	1,265,700
Intangible assets	153,000	-
Goodwill	677,204	-
Deposits and other assets	585,150	77,650
Total assets	$ 28,559,028	$ 9,768,435
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,271,405	$ 226,757
Co-op funds liability	186,604	54,133
Payroll liabilities	617,944	128,370
Advertising fund deferred revenue	-	4,652
Income taxes payable	-	419,297
Deferred rent - current portion	93,398	-
Deferred revenue - current portion	2,044,500	2,756,250
Other current liabilities	50,735	-
Total current liabilities	4,264,586	3,589,459
Deferred rent, net of current portion	451,766	-
Deferred revenue, net of current portion	7,915,918	7,252,084
Other liabilities	299,405	147,753
Total liabilities	12,931,675	10,989,296
Commitment and contingencies		
Stockholders' equity (deficit):		
Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of December 31, 2014, and 25,000 issued and outstanding as of December 31, 2013	-	25
Common stock, $0.001 par value; 20,000,000 shares authorized, 10,196,502 shares issued and 9,662,502 shares outstanding as of December 31, 2014 and 5,340,000 shares issued and 4,806,000 outstanding as of December 31, 2013	10,197	5,340
Additional paid-in capital	21,420,975	1,546,373
Treasury stock (534,000 shares, at cost)	(791,638)	(791,638)
Accumulated deficit	(5,012,181)	(1,980,961)
Total stockholders' equity (deficit)	15,627,353	(1,220,861)
Total liabilties and stockholders' equity (deficit)	$ 28,559,028	$ 9,768,435

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

THEJOINT CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,	
	2014	2013
Revenues:		
Royalty fees	$ 3,194,286	$ 1,531,201
Franchise fees	1,933,500	2,536,333
Regional developer fees	478,500	742,875
IT related income and software fees	840,825	762,867
Advertising fund revenue	459,493	216,784
Other income	210,058	168,007
Total revenues	7,116,662	5,958,067
Cost of revenues:		
Franchise cost of revenues	2,081,382	1,781,477
IT cost of revenues	165,057	224,719
Total cost of revenues	2,246,439	2,006,196
Selling and marketing expenses	1,188,016	781,256
Depreciation and amortization	210,123	70,725
General and administrative expenses	5,098,793	2,660,101
Total selling, general and administrative expenses	6,496,932	3,512,082
Income (loss) from operations	(1,626,709)	439,789
Other expense	(64,075)	(32,000)
Income (loss) before income tax provision	(1,690,784)	407,789
Income tax provision	(1,340,436)	(252,154)
Net income (loss)	$ (3,031,220)	$ 155,635
Earnings per share:		
Basic earnings (loss) per share	$ (0.56)	$ 0.03
Diluted earnings (loss) per share	$ (0.56)	$ 0.02

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

THEJOINT CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid In	Treasury	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	Total
Balances, December 31, 2012	25,000	$ 25	5,340,000	$ 5,340	$ 994,735	$ -	$ (2,136,596)	$ (1,136,496)
Purchase of treasury stock		-		-	551,638	(791,638)	-	(240,000)
Net income		-		-	-	-	155,635	155,635
Balances, December 31, 2013	25,000	25	5,340,000	5,340	1,546,373	(791,638)	(1,980,961)	(1,220,861)
Stock-based compensation expense	-	-	-	-	101,830	-	-	101,830
Issuance of common stock - IPO, net of offering costs of $2,761,325	-	-	3,450,000	3,450	19,774,154	-	-	19,777,604
Issuance of vested restricted stock	-	-	71,502	72	(72)	-	-	-
Conversion of preferred stock to common stock	(25,000)	(25)	1,335,000	1,335	(1,310)	-	-	-
Net loss	-	-	-	-	-	-	(3,031,220)	(3,031,220)
Balances, December 31, 2014	-	$ -	10,196,502	$ 10,197	$21,420,975	$ (791,638)	$ (5,012,181)	$15,627,353

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

THEJOINT CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net (loss) income	$ (3,031,220)	$ 155,635
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Provision for bad debts	102,782	-
Depreciation and amortization	210,123	70,725
Loss on disposal of property and equipment	10,127	-
Deferred income taxes	1,758,100	(552,300)
Accrued interest on notes receivable	-	(5,551)
Stock based compensation expense	101,830	-
Changes in operating assets and liabilties:		
Restricted cash	(165,790)	17,290
Accounts receivable	(369,532)	(287,757)
Income taxes receivable	(395,814)	-
Prepaid income taxes	-	300,000
Prepaid expenses and other current assets	(352,196)	47,069
Deferred franchise costs	(20,400)	(14,850)
Deposits and other assets	-	(60,686)
Accounts payable and accrued expenses	1,044,648	125,394
Co-op funds liability	132,471	9,359
Payroll liabilities	489,574	58,046
Advertising fund deferred revenue	(4,652)	(26,650)
Other liabilities	(25,447)	108,029
Deferred rent	545,164	-
Income taxes payable	(419,297)	419,297
Deferred revenue	(47,916)	59,167
Net cash (used in) provided by operating activities	(437,445)	422,217
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(900,000)	-
Advances for reacquisition and temination of regional developer rights	(507,500)	-
Purchase of property and equipment	(659,305)	(241,412)
Proceeds from sale of equipment	2,500	-
Payments received on notes receivable	4,179	10,353
Net cash used in investing activities	(2,060,126)	(231,059)
Cash flows from financing activities:		
Proceeds from issuance of common stock - initial public offering	22,425,000	-
Offering costs paid	(2,647,396)	-
Purchase of treasury stock	-	(240,000)
Net cash provided by (used in) financing activities	19,777,604	(240,000)
Net increase (decrease) in cash	17,280,033	(48,842)
Cash at beginning of year	3,516,750	3,565,592
Cash at end of year	$ 20,796,783	$ 3,516,750
Supplemental cash flow disclosures:		
Cash paid for income taxes	$ 420,250	$ -
Non-cash financing and investing activities:		
Warrants issued for services in connection with initial public offering	$ 113,929	$ -
Conversion of preferred stock to common stock	$ 25	$ -

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

THEJOINT CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Operations

The Joint Corp. ("The Joint"), a Delaware corporation, was formed on March 10, 2010, for the purpose of franchising chiropractic clinics, selling regional developer rights and supporting the operations of franchised 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 Joint Corporate Unit No. 1, LLC ("Clinic"), an Arizona limited liability company, was formed on July 14, 2010, for the purpose of operating chiropractic clinics in the state of Arizona. It operated one company-owned clinic the assets of which were sold on July 1, 2012. All remaining account balances were consolidated with The Joint as of December 31, 2012.

We completed our initial public offering of 3,000,000 shares of common stock at a price to the public of $6.50 per share on November 14, 2014, whereupon we received aggregate net proceeds of approximately $17,065,000 after deducting underwriting discounts, commissions and other offering expenses. Our underwriters exercised their option to purchase 450,000 additional shares of common stock to cover over-allotments on November 18, 2014, pursuant to which we received aggregate net proceeds of approximately $2,710,000, after deducting underwriting discounts, commissions and expenses. Also, in conjunction with the IPO, we issued warrants to the underwriters for the purchase of 90,000 shares of common stock, which can be exercised between November 10, 2015 and November 10, 2018 at an exercise price of $8.125 per share.

The following table summarizes the number of clinics in operation for years ended December 31, 2014 and 2013.

	Year Ended December 31,	
	2014	2013
Clinics open at beginning of period	175	82
Clinics opened during the period	73	93
Clinics closed during the period	(2)	-
Clinics in operation at the end of the period	246	175
Clinics sold but not yet operational	268	223

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Joint Corp. and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC (collectively, the "Company").

All significant intercompany accounts and transactions between The Joint Corp. and its subsidiary have been eliminated in consolidation.

Cash and Cash Equivalents

We consider all highly liquid instruments purchased with an original maturity of three months or less to be cash. We continually monitor our positions with, and credit quality of, the financial institutions with which we invest. As of the balance sheet date and periodically throughout the year, we have maintained balances in various operating accounts in excess of federally insured limits. We have invested substantially all of the proceeds of our IPO in short-term bank deposits. We had no cash equivalents as of December 31, 2014 and 2013.

Restricted Cash

Restricted cash held by the Company relates to cash franchisees are required to contribute to our National Marketing Fund and cash franchisees provide to various voluntary regional Co-Op Marketing Funds. Cash contributed to the National Marketing Fund is to be used in accordance with the Franchise Disclosure Document with a focus on regional and national marketing and advertising.

Concentrations of Credit Risk

In certain circumstances, we grant credit to franchisees related to the collection of initial franchise fees, royalties, and other operating revenues. We periodically perform credit analysis and monitor the financial condition of the franchisees to reduce credit risk. As of December 31, 2014 and 2013, six and two franchisees, respectfully, represented 56% and 54% of outstanding accounts receivable. We did not have any franchisees that represented greater than 10% of our revenues during the years ended December 31, 2014 and 2013.

Accounts Receivable

Accounts receivable represent amounts due from franchisees for initial franchise fees, royalty fees and marketing and advertising expenses. We consider a reserve for doubtful accounts based on the creditworthiness of the franchisee. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on specific identification and historical performance we track on an ongoing basis. The losses ultimately could differ materially in the near term from the amounts estimated in determining the allowance. We determined that an allowance for doubtful accounts was not necessary at December 31, 2013. As of December 31, 2014, we had an allowance for doubtful accounts of $81,032.

Deferred Franchise Costs

Deferred franchise costs represent commissions that are paid in conjunction with the sale of a franchise and are expensed when the respective revenue is recognized, which is generally upon the opening of a clinic.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of three to seven 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 other income.

Software Developed

We capitalize most software development costs. These capitalized costs are primarily related to proprietary software used by clinics for operations and the Company for 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 and incremental, 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. We also capitalize 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, generally 5 years.

Intangible Assets

Intangible assets consist primarily of re-acquired franchise rights, and customer relationships. We amortize 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 was 7 years. The fair value of customer relationships is amortized over their estimated useful life of 2 years.

Goodwill

As of December 31, 2014, we had recorded goodwill of $677,204. Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired in the acquisition of six franchises on December 31, 2014 (See Note 2). Under FASB ASC 350-10, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests, and tests between annual tests in certain circumstances, based on estimated fair value in accordance with FASB ASC 350-10, and written down when impaired.

Long-Lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. We look primarily to undiscounted future cash flows in our assessment of whether or not long-lived assets have been impaired. No impairments of long-lived assets were recorded for the years ended December 31, 2014 and 2013.

Advertising Fund

We have established an advertising fund for national/regional marketing and advertising of services offered by the clinics owned by the franchisees. As stipulated in the typical franchise agreement, a franchisee, in addition to the monthly royalty fee, pays a monthly marketing fee of 1% of gross sales, which increased at our discretion to 2% in January 2015. We segregate the marketing funds collected and use the funds for specific purposes as outlined in the Franchise Disclosure Document. These funds are included in restricted cash on our consolidated balance sheet. As amounts are expended from the fund, we recognize advertising fund revenue and a related expense. Amounts collected in excess of marketing expenditures are included in restricted cash on our consolidated balance sheets.

Co-Op Marketing Funds

Some franchises have established regional Co-Ops for advertising within their local and regional markets. We maintain an agency relationship under which the marketing funds collected are segregated and used for the purposes specified by the Co-Ops officers. The marketing funds are included in restricted cash on our consolidated balance sheets.

Deferred Rent

The Company leases its office space and company-owned clinics under operating leases, which may include rent holidays and rent escalation clauses. The Company recognizes rent holiday periods and scheduled rent increases on a straight-line basis over the term of the lease. The Company records tenant improvement allowances as deferred rent liabilities and amortizes the allowance over the term of the lease, as a reduction to rent expense.

Revenue Recognition

We generate revenue through initial franchise fees, regional developer fees, transfer fees, royalties, IT related income, and computer software fees.

Initial Franchise Fees. We require the entire non-refundable initial franchise fee to be paid upon execution of a franchise agreement, which has an initial term of ten years. Initial franchise fees are recognized as revenue when we have substantially completed our initial services under the franchise agreement, which typically occurs upon opening of the clinic. Our services under the franchise agreement include: training of franchisee and staff, site selection, construction/vendor management and ongoing operations support. We provide no financing to franchisees or offer guarantees on their behalf.

Regional Developer Fees. During 2011, we established a regional developer program to engage independent contractors to assist in developing specified geographical regions. Under this program, regional developers pay a license fee of 25% of the then current franchise fee for each franchise they receive the right to develop within a specified geographical region. Each regional developer agreement establishes a minimum number of franchises that the regional developer must develop. Regional developers receive 50% of franchise fees collected upon the sale of franchises within their region and a royalty of 3% of sales generated by franchised clinics in their region. Regional developer fees are non-refundable and are recognized as revenue when we have performed substantially all initial services required by the regional developer agreement, which generally is considered to be upon the opening of each franchised clinic. Upon the execution of a regional developer agreement, we estimate the number of franchised clinics to be opened, which is typically consistent with the contracted minimum. When we anticipate that the number of franchised clinics to be opened will exceed the contracted minimum, the license fee on a per-clinic basis is determined by dividing the total fee collected from the regional developer by the number of clinics expected to be opened within the region. Certain regional developer agreements provide that no additional fee is required for franchises developed by the regional developer above the contracted minimum, while other regional developer agreements require a supplemental payment. We reassess the number of clinics expected to be opened as the regional developer performs under its regional developer agreement. When a material change to the original estimate becomes apparent, the fee per clinic is revised on a prospective basis, and the unrecognized fees are allocated among, and recognized as revenue upon the opening of, the remaining unopened franchised clinics within the region. The franchisor's services under regional developer agreements include site selection, grand opening support for two clinics, sales support for identification of qualified franchisees, general operational support and marketing support to advertise for ownership opportunities. Several of our regional developer agreements grant us the option to repurchase the regional developer's license.

Royalties. We collect royalties, as stipulated in the franchise agreement, equal to 7% of gross sales, and a marketing and advertising fee currently of 1% of gross sales. Certain franchisees with franchise agreements acquired during the formation of the Company pay a monthly flat fee. Royalties are recognized as revenue when earned. Royalties are collected bi-monthly two working days after each sales period has ended.

IT Related Income and Software Fees. We collect a monthly computer software fee for use of our proprietary chiropractic software, computer support, and internet services support, which was made available to all clinics in April 2012. These fees are recognized on a monthly basis as services are provided. IT related revenue represents a flat fee to purchase a clinic's computer equipment, operating software, preinstalled chiropractic system software, key card scanner (patient identification card), credit card scanner and credit card receipt printer. These fees are recognized as revenue upon receipt of equipment by the franchisee.

Advertising Costs

We incur advertising costs in addition to those included in the advertising fund. Our policy is to expense all operating advertising costs as incurred. Advertising expenses for years ended December 31, 2014 and 2013 were $145,492 and $323,219, respectively.

Income Taxes

We account for income taxes in accordance with the Accounting Standards Codification that requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to depreciation of property and equipment and treatment of revenue for franchise fees and regional developer fees collected. 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. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

We account 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. We measure 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.

For the year ended December 31, 2014 and, 2013, we recorded a liability for income taxes for operations and uncertain tax positions of approximately $122,000 and $148,000, respectively, of which $30,000 and $33,000 respectively, represent penalties and interest and recorded in the "other liabilities" section of the accompanying consolidated balance sheets. Interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses. Our tax returns for tax years subject to examination by tax authorities include 2010 and 2011 through the current period for state and federal reporting purposes, respectively.

Earnings (Loss) per Common Share

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

	Year Ended December 31,	
	2014	2013
Net income (loss)	$ (3,031,220)	$ 155,635
Weighted average common shares outstanding - basic	5,451,851	5,313,665
Effect of dilutive securities:		
Stock options	-	21,732
Shares issuable on conversion of preferred stock	-	1,335,000
Weighted average common shares outstanding - diluted	5,451,851	6,670,397
Basic earnings per share	$ (0.56)	$ 0.03
Diluted earnings per share	$ (0.56)	$ 0.02

The following table summarizes the potential shares of common stock that were excluded from diluted net loss per share, because the effect of including these potential shares was anti-dilutive:

	Year Ended December 31,	
	2014	2013
Unvested restricted stock	590,873	-
Stock options	312,995	-
Warrants	90,000	-

Stock-Based Compensation

We account for share based payments by recognizing compensation expense based upon the estimated fair value of the awards on the date of grant. We determined the estimated grant-date fair value of restricted shares using quoted market prices and the grant-date fair value of stock options using the Black-Scholes option pricing model and recognize compensation costs ratably over the period of service using the straight-line method.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 the allowance for doubtful accounts, share-based compensation arrangements, fair value of stock options, useful lives and realizability of long-lived assets, classification of deferred revenue and deferred franchise costs and the related deferred tax assets and liabilities as long-term or current, uncertain tax positions and realizability of deferred tax assets.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle, and in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern: Disclosures about an Entity's Ability to Continue as a Going Concern." The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The new guidance is effective for annual periods ending after December 15, 2016, and interim periods thereafter. We are currently evaluating the impact of the adoption of ASU No. 2014-15 on our consolidated financial statements.

Note 2: Acquisitions

Los Angeles County Acquisition of Franchise Units

On December 31, 2014, we acquired substantially all the assets and certain liabilities of six franchises held by The Joint RRC Corp. including four operating clinics in Los Angeles County for a purchase price of $900,000 which was paid in cash on December 31, 2014. We intend to operate four of the acquired franchises as company-owned clinics and to relocate two remaining franchises. As we acquired the clinics effective December 31, 2014, the Consolidated Statements of Comprehensive Operations do not include any post-acquisition results of operations.

The purchase price allocation for these acquisitions is preliminary and subject to further adjustment upon finalization of the opening balance sheet. The following summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date:

Property and equipment	$	297,630
Intangible assets		153,000
Goodwill		677,204
Total assets acquired		1,127,834
Unfavorable leases		(227,834)
Net assets acquired	$	900,000

Intangible assets consist of reacquired franchise rights of $81,000 and customer relationships of $72,000 and will be amortized over their estimated useful lives of seven years and two years, respectively.

Unfavorable leases consist of leases with rents that are in excess of market value. This liability will be amortized over the lives of the associated leases.

Goodwill recorded in connection with this acquisition was attributable to the workforce of the clinics and synergies expected to arise from cost savings opportunities. All of the recorded goodwill is tax-deductible.

The supplemental pro forma information set forth in the following table has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on January 1, 2013, nor is it indicative of any future results. The pro forma information does not give effect to any potential revenue enhancements or operating efficiencies that could result from the acquisition.

	Pro Forma for the Year Ended	
	December 31, 2014	December 31, 2013
Revenues, net	$ 7,306,565	$ 5,879,654
Net loss	$ (3,927,259)	$ (374,932)

The pro forma amounts included in the table above reflect the application of our accounting policies and adjustment of the results of the clinics to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property and equipment and intangible assets had been applied from January 1, 2013, together with the consequential tax impacts.

Note 3: Notes Receivable

Effective July 2012, we sold the assets of our company-owned clinic, including the equipment and customer base, in exchange for a $90,000 promissory note. The note bears interest at 6% per annum for fifty-four months and requires monthly principal and interest payments over forty-two months, beginning August 2013 and maturing January 2017. The outstanding balance on the note as of December 31, 2014 and 2013 was $59,269 and $85,198, respectively and is uncollateralized.

Note Receivable — Related Party

Effective October 2012, a stockholder and former director of the Company transferred ownership in his clinic to a third party. In connection with this transaction we assessed a contractual transfer fee of $21,750 and accepted the promissory note as payment. The note has not been formalized with terms, including interest rate or payment schedules and, accordingly, is presented as a long-term note receivable in the accompanying consolidated balance sheets. Due to the uncertainty surrounding the collectability of the note, we reserved the note in full as of December 31, 2014.

Note 4: Property and Equipment

Property and equipment consist of the following:

	December 31, 2014	December 31, 2013
Office and computer equipment	$ 209,575	$ 28,817
Leasehold improvements	665,961	-
Software developed	564,560	379,415
	1,440,096	408,232
Accumulated depreciation and amortization	(305,644)	(117,047)
	1,134,452	291,185
Assets in progress	-	109,082
	$ 1,134,452	$ 400,267

Depreciation and amortization expense was $210,123 and $70,725 for the years ended December 31, 2014 and 2013, respectively.

As of December 31, 2013, assets in progress include costs for signage, furniture and equipment related to our office relocation as well as software under development. These costs were transferred to the appropriate property and equipment category and commenced depreciation when the assets became ready for their intended use.

Note 5: Fair Value Consideration

Our financial instruments include cash, restricted cash, accounts receivable, notes receivable, accounts payable and accrued expenses. The carrying amounts of our financial instruments approximate their fair value due to their short maturities.

We do not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks.

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 our 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, 2014 and 2013, we do not have any financial instruments that are measured on a recurring basis as Level 1, 2 or 3.

Note 6: Intangibles

Intangible assets consisted of the following:

	December 31, 2014
Reacquired franchise rights	$ 81,000
Customer relationships	72,000
Total intangible assets	$ 153,000

All intangible assets relate to the acquisition that occurred on December 31, 2014 and, accordingly, there is no amortization expense for the year ended December 31, 2014.

Estimated amortization expense for 2015 and subsequent years is as follows:

2015	$ 47,571
2016	47,571
2017	11,571
2018	11,571
2019	11,571
Thereafter	23,143
Total	$ 153,000

Note 7: Income Taxes

Income tax provision reported in the consolidated statements of operations is comprised of the following:

	December 31,	
	2014	2013
Current provision:		
Federal	$ (388,864)	$ 583,558
State, net of state tax credits	(28,800)	220,896
	(417,664)	804,454
Deferred provision:		
Federal	1,403,100	(482,350)
State	355,000	(69,950)
	1,758,100	(552,300)
Total income tax provision	$ 1,340,436	$ 252,154

The following are the components of our net deferred taxes for federal and state income taxes:

	December 31,	
	2014	2013
Current deferred tax asset:		
Deferred revenue	$ 776,100	$ 1,064,000
Deferred franchise costs	(253,900)	(362,800)
Allowance for doubtful accounts	30,800	-
Accrued expenses	197,300	-
Restricted stock compensation	(60,700)	-
Deferred rent	35,500	-
Charitable contribution carryover	400	-
	725,500	701,200
Less valuation allowance	(516,700)	-
Net current deferred tax asset	$ 208,800	$ 701,200
Non-current deferred tax asset:		
Deferred revenue	$ 2,223,200	$ 1,825,700
Deferred franchise costs	(679,000)	(469,100)
Restricted stock compensation	(170,600)	-
Deferred rent	171,500	-
Net operating loss carryforwards	38,200	-
Asset basis difference related to property and equipment	(45,400)	(90,900)
	1,537,900	1,265,700
Less valuation allowance	(1,537,900)	-
Net non-current deferred tax asset	$ -	$ 1,265,700

At December 31, 2014, we had state net operating losses of approximately $965,000. These net operating losses are available to offset future taxable income and will begin to expire in 2019.

The following is a reconciliation of the statutory federal income tax rate applied to pre-tax accounting net income (loss), compared to the income tax provision in the consolidated statement of operations:

	For the Years Ended December 31,			
	2014		2013	
	Amount	Percent	Amount	Percent
Expected federal tax expense	$ (574,900)	(34.0)%	$ 138,633	34.0%
State tax provision, net of federal benefit	(72,500)	(4.3)	18,774	4.6
Effect of increase in valuation allowance	2,054,600	121.5	-	-
Non-deductible expenses	23,900	1.4	19,831	4.9
Uncertain tax positions	(20,900)	(1.2)	85,157	20.9
Effect of reduced state rates for deferred	33,000	2.0	-	-
Other, net	(102,764)	(6.0)	(10,241)	(2.5)
	$ 1,340,436	79.3%	$ 252,154	61.8%

Our state tax expense, penalties and interest stem from uncertain tax positions related to unresolved state apportionment of taxable income.

Changes in our income tax expense related primarily to changes in pretax income during the year ended December 31, 2014, as compared to year ended December 31, 2013, and changes in the effective rate from 79.3% to 61.8%, respectively. The difference is due to a valuation allowance on our deferred tax assets, uncertain tax positions that were recorded during the prior period, the reduction in the state income tax rate, and the impact of certain permanent differences on taxable income.

For the year ended December 31, 2014 and, 2013, we recorded a liability for income taxes for operations and uncertain tax positions of approximately $122,000 and $148,000, respectively, of which $30,000 and $33,000 respectively, represent penalties and interest and recorded in the "other liabilities" section of the accompanying consolidated balance sheets. Interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses. Our tax returns for tax years subject to examination by tax authorities include 2010 and 2011 through the current period for state and federal reporting purposes, respectively.

The following table sets forth a reconciliation of the beginning and ending amount of uncertain tax benefits during the tax years ended December 31, 2014 and 2013:

	2014	2013
Uncertain tax benefit - January 1	$ 114,500	$ 29,500
Gross decreases - tax positions in prior period	(22,800)	-
Gross increases - tax positions in current period	-	85,000
Uncertain tax benefit - December 31	$ 91,700	$ 114,500

Note 8: Commitments and Contingencies

Operating Leases

We lease our corporate office space. Monthly payments under the lease were approximately $10,500 through June 2012 and approximately $6,700 through December 2013. The lease expired on December 31, 2013. On September 17, 2013, we entered into a new lease for corporate office space, with 66 monthly payments increasing from $10,500 to $22,000, beginning February 3, 2014, the date we took occupancy of the new office space. On December 31, 2014 we acquired four additional leases for clinic locations. These leases vary in length from 30 to 40 months and have monthly payments ranging from $2,609 to $5,909.

Total rent expense for the year ended December 31, 2014 and 2013 was $135,000 and $124,000, respectively.

Future minimum annual lease payments are approximately as follows:

2015	$ 444,746
2016	465,404
2017	440,212
2018	293,812
2019	154,055
Thereafter	-
	$ 1,798,229

Litigation

In the normal course of business, we are party to litigation from time to time. We maintain insurance to cover certain actions and believe that resolution of such litigation will not have a material adverse effect on the Company.

Note 9: Related Party Transactions

We entered into consulting and legal agreements with certain common stockholders related to services performed for the development and ongoing support of the Company. Amounts incurred under these agreements were approximately $923,000 and $700,000 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 approximately $282,000 was recorded in accounts payable.

Note 10: Equity

Initial Public Offering

We completed our initial public offering of 3,000,000 shares of common stock at a price to the public of $6.50 per share on November 14, 2014, whereupon we received aggregate net proceeds of approximately $17,065,000 after deducting underwriting discounts, commissions and other offering expenses. Our underwriters exercised their option to purchase 450,000 additional shares of common stock to cover over-allotments on November 18, 2014, pursuant to which we received aggregate net proceeds of approximately $2,710,000, after deducting underwriting discounts, commissions and expenses. Also, in conjunction with the IPO, we issued warrants to the underwriters for the purchase of 90,000 shares of common stock, which can be exercised between November 10, 2015 and November 10, 2018 at an exercise price of $8.125 per share.

Stock Options

In November 2012, we adopted the 2012 Stock Plan ("2012 Plan"). The Plan's purpose is to attract and retain the best available personnel for positions of substantial responsibility, provide incentives and additional ownership opportunities for employees, directors, and consultants, and generally promote the success of our business. The Plan permits us to grant incentive stock options, non-statutory stock options, restricted stock, stock appreciation rights, performance units and performance shares to employees, directors, and consultants for a period of ten years.

On May 15, 2014, we adopted the 2014 Stock Plan ("2014 Plan"). The 2014 Plan is designed to supersede and replace the 2012 Plan, effective as of the adoption date and set aside 1,513,000 shares of our common stock that may be granted under the 2014 Plan.

On January 1, 2014, we granted stock options to employees to purchase 198,915 shares of the Company. These options vest over a period of four years from grant date with the exception of 100,125 options that were contingent on the initial public offering that took place on November 14, 2014. These options vest in 12 monthly installments of 4,171 shares the first year, 12 monthly installments of 2,503 shares the second year, and 12 monthly installments of 1,670 shares the third year.

On May 15, 2014, we granted stock options to an employee to purchase 72,100 shares of the Company. These options vest over 16 quarterly installments of 4,450 shares, beginning September 30, 2014.

On November 10, 2014, in conjunction with the initial public offering, 50,000 additional stock options were granted that vest one year after the grant date.

The estimated fair value of each option granted is calculated using the Black-Scholes option-pricing model. In order to calculate the fair value of the options, certain assumptions are made regarding the components of the model, including the estimated fair value of underlying common stock, risk-free interest rate, volatility, expected dividend yield and expected option life. Changes to the assumptions could cause significant adjustments to the valuation.

The fair value of our common stock prior to our IPO was estimated by the Board of Directors at or about the time of grant for each share-based award. At each grant, the board considered a number of factors in establishing a value for our common stock including our EBITDA, assessments of an amount our shareholders would accept in the private sale of the company, discussions with our investment bankers regarding pricing of the company's common stock in an initial public offering and the probability of successfully completing an IPO. Although the methods for determining the fair value of our common stock are not complex, the board's estimate of the fair value of our common stock did involve subjectivity, especially assessments of value in a private sale and estimates of value in the public stock market.

Since our stock was not publicly traded, expected volatilities were based on volatilities from publicly traded companies with business models similar to ours. Upon the completion of our IPO, our stock trading price became the basis of fair value of our common stock used in determining the value of share based awards. We will rely upon the volatilities from publicly traded companies with similar business models until our common stock has accumulated enough trading history for us to utilize our own historical volatility. The expected life of the options granted is based on the average of the vesting term and the contractual term of the option. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury 10-year yield curve in effect at the date of the grant.

We have computed the fair value of all options granted during the year ended December 31, 2014, using the following assumptions:

	December 31,	
	2014	2013
Expected volatility	43% - 46%	-
Expected dividends	None	-
Expected term (years)	5.5 - 7.5	-
Risk-free rate	0.07% - 2.05%	-
Forfeiture rate	20%	-

The information below summarizes the stock options:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2013	-	$ -	$ -	
Granted at market price	320,115	2.04		
Exercised	-	-		
Cancelled	(7,120)	1.20		
Outstanding at December 31, 2014	312,995	2.04	0.92	9.2
Exercisable at December 31, 2014	13,072	$ 1.20	$ 0.57	9.3

The intrinsic value of our stock options outstanding was $1,357,201 at December 31, 2014.

For the years ended December 31, 2014 and 2013, stock based compensation expense for stock options was $32,105, and $0, respectively. Unrecognized stock-based compensation expense for stock options for the year ended December 31, 2014 was $201,909, which is expected to be recognized ratably over the next 2.0 years.

Restricted Stock

On January 1, 2014, we granted restricted stock awards to an executive and a consultant to earn an aggregate of 567,375 shares of our stock. The restricted stock was granted in two tranches. The first tranche vests over a period of four years from the grant date. The second tranche began vesting upon completion of our initial public offering on November 14, 2014 over a three year period. The fair market value of the 567,375 shares of restricted stock was valued at $1.20 per share, determined by our Board of Directors, totaling approximately $679,000 to be recognized ratably as the stock is vested.

On December 16, 2014, we granted restricted stock to an executive to earn 95,000 shares of our common stock. These shares vest over a four year period from the grant date. The estimated fair market value of these shares was valued at $6.20 per share, based on our stock trading price, totaling approximately $589,000 to be recognized ratably as the stock is vested.

The information below summaries the restricted stock activity:

Restricted Share Awards	Shares
Outstanding at December 31, 2013	-
Restricted stock awards granted	662,375
Awards forfeited or exercised	-
Outstanding at December 31, 2014	662,375
Remaining available to be issued	42,950

For the years ended December 31, 2014 and 2013, stock based compensation expense for restricted stock awards was $69,725, and $0, respectively. Unrecognized stock based compensation expense for restricted stock awards as of December 31, 2014 was $1,198,212 to be recognized ratably over 3.4 years.

Warrants

In conjunction with the IPO, we issued warrants to the underwriters for the purchase of 90,000 shares of common stock, which can be exercised between November 10, 2015 and November 10, 2018 at an exercise price of $8.125 per share. For the year ended December 31, 2014, a net expense of $113,929 was recorded against proceeds under additional paid in capital, associated with these awards. The fair value of the warrants was determined using the Black-Scholes option valuation model. The warrants expire on November 10, 2018 and have a remaining contractual life of 3.9 years as of December 31, 2014.

We have computed the fair value of all warrants granted during the year ended December 31, 2014, using the following assumptions:

	December 31,	
	2014	2013
Volatility	33%	-
Risk-free interest rate	0.78%	-
Expected term (years)	4.0	-

The information below summarizes the warrants:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding at December 31, 2013	-	$ -		
Granted	90,000	8.13		
Outstanding at December 31, 2014	90,000	$ 8.13	3.9	$ -
Exercisable at December 31, 2014	-	$ -	-	$ -

Preferred Stock

We have 50,000 shares authorized as preferred stock. The preferred stock is senior to common stock and each share has the same voting rights as the common stockholders. The liquidation preference is equal to the stated value of the stock plus any dividends declared but unpaid at the time of a liquidation event. The preferred shares are convertible to common stock at the option of the holder at a rate of one share of preferred stock for 53.4 shares of common stock. On November 14, 2014, the holders of our preferred stock converted all 25,000 outstanding shares of preferred stock to 1,335,000 shares of common stock.

Common Stock

On November 26, 2012, the Board declared a dividend of 29 shares of our common stock on each share of common stock outstanding as of December 1, 2012. The stock dividend was effective and payable automatically as of the effective date of the Certificate of Amendment to our Certificate of Incorporation which was January 9, 2013. The stock dividend has been accounted for as a stock split and retroactively reflected in these consolidated financial statements. On September 16, 2014, the Board declared a second stock dividend of .78 shares of common stock for each share of common stock outstanding as of September 15, 2014. The second stock dividend was effective and payable automatically as of the effective date of the Company's Amended and Restated Certificate of Incorporation, which was September 17, 2014. This stock dividend has been accounted for as a stock split and retroactively reflected in these consolidated financial statements.

On January 9, 2013, a Certificate of Amendment of Certificate of Incorporation was filed with the Delaware Secretary of State. This amendment authorized us to increase the number of common stock shares from 150,000 to 4,000,000. A subsequent Certificate of Amendment of Certificate of Incorporation was filed on December 24, 2013, authorizing us to increase the number of common stock shares to 4,250,000. An Amended and Restated Certificate of Incorporation was filed on September 17, 2014, authorizing us to increase the number of common stock shares to 20,000,000.

Treasury Stock

In December 2013, we exercised our right of first refusal under the terms of a Stockholders Agreement dated March 10, 2010 to repurchase 534,000 shares of our common stock. The shares were purchased for $0.45 per share or $240,000 in cash along with the issuance of an option to repurchase the 534,000 shares. We had the right to call the option upon a 15% change in ownership. The repurchased shares were recorded as treasury stock, at cost in the amount of $791,638, and are available for general corporate purposes. The option is classified in equity as it is considered indexed to our stock and meets the criteria for classification in equity. The option was granted to the seller for a term of 8 years. The option contained the following exercise prices:

Year 1	$	0.56
Year 2	$	0.68
Year 3	$	0.84
Year 4	$	1.03
Year 5	$	1.28
Year 6	$	1.59
Year 7	$	1.97
Year 8	$	2.45

Consideration given in the form of the option was valued using a Binomial Lattice-Based model resulting in a fair value of $1.03 per share option for a total fair value of $551,638. The option was valued using the Binomial Lattice-Based valuation methodology because that model embodies all of the relevant assumptions that address the features underlying the instrument. Significant assumptions were as follows:

Market value of underlying common stock		$1.20	
Term (years)	1	–	8
Strike price	$0.56	–	$2.45
Volatility	27.03%	–	45.64%
Risk-free interest	0.13%	–	2.45%

Note 11: Subsequent Events

On January 1, 2015, we completed our reacquisition and termination of our regional developer rights for the Los Angeles County, California region in exchange for cash consideration of $507,500. This payment was made in advance and is reflected as part of other assets in our accompanying consolidated balance sheet at December 31, 2014.

On January 30, 2015, we entered into an agreement to repurchase four developed franchises and one undeveloped franchise from a franchisee. The total consideration for this transaction was approximately $750,000, subject to certain adjustments, which was funded from the proceeds of our recent initial public offering and was completed on March 3, 2015. We intend to continue to operate two of the clinics opened under the developed franchises as company-owned clinics. The franchisee closed the two clinics operated under the remaining developed franchises. We have terminated the undeveloped franchise and may relocate it.

On February 17, 2015, we entered into an agreement to repurchase two operating franchises from a franchisee and the equipment, leasehold improvements, inventory, supplies and other assets used in the operation of the repurchased franchises. The total consideration for this transaction was $935,000, subject to certain adjustments, which was funded from the proceeds of our recent initial public offering. We intend to operate the two franchises as company-owned clinics.

On March 6, 2015, we entered into an agreement for and completed its repurchase of nine franchises from a franchisee. The transaction involved the repurchase of two developed franchises and seven undeveloped franchises. We intend to operate the clinics opened under the two developed franchises as company-owned clinics and to terminate, re-locate or re-sell the seven undeveloped franchises. The total consideration for this transaction was approximately $300,000, subject to adjustment for certain adjustments and was funded from the proceeds of our recent initial public offering.

EXHIBIT E

CONFIDENTIALITY/NONDISCLOSURE AGREEMENT

CONFIDENTIALITY/NONDISCLOSURE AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, 20____, by and between The Joint Corp., a Delaware corporation, (hereinafter referred to as "the Company") and _____, whose address is _____ (hereinafter referred to as "Prospective Franchisee").

WITNESSETH THAT:

WHEREAS, Prospective Franchisee 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 Franchisee 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 Franchisee by the Company, whether orally or in writing, as well as any information, documentation or devises heretofore or hereafter produced by Prospective Franchisee 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 Franchisee and the Company and continue in perpetuity until disclosed by the Company.

3. TRADE SECRET ACKNOWLEDGEMENT. Prospective Franchisee 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 Franchisee of Confidential Information, Prospective Franchisee 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 Franchisee'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 Franchisee 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 Franchisee, 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 Franchisee 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.

BY:_____
ITS:_____

_____
(Signature of Prospective Franchise Owner)

_____
Print Name of Prospective Franchise Owner

EXHIBIT F

LIST OF FRANCHISE OWNERS

Opened Outlets as of December 31, 2015 (Franchised and Company-Owned)

	Franchisee-Contact	Street Address	City	State	Zip	Phone
1	Christina Ybanez	1650 E. Camelback Road, Suite #170	Phoenix	AZ	85016	(602) 535-4745
2	Dr. Chris Judge	6107 N. Scottsdale Road, Suite C-102	Scottsdale	AZ	85250	(480) 245-7844
3	Dr. Craig Peterson	21582 S. Ellsworth Loop Road, Suite #120	Queen Creek	AZ	85142	(480) 987-5091
4	Dr. Peter Darvas	3121 W. Peoria Avenue #103	Phoenix	AZ	85029	(623) 748-8565
5	Dr. Peter Darvas	7119 E. Shea Blvd, Suite #112	Scottsdale	AZ	85254	(480) 970-7615
6	Dr. Stephen Gubernick	15035 N. Thompson Peak Parkway, Suite E103	Scottsdale	AZ	85260	(480) 314-4949
7	Erica Lopez	2340 E. Baseline Rd. Suite #170	Phoenix	AZ	85042	(602) 889-5060
8	Greg Sarandi	7369 W. Bell Road, Suite #103	Peoria	AZ	85382	(623) 486-4616
9	Greg Sarandi	6626 E. McKellips Road, Suite #103	Mesa	AZ	85215	(480) 830-9120
10	Greg Sarandi	12603 N. Tatum Blvd, Suite A112	Phoenix	AZ	85032	(602) 569-6026
11	Kevin Ericksteen	4290 E. Indian School Road, Suite #119	Phoenix	AZ	85018	(602) 955-0001
12	The Joint Corp	4246 N. 1st Ave Ste. 140	Tucson	AZ	85719	(480) 245-5960
13	The Joint Corp	4770 E. Grant Road	Tucson	AZ	85712	(480) 245-5960
14	The Joint Corp	245 E. Bell Road, Suite #5	Phoenix	AZ	85022	(480) 245-5960
15	The Joint Corp	2330 W. Happy Valley Road, Suite #1023	Phoenix	AZ	85085	(480) 245-5960
16	The Joint Corp	20280 N. 59th Avenue, Suite #107	Glendale	AZ	85308	(480) 245-5960
17	The Joint Corp	7645 N. Oracle, Suite #160	Tucson	AZ	85705	(480) 245-5960
18	The Joint Corp	3426 E. Baseline Road, Suite #116	Mesa	AZ	85204	(480) 245-5960
19	The Joint Corp	1515 N. 7th Avenue, Suite #110	Phoenix	AZ	85003	(480) 245-5960
20	The Joint Corp	2895 S. Alma School Road, Suite #6	Chandler	AZ	85248	(480) 245-5960
21	The Joint Corp	815 E. Baseline Road, Suite #106	Tempe	AZ	85282	(480) 245-5960
22	Tony Di Giuseppe	9947 W. Happy Valley Road, Suite #105	Peoria	AZ	85383	(623) 806-1258
23	Tony Di Giuseppe	9744 W. Northern Avenue, Suite #1335	Peoria	AZ	85345	(623) 806-1255
24	Tony Di Giuseppe	14155 W Bell Road, Suite #107	Surprise	AZ	85374	(623) 432-7075
25	Tony Di Giuseppe	1468 N Litchfield Road, Suite M-6	Goodyear	AZ	85395	(623) 321-5121
26	Tony Di Giuseppe	9925 West McDowell Road, Suite #102	Avondale	AZ	85392	(623) 455-6776

	Franchisee-Contact	Street Address	City	State	Zip	Phone
27	Adam Campos	350 N. Glendale Avenue, Unit A	Glendale	CA	91206	(818) 242-6001
28	Anita Davis	1071 E. 19th Street, Suite B	Upland	CA	91784	(909) 333-4080
29	Anita Davis	39628 Winchester Road Suite A	Temecula	CA	92591	(951) 297-3660
30	Anita Davis	12411 Limonite Avenue, Suite #610	Eastvale	CA	91752	(951) 842-3535
31	Anita Davis	7325 Day Creek Blvd, Suite B108	Rancho Cucamonga	CA	91739	(909) 942-6031
32	Anthony Tran	4753 Firestone Blvd	South Gate	CA	90280	(11) 111-1111
33	Anthony Tran	12050 Lakewood Blvd	Downey	CA	90242	(562) 392-8203
34	Anthony Tran	477 S. Associated Road, Suite #C - 1	Brea	CA	92821	(714) 990-5646
35	Chris O'Neal	5421 Lone Tree Way, Suite #120	Brentwood	CA	94513	(925) 392-1600
36	Chris O'Neal	2782 Pinole Valley Road	Pinole	CA	94564	(510) 854-9200
37	Chris O'Neal	111 Curtner Avenue, Suite #40	San Jose	CA	95125	(408) 414-7802
38	Chris O'Neal	2050 Portola Avenue, Suite E	Livermore	CA	94551	(925) 344-6373
39	Chris O'Neal	731 Pleasant Grove Blvd, Suite #180	Roseville	CA	95678	(916) 546-5050
40	Chris O'Neal	2756 East Bidwell Street, Suite #300	Folsom	CA	95630	(916) 365-9797
41	Chris O'Neal	1028 Florin Road	Sacramento	CA	95831	(916) 233-0909
42	Chris O'Neal	8680 Sierra College Blvd, Suite #190	Roseville	CA	95661	(916) 233-0909
43	Chris O'Neal	2095 Gold Center Lane, Suite #40	Gold River	CA	95670	(916) 233-0909
44	Chris O'Neal	2079 Camden Avenue	San Jose	CA	95124	(408) 657-4040
45	Chris O'Neal	9620 Bruceville Road, Suite #102	Elk Grove	CA	95757	(916) 233-0909
46	Chris O'Neal	521 Munroe Street	Sacramento	CA	95825	(916) 233-0909
47	Dr. Laurent Colvin	2628 Telegraph Avenue	Berkeley	CA	94704	(510) 845-6468
48	James Adelman	5741 Calle Real	Goleta	CA	93117	(805) 845-1187
49	Jim Burbach	884 Eastlake Parkway, Suite #1616	Chula Vista	CA	91914	(619) 577-4677
50	Jim Burbach	79-485 Highway 111, Suite #8	La Quinta	CA	92253	(760) 777-7763
51	Jim Burbach	466 N. Orange Street Plaza, Suite #4-E	Redlands	CA	92374	(909) 798-7788
52	Melissa Stubbs	3639 Riverside Plaza Drive #510	Riverside	CA	92506	(951) 222-2216
53	Peter Townshend	12070 Carmel Mountain Road, Suite #290	San Diego	CA	92128	(858) 451-7274
54	Peter Townshend	10449 Reserve Drive, Suite #140	San Diego	CA	92127	(858) 618-3320
55	Shahram "Shah" Soleimani, DC	3555 Rosecrans Street, Suite #110A	Point Loma	CA	92110	(619) 255-5650

	Franchisee-Contact	Street Address	City	State	Zip	Phone
56	Shawn Lee, DC	5001 Wilshire Blvd #114	Los Angeles	CA	90036	(323) 424-7787
57	Sherril Hein	16155 Sierra Lakes Parkway, Suite 120	Fontana	CA	92336	(909) 854-3268
58	Steve Donnelly	2245 Fenton Pkwy, Suite #109	San Diego	CA	92108	(619) 624-2424
59	The Joint Corp	3021 Wilshire Blvd.	Santa Monica	CA	90403	(480) 245-5960
60	The Joint Corp	8951 Santa Monica Blvd. Suite H	West Hollywood	CA	90069	(480) 245-5960
61	The Joint Corp	3713 S. Bristol St.	Santa Ana	CA	92704	(480) 245-5960
62	The Joint Corp	27023 McBean Parkway	Valenica	CA	91355	(480) 245-5960
63	The Joint Corp	281 E. 17th Street	Costa Mesa	CA	92627	(480) 245-5960
64	The Joint Corp	3850-J Barranca Parkway	Irvine	CA	92606	(480) 245-5960
65	The Joint Corp	2172 S. Atlantic Blvd.	Monterey Park	CA	91754	(480) 245-5960
66	The Joint Corp	137 S. Las Posas Rd. Unit 151	San Marcos	CA	92078	(480) 245-5960
67	The Joint Corp	7121 W. Sunset Blvd.	Los Angeles	CA	90046	(480) 245-5960
68	The Joint Corp	14417 Burbank Blvd	Van Nuys	CA	91404	(480) 245-5960
69	The Joint Corp	2701 Harbor Blvd. Suite D5	Costa Mesa	CA	92626	(480) 245-5960
70	The Joint Corp	15622 Whittwood Lane	Whittier	CA	90603	(480) 245-5960
71	The Joint Corp	638 Camino De Los Mares, Suite #H150	San Clemente	CA	92673	(480) 245-5960
72	The Joint Corp	4225 Oceanside Blvd	Oceanside	CA	92056	(480) 245-5960
73	The Joint Corp	19300 Rinaldi Street	Porter Ranch	CA	91326	(480) 245-5960
74	The Joint Corp	12410 Seal Beach Blvd.	Seal Beach	CA	90740	(480) 245-5960
75	The Joint Corp	2300 Foothill Blvd, Suite A	La Verne	CA	91750	(480) 245-5960
76	The Joint Corp	745 S. Main Street, Suite #120	Orange	CA	92868	(480) 245-5960
77	The Joint Corp	23333 Mulholland Drive	Woodland Hills	CA	91364	(480) 245-5960
78	The Joint Corp	1250 - A Auto Park Way	Escondido	CA	92029	(480) 245-5960
79	The Joint Corp	7151 Yorktown Avenue	Huntington Beach	CA	92648	(480) 245-5960
80	The Joint Corp	5109 Candlewood Street	Lakewood	CA	90712	(480) 245-5960
81	The Joint Corp	27070 La Paz Road	Aliso Viejo	CA	92656	(480) 245-5960
82	The Joint Corp	8155 Mira Mesa Blvd, Suite #5	San Diego	CA	92126	(480) 245-5960
83	The Joint Corp	146 N. El Camino Real, Suite C	Encinitas	CA	92024	(480) 245-5960
84	The Joint Corp	6612 E. Pacific Coast Highway	Long Beach	CA	90803	(480) 245-5960
85	The Joint Corp	23625 El Toro Road, Suite B	Lake Forest	CA	92630	(480) 245-5960
86	Vincent Huang	2260 Azusa Avenue, Suite C	West Covina	CA	91792	(626) 810-8821
87	Brad Remington	10600 E. Garden Drive, Suite #103	Aurora	CO	80012	(303) 369-7575
88	Brad Remington	2525 Arapahoe Avenue, Suite C2	Boulder	CO	80302	(303) 440-8019

	Franchisee-Contact	Street Address	City	State	Zip	Phone
89	David Stamler	7957 Wadsworth Blvd.	Arvada	CO	80003	(303) 467-7749
90	Dr. Andrew Slater	6044 Stetson Hills Blvd.	Colorado Springs	CO	80922	(719) 634-5557
91	Dr. Andrew Slater	3272 Centennial Blvd.	Colorado Springs	CO	80907	(719) 268-1424
92	Dr. Beth Slater	2008 Southgate Rd.	Colorado Springs	CO	80906	(719) 630-2139
93	Dr. Jeremy Casagrande	1281 E. 120th Avenue, Unit D	Thornton	CO	80233	(720) 974-3492
94	Dr. Scott K. Heiser	1015 S. Taft Hill Road, Unit F	Fort Collins	CO	80521	(970) 631-8622
95	Dr. Scott K. Heiser	1117 Eagle Drive	Loveland	CO	80537	(970) 203-0707
96	Joe Forte	14680 W. Colfax, Suite F-120	Lakewood	CO	80401	(720) 457-6620
97	Phil Davis	18886 E. Hampden Avenue	Aurora	CO	80013	(303) 680-3339
98	Phil Davis	15405 E. Briarwood Circle, Suite A	Aurora	CO	80016	(303) 680-1970
99	Phil Davis	7537 S. University	Centennial	CO	80122	(720) 283-4213
100	Phil Davis	9996 Commons Street, Suite #330	Lone Tree	CO	80124	(303) 799-3438
101	Phil Davis	8555 West Belleview Avenue	Littleton	CO	80123	(303) 730-6980
102	Phil Davis	24300 E. Smokey Hill Road	Aurora	CO	80016	(303) 341-8010
103	Phil Davis	6570 S. Yosemite Street, Suite #102	Greenwood Village	CO	80111	(303) 771-5044
104	Phil Davis	9555 South University Blvd, Unit #103	Highlands Ranch	CO	80126	(303) 471-5528
105	Phil Davis	7100 W. Alaska Drive	Lakewood	CO	80226	(303) 935-1900
106	Vicky Fidone	15570 W 64th Ave # B	Arvada	CO	80007	(303) 420-5788
107	Vicky Fidone	3702 River Point Parkway, Unit D	Sheridan	CO	80110	(303) 781-5859
108	Vicky Fidone	210 Ken Pratt Blvd, Suite #245	Longmont	CO	80501	(303) 774-7674
109	Dr. Daniel Weber	3016 Lake Washington Road	Melbourne	FL	32934	(321) 254-2828
110	Dr. Edward Leonard	15001 N Dale Mabry Hwy Suite #20	Tampa	FL	33618	(813) 264-1100
111	Dr. Edward Leonard	3409 W. Bay to Bay Blvd., Suite B	Tampa	FL	33629	(813) 839-8039
112	Dr. Michael Purificati, DC	6169 3A Jog Rd	Lake Worth	FL	33467	(561) 366-7973
113	Kathy Bhatt	8081 Turkey Lake Road, Ste. 630	Orlando	FL	32819	(407) 605-5070
114	Kathy Bhatt	4750 The Grove Drive, Suite 172	Windermere	FL	35786	(407) 605-5070
115	Linda Lampasso	12231 E. Colonial Dr. Ste. 110	Orlando	FL	32826	(321) 274-1315
116	Linda Lampasso	5685 Red Bug Lake Rd.	Winter Springs	FL	32708	(321) 274-1315

	Franchisee-Contact	Street Address	City	State	Zip	Phone
117	Allen Meglin, MD	5500 Abercorn Street, Suite #22	Savannah	GA	31405	(912) 777-6040
118	Allen Meglin, MD	485 Pooler Parkway	Pooler	GA	31322	(912) 330-7100
119	Anne Gerretzen	4500 West Village Place, Suite 1011	Smyrna	GA	30080	(770) 805-9977
120	Brett Phillips	328 Newnan Crossing Bypass	Newnan	GA	30265	(770) 252-2222
121	Brett Phillips	1219 N. Peachtree Parkway	Peachtree City	GA	30269	(678) 216-3211
122	Don McMahon	2515 Fence Road, Suite #130	Dacula	GA	30019	(770) 682-9900
123	Dr. Patrick Greco	650 Ponce De Leon Avenue, Suite #0650B	Atlanta	GA	30308	(404) 249-8800
124	Jeff McGinty	4279 Roswell Rd. Suite 202	Atlanta	GA	30342	(678) 813-8999
125	Jeff McGinty	885 Woodstock Road	Roswell	GA	30075	(770) 299-1999
126	Jeff McGinty	3000 Old Alabama Road, Suite #115-A	Johns Creek	GA	30022	(770) 475-9577
127	Jeff McGinty	6623 Roswell Road, Suite E	Sandy Springs	GA	30328	(404) 763-2266
128	Jeff McGinty	305 Brookhaven Avenue, Building 1100, Suite B-1165	Atlanta	GA	30319	(404) 262-1515
129	Jeff McGinty	3330 Piedmont Road, Suite #4	Atlanta	GA	30305	(404) 584-2323
130	Kathy Welch	745 Chastain Road, Suite #1050	Kennesaw	GA	30144	(678) 766-1444
131	Kathy Welch	1205 Johnson Ferry Road, Suite #125	Marietta	GA	30068	(678) 766-1441
132	L.S. Carper	2907 Washington Road	Augusta	GA	30909	(706) 733-4148
133	Lawrence Rich	3630 Peachtree Parkway #310	Suwanee	GA	30024	(770) 292-9292
134	Lawrence Rich	5665 Atlanta Highway	Alpharetta	GA	30004	(770) 292-9292
135	Lawrence Rich	2305 Market Place Blvd.	Cumming	GA	30041	(770) 292-9292
136	Lee Penland	1453 Terrell Mill Road SE, Suite #115	Marietta	GA	30067	(770) 644-0001
137	Maurice Taylor	1428 Towne Lake Pkwy Ste. 28102	Woodstock	GA	30189	(678) 214-4449
138	Maurice Taylor	3384 Cobb Parkway NW, Suite #450	Acworth	GA	30101	(678) 574-5959
139	Randy Merrill	3350 Buford Drive, Suite A-130	Buford	GA	30519	(770) 904-2224
140	Randy Merrill	1860 Duluth Hwy, Suite 403	Lawrenceville	GA	30043	(770) 741-2225
141	Randy Merrill	1630 Scenic Highway, Suite 4	Snellville	GA	30078	(770) 691-2225
142	Randy Merrill	2490 Briarcliff Road NE Suite #49	Atlanta	GA	30345	(404) 315-6468
143	Richard Burke	6770 Veteran's Parkway, Space L	Columbus	GA	31909	(762) 821-1503
144	Vishal Amin	410 Peachtree Parkway Suite 4122	Cumming	GA	30041	(770) 857-3038
145	Britney Stokes	2126 North Eagle Road, Suite #120	Meridian	ID	83646	(208) 391-3534

	Franchisee-Contact	Street Address	City	State	Zip	Phone
146	Julie Hermann	3264 Green Mount Crossing Drive	Shiloh	IL	62269	(618) 726-2555
147	Julie Hermann	3000 South State Route 159	Glen Carbon	IL	62034	(618) 655-0800
148	The Joint Corp	3812 Willow Road	Glenview	IL	60062	(480) 245-5960
149	The Joint Corp	307 Ogden Ave.	Downers Grove	IL	60515	(480) 245-5960
150	The Joint Corp	166 N. State Street	Chicago	IL	60601	(480) 245-5960
151	The Joint Corp	6067 N. Lincoln Ave	Chicago	IL	60659	(480) 245-5960
152	The Joint Corp	1415 Waukegan Road	Glenview	IL	60025	(480) 245-5960
153	The Joint Corp	1319 Golf Rd.	Rolling Meadows	IL	60008	(480) 245-5960
154	The Joint Corp	2904 N. Ashland Ave.	Chicago	IL	60657	(480) 245-5960
155	The Joint Corp	2711 N. Elston Ave.	Chicago	IL	60647	(480) 245-5960
156	The Joint Corp	1426 Meacham Rd.	Schaumburg	IL	60173	(480) 245-5960
157	Bree Emsweller	6155 N. Keystone Ave Ste. 700	Indianapolis	IN	46220	(317) 762-4476
158	Bree Emsweller	10944 East US 36	Avon	IN	46123	(317) 762-4476
159	Bree Emsweller	10679 N. Michigan Road	Zionsville	IN	46077	(317) 762-4476
160	Bree Emsweller	1412 S. Rangeline Road	Carmel	IN	46032	(317) 810-1333
161	Charlie Marsh	14191 Town Center Blvd, Suite #1000	Noblesville	IN	46060	(317) 773-3133
162	Dr. Dallas Humble	2634 Beene Blvd.	Bossier City	LA	71111	(318) 741-2001
163	Dr. Dallas Humble	1661 E. 70th St. Suite 6	Shreveport	LA	71105	(318) 670-3318
164	Dr. Dallas Humble	1870 Forsythe Avenue	Monroe	LA	71201	(318) 737-7682
165	Dr. Virgil Bryant	4302 Ambassador Caffery Parkway	Lafayette	LA	70508	(337) 981-3418
166	Ava Church	3596 W Maple Rd.	Bloomfield Hills	MI	48301	(248) 220-3269
167	Angie Selander	15050 Cedar Avenue, Suite #104	Apple Valley	MN	55124	(651) 964-1010
168	Angie Selander	7799 Main Street	Maple Grove	MN	55369	(651) 964-1010
169	Angie Selander	1380 Duckwood Drive, Suite #102	Eagan	MN	55123	(651) 964-1010
170	David Glessner	4919 County Road 101	Minnetonka	MN	55345	(952) 232-6164
171	David Glessner	3225 Vicksburg Lane North, Suite A	Plymouth	MN	55447	(763) 392-1799
172	Gary Meyers	8446 Tamarack Village, Suite #203	Woodbury	MN	55125	(651) 705-8018
173	Gary Meyers	1603 W. County Road C	Roseville	MN	55113	(612) 294-9568
174	Bruce Connor	13315 Manchester Road	Des Peres	MO	63131	(314) 965-8800
175	Greg Busch	11475 Olive Boulevard	Creve Coeur	MO	63141	(314) 736-1770
176	Jason Collier	836 Arnold Commons Drive	Arnold	MO	63010	(636) 333-5153
177	Mike Klearman	8853 Ladue Road	St. Louis	MO	63124	(314) 862-6000
178	Mike Klearman	10759 Sunset Hills Plaza	St. Louis	MO	63127	(314) 965-6000
179	Mike Montgomery	1636 Clarkson Road	Chesterfield	MO	63017	(636) 536-4200
180	Mike Montgomery	6227 Mid Rivers Mall Drive	Saint Peters	MO	63304	(636) 922-7177

	Franchisee-Contact	Street Address	City	State	Zip	Phone
181	Alexander Klaus	2121 East Arbors Drive	Charlotte	NC	28262	(704) 626-2515
182	Allen Meglin, MD	6801 Parker Farm Dr. Ste 130	Wilmington	NC	28405	(910) 239-9074
183	Chad Eads	1863 Hendersonville Road, Suite 108	Asheville	NC	28803	(828) 277-5626
184	Dr Rose Boyd	8511 Colonnade Center Drive, Unit #132	Raleigh	NC	27615	(919) 848-7774
185	Gordon Thornton	16735 Cranlyn Road, Suite A	Huntersville	NC	28078	(704) 892-5252
186	Gordon Thornton	8040 Providence Road, Suite #500	Charlotte	NC	28277	(704) 544-5646
187	Gordon Thornton	7918 B Rea Road	Charlotte	NC	28277	(704) 544-4919
188	Paul Trindel	3354 W. Friendly Avenue, Suite #144	Greensboro	NC	27410	(336) 292-2888
189	Ron Wilson	8202 Renaissance Pkwy, Suite 108	Durham	NC	27713	(919) 316-7957
190	Ron Wilson	8531 Brier Creek Parkway Suite 113	Raleigh	NC	27617	(919) 316-3090
191	Ron Wilson	1011 Hanes Mall Blvd	Winston-Salem	NC	27103	(336) 837-6650
192	Dr. Kyle Norman	3302 O Street, Suite D	Lincoln	NE	68510	(402) 817-3770
193	James Metcalfe	17 Nathaniel Place	Englewood	NJ	7631	(201) 568-5968
194	James Metcalfe	319 Franklin Avenue Suite 108	Wyckoff	NJ	7481	(201) 904-2014
195	Victor Chu	325 Washington Street	Hoboken	NJ	7030	(201) 942-9882
196	Ron Guthrie	10701 Corrales Road, NW Ste 7	Albuquerque	NM	87114	(505) 897-3434
197	Ron Guthrie	6001 Winter Haven, Suite H	Albuquerque	NM	87120	(505) 724-9000
198	Ron Guthrie	5901 Wyoming Blvd. NE	Albuquerque	NM	87109	(505) 856-2400
199	Chris O'Neal	1560 E Lincoln Way Suite #110	Sparks	NV	89434	(775) 432-6020
200	Chris O'Neal	1000 N. Green Valley Marketplace	Henderson	NV	89074	(702) 843-0682
201	Chris O'Neal	6395 S. McCarren Blvd, Suite C	Reno	NV	89509	(775) 200-0017
202	Chris O'Neal	1311 Sunset Road, Suite #105	Henderson	NV	89014	(702) 359-0199
203	Phil Davis	7175 W. Lake Mead Blvd., Suite 180	Las Vegas	NV	89128	(702) 228-6004
204	Phil Davis	5060 South Fort Apache Rd., Suite 100	Las Vegas	NV	89148	(702) 254-6009
205	Phil Davis	6171 N. Decatur Blvd, Suite #103	Las Vegas	NV	89130	(702) 487-4144
206	Phil Davis	9500 S. Eastern Avenue, Suite #120	Las Vegas	NV	89123	(702) 430-7361
207	Phil Davis	7120 N. Durango, Suite H-170	Las Vegas	NV	89149	(702) 384-1004
208	Phil Davis	8820 West Charleston Blvd, Suite #103	Las Vegas	NV	89117	(702) 759-0190

	Franchisee-Contact	Street Address	City	State	Zip	Phone
209	Phil Davis	4150 Blue Diamond Road, Suite #107	Las Vegas	NV	89139	(702) 384-1005
210	David Leonard	5 Southside Drive	Clifton Park	NY	12065	(518) 557-2627
211	Justin Romano	385-3 Route 25A	Miller Place	NY	11764	(631) 752-4000
212	The Joint Corp	1725 Sheridan Drive	Tonawanda	NY	14223	(480) 245-5960
213	Chad Warner	4685 Morse Road, Suite #3270	Gahanna	OH	43230	(614) 451-2800
214	Chad Warner	845 Bethel Road	Columbus	OH	43214	(614) 273-0000
215	Chris O'Neal	14600 SW Murray Scholls Drive #102	Beaverton	OR	97007	(503) 590-0777
216	Allen Meglin, MD	24 Shelter Cove Lane Suite 124	Hilton Head	SC	29928	(843) 842-2022
217	Allen Meglin, MD	111A Towne Drive	Bluffton	SC	29910	(843) 815-7611
218	C. Kyle Curtis	2674 Celanese Road, Suite 105	Rock Hill	SC	29732	(803) 324-4200
219	C. Kyle Curtis	1751 Pleasant Road, Suite #103	Fort Mill	SC	29708	(803) 548-4200
220	Dr. Rob Bousquet	500 E. McBee Avenue, Suite #102	Greenville	SC	29601	(864) 241-8228
221	Dr. Robin Willey	181 Brookton Circle, Unit #4	Myrtle Beach	SC	29588	(843) 293-3322
222	L.S. Carper	975 Savannah Highway	Charleston	SC	29407	(843) 212-5566
223	L.S. Carper	9500 Dorchester Road, Suite #182	North Charleston	SC	29485	(843) 832-6655
224	L.S. Carper	258 Eastgate Drive, Suite #5	Aiken	SC	29801	(803) 641-3848
225	L.S. Carper	464 D Azalea Square Blvd.	Summerville	SC	29483	(843) 873-3666
226	Mici Fluegge	127 E. Blackstock Road, Suite #500	Spartanburg	SC	29301	(864) 576-9919
227	Mici Fluegge	3501 Clemson Blvd, Suite #11	Anderson	SC	29621	(864) 716-2117
228	Mici Fluegge	1113 Market Center Blvd.	Mt. Pleasant	SC	29464	(843) 884-2690
229	Mici Fluegge	1140 Woodruff Road	Greenville	SC	29607	(864) 288-7001
230	Robert Keen	5454 Sunset Boulevard, suite B	Lexington	SC	29072	(803) 957-9000
231	Robert Keen	252 Harbison Blvd, Suite O	Columbia	SC	29212	(803) 798-8844
232	Robert Keen	4710 Forest Drive, Suite C	Columbia	SC	29206	(803) 790-6800
233	Chris Kemper	2817 West End Avenue, Suite #136	Nashville	TN	37203	(615) 209-9586
234	Chris Kemper	782 Old Hickory Blvd, Suite #111	Brentwood	TN	37027	(615) 209-9586
235	Dr. Pat Kolwaite	2200 N. Germantown Parkway, Suite #15	Memphis	TN	38016	(901) 386-0811
236	Ben Crawford	5885 San Felipe, Suite 275	Houston	TX	77056	(713) 782-5030
237	Ben Crawford	360 Meyerland Plaza Mall	Houston	TX	77096	(713) 588-0871
238	Ben Crawford	174 Yale Street, Suite #500	Houston	TX	77007	(713) 588-0859
239	Ben Crawford	3177 W. Holcombe Blvd.	Houston	TX	77025	(713) 588-0858
240	Ben Crawford	9778 Katy Freeway, Suite #325	Houston	TX	77055	(713) 461-5030

	Franchisee-Contact	Street Address	City	State	Zip	Phone
241	Ben Crawford	2621 S. Shepherd, Suite #145	Houston	TX	77098	(713) 520-5030
242	David Burggraaf	1901 Quaker Avenue, Suite #104	Lubbock	TX	79407	(806) 785-2300
243	David Glover	2810 Business Center Drive, Suite #134	Pearland	TX	77584	(281) 205-0077
244	David Glover	1620 W. FM 646, Suite C	League City	TX	77573	(281) 724-0088
245	Doug Stewart	26400 Kuykendahl Suite A #115	The Woodlands	TX	77389	(281) 255-2440
246	Doug Stewart	6519 FM 1488, Suite #513	Magnolia	TX	77354	(281) 259-2200
247	Doug Stewart	9595 Six Pines Drive, Suite #1470	The Woodlands	TX	77380	(281) 465-8555
248	Dr. Don Daniels	10710 Research Blvd, Suite #112	Austin	TX	78759	(512) 345-5656
249	Dr. Jack Nunn	1700 E. Palm Valley Road, Suite # 400	Round Rock	TX	78664	(512) 248-1234
250	Dr. Jack Nunn	278 E. Ovilla Road	Red Oak	TX	75154	(972) 617-7700
251	Dr. Justin Tomblin	2430 S. I35E, Suite #128	Denton	TX	76205	(940) 435-0505
252	Dr. Larry D. Maddalena	5425 South Padre Island Drive, Suite #146	Corpus Christi	TX	78411	(361) 985-9898
253	Dr. Larry D. Maddalena	4970 W. Highway 290, Suite #480	Austin	TX	78735	(512) 891-9989
254	Dr. Leo Thatcher Jr.	2401 E. Expressway 83, Suite #300	Mission	TX	78572	(956) 584-3311
255	Dustin Sparks	1801 E. 51st Street, Building A, Suite #130	Austin	TX	78723	(512) 236-1444
256	Dustin Sparks	9500 South IH-35, Suite L-725	Austin	TX	78748	(512) 292-3500
257	Herb Mills	5238 DeZavala Road, Suite #116	San Antonio	TX	78249	(210) 614-2557
258	Herb Mills	10003 NW Military Highway, Suite #2110	San Antonio	TX	78231	(210) 614-2556
259	Joseph Craft	5730 Highway 6, Suite #114	Missouri City	TX	77459	(281) 403-9000
260	Joseph Craft	15870 Southwest Freeway, Suite #100	Sugar Land	TX	77478	(281) 265-1005
261	Kate Ryan	9650 Westheimer Road, Unit #300	Houston	TX	77063	(713) 787-6500
262	Kate Ryan	14008 Memorial Drive, Unit E	Houston	TX	77079	(281) 497-1400
263	Kevin Stutz	5720B Burnet Rd.	Austin	TX	78756	(512) 494-6219
264	Kevin Stutz	14028 N. Highway 183, Suite #150	Austin	TX	78717	(512) 257-0767
265	Kevin Stutz	2800 E. Whitestone Blvd, Suite #220	Cedar Park	TX	78613	(512) 260-2225
266	Noah Stone	21212 Kuykendahl Road, Suite J	Spring	TX	77379	(832) 843-7640
267	Noah Stone	10927 Louetta Road, Suite #220	Houston	TX	77070	(281) 378-7631
268	Noah Stone	8701 Spring Cypress Road, Suite B	Spring	TX	77379	(832) 559-5546

	Franchisee-Contact	Street Address	City	State	Zip	Phone
269	Phil Davis	1161 E. Southlake Blvd., Suite 210	Southlake	TX	76092	(817) 488-8845
270	Phil Davis	15212 Montfort Dr, Ste 318	Dallas	TX	75248	(469) 374-4900
271	Phil Davis	6150 West Eldorado Parkway	McKinney	TX	75070	(972) 540-7807
272	Phil Davis	9440 Garland Road Ste 166	Dallas	TX	75218	(972) 863-3800
273	Phil Davis	106 North Denton Tap Road, Ste 270	Coppell	TX	75019	(972) 393-2618
274	Phil Davis	3750 Long Prairie Road, Suite #110	Flower Mound	TX	75028	(972) 691-2222
275	Phil Davis	5959 Royal Lane, Suite #633	Dallas	TX	75230	(214) 369-7700
276	Phil Davis	4902 Colleyville Blvd, Suite #108	Colleyville	TX	76034	(817) 885-7992
277	Phil Davis	8240 Preston Road, Suite #165	Plano	TX	75024	(214) 872-4988
278	Phil Davis	3400 East Hebron Parkway, Suite #112	Carrollton	TX	75010	(214) 446-3838
279	Phil Davis	7700 W. Northwest Highway, Suite #200	Dallas	TX	75225	(214) 393-9966
280	Phil Davis	2916 Texas Sage Trail	Fort Worth	TX	76177	(682) 200-1101
281	Phil Davis	3699 McKinney Avenue, Building D, Suite #404	Dallas	TX	75204	(972) 584-1800
282	Ron Guthrie	7037 Highway 6 North	Houston	TX	77095	(832) 539-4448
283	Ron Guthrie	25626 Northwest Freeway Suite 700	Cypress	TX	77429	(281) 758-0077
284	Ron Guthrie	6725 S. Fry Road, Suite #500	Katy	TX	77494	(281) 395-0500
285	Ron Guthrie	19740 Katy Freeway	Houston	TX	77094	(281) 398-3700
286	Ron Guthrie	12020 FM 1960 West, Suite #980	Houston	TX	77065	(281) 517-0800
287	Timothy McKinley, DC	5681 Fairmont Parkway, Suite A	Pasadena	TX	77505	(832) 672-5212
288	Vincent Mai	1560 E Debbie Ln, suite 104	Mansfield	TX	76063	(817) 453-8190
289	Vincent Mai	4825 Overton Ridge Blvd Suite 316	Fort Worth	TX	76132	(682) 312-0444
290	Vincent Mai	4601 West Freeway, Suite #204	Fort Worth	TX	76107	(817) 732-2070
291	Vincent Mai	4001 Arlington Highlands, Suite #161	Arlington	TX	76018	(817) 375-0600
292	Bradley J. Hendricks, DC	6910 Highland Drive	Cottonwood Heights	UT	84121	(801) 943-3163
293	Chris O'Neal	158 N. Central Ave	Farmington	UT	84025	(385) 220-2100
294	Chris O'Neal	11463 S. District Drive, Suite #100	South Jordan	UT	84095	(385) 275-0600
295	Chris O'Neal	575 E. University Parkway, Suite M222	Orem	UT	84097	(385) 203-7100
296	James Adelman	1126 E. 2100 S.	Salt Lake City	UT	84106	(801) 467-8683
297	Julie Cluff	5567 West High Market Dr, Suite K-300	West Valley City	UT	84120	(385) 252-4476

	Franchisee-Contact	Street Address	City	State	Zip	Phone
298	Paul Davis, DC	9192 South Village Shop Drive	Sandy	UT	84070	(801) 849-9930
299	Trevor Williams	356 North 750 West, Unit D-1	American Fork	UT	84003	(801) 763-9244
300	Charles "Chuck" Cooper	1610 Village Market Blvd, SE, Suite 125	Leesburg	VA	20175	(571) 510-3624
301	Charles "Chuck" Cooper	21020 Sycolin Road, Suite 145	Ashburn	VA	20147	(703) 940-0800
302	Charles "Chuck" Cooper	3690M King Street	Alexandria	VA	22302	(571) 248-5565
303	Charles Fisher	325 Garrisonville Road, Suite #102	Stafford	VA	22554	(540) 416-1104
304	Jackye Kim, DC	11301 West Broad St #107	Glen Allen	VA	23060	(804) 684-8008
305	Jackye Kim, DC	136 Charter Colony Pkwy.	Midlothian	VA	23114	(804) 894-9200
306	Jarod Rehmann, DC	13037-B Lee Jackson Memorial Hwy.	Fairfax	VA	22033	(703) 996-4391
307	Chris O'Neal	830 N 10th St, Suite N	Renton	WA	98057	(425) 947-8935
308	Chris O'Neal	6208 196th Street SW, Suite #103	Lynnwood	WA	98036	(425) 967-8898
309	Chris O'Neal	17875 Redmond Way, Suite #160	Redmond	WA	98052	(425) 256-3074
310	Jeffrey Bosco	728 S. Gammon Rd.	Madison	WI	53719	(608) 216-2841
311	Jeffrey Bosco	6317 McKee Road, suite 400	Fitchburg	WI	53711	(608) 807-5913
312	John Gawronski	17000 W. Bluemound Road, Unit #105	Brookfield	WI	53005	(262) 649-2075

Franchisees With Signed Franchise Agreements
But Outlet Not Yet Opened as of December 31, 2015

	Franchisee-Contact	City	State	Zip	Phone
1	Don E. Fowler	Little Rock	AR	72227	(501) 590-6184
2	Don E. Fowler	Little Rock	AR	TBD	(501) 590-6184
3	Dr. Craig Peterson	Gilbert	AZ	85296	(480) 639-8833
4	Erica Lopez	Phoenix	AZ	85050	(951) 312-3183
5	Adam Campos	Pasadena	CA	91107	(818) 723-3063
6	Allen Hua	Rosemead	CA	91770	(323) 810-6202
7	Chris O'Neal	Vacaville	CA	95688	(805) 451-3281
8	Chris O'Neal	San Jose	CA	95131	(805) 451-3281
9	Chris O'Neal	Pleasanton	CA	TBD	(805) 451-3281
10	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
11	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
12	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
13	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
14	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
15	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
16	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
17	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
18	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
19	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
20	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
21	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
22	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
23	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
24	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
25	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
26	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
27	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
28	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
29	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
30	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
31	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
32	Chris O'Neal	TBD	CA	TBD	(805) 451-3281
33	Dr. Laurent Colvin	San Francisco	CA	94103	(510) 499-1208
34	James Adelman	Ventura	CA	93003	(602) 399-4799
35	Jim Burbach	Inland Empire	CA	TBD	(206) 478-4580
36	Jim Burbach	La Jolla	CA	TBD	(206) 478-4580
37	Melissa Stubbs	Riverside	CA	92506	(310) 721-9331
38	Stephanie McRae	Culver City	CA	90230	(602) 330-2744
39	Timothy Gallo, DC	Anaheim	CA	92806	(714) 398-2897
40	David Stamler	Arvada	CO	80002	(808) 754-4170

	Franchisee-Contact	City	State	Zip	Phone
41	Joe Forte	Westminster	CO	80020	(303) 709-5779
42	Phil Davis	Castle Rock	CO	80104	(630) 803-1541
43	Phil Davis	Denver	CO	80222	(630) 803-1541
44	Phil Davis	Parker	CO	80134	(630) 803-1541
45	David Roy	Weston	FL	33326	(813) 334-2841
46	David Roy	Hialeah	FL	33015	(813) 334-2841
47	Dr. Edward Leonard	St. Petersburg	FL	33702	(813) 786-2339
48	Dr. Patel, MD	Boynton Beach	FL	33426	(215) 435-8011
49	Dr. Patel, MD	Wellington	FL	33414	(215) 435-8011
50	Dr. Patel, MD	Palm Beach Gardens	FL	33408	(215) 435-8011
51	Frederick Miller, MD	Davie	FL	33328	(954) 494-5475
52	Frederick Miller, MD	Plantation	FL	33324	(954) 494-5475
53	Frederick Miller, MD	Fort Lauderdale	FL	33305	(954) 494-5475
54	Frederick Miller, MD	Coral Springs	FL	33071	(954) 494-5475
55	Frederick Miller, MD	Pembrook Pines	FL	33027	(954) 494-5475
56	Frederick Miller, MD	Sunrise	FL	33325	(954) 494-5475
57	Kathy Bhatt	Orlando	FL	TBD	(609) 680-7658
58	Allen Meglin, MD	Savannah	GA	31404	(912) 660-2466
59	Brett Phillips	Decatur	GA	30030	(314) 749-0000
60	Dr. Matthew Graves	TBD	GA	TBD	(678) 524-7727
61	Dr. Patrick Greco	Atlanta	GA	30316	(404) 797-6088
62	Jeff McGinty	Alpharetta	GA	30304	(404) 316-1038
63	L.S. Carper	Evans	GA	30809	(843) 364-1665
64	Vishal Amin	Norcross	GA	30092	(770) 527-9622
65	Bree Emsweller	Greenwood	IN	46142	(317) 441-4862
66	David Glessner	TBD	IN	TBD	(317) 523-0991
67	David Glessner	TBD	IN	TBD	(317) 523-0991
68	David Glessner	TBD	IN	TBD	(317) 523-0991
69	Roger & Monique Haynes-Robertson	Wichita	KS	67205	(316) 708-7234
70	Roger & Monique Haynes-Robertson	Wichita	KS	TBD	(316) 708-7234
71	Roger & Monique Haynes-Robertson	Wichita	KS	TBD	(316) 708-7234
72	Dani Bidros, MD	Baton Rouge	LA	70809	(337) 230-3565
73	Dani Bidros, MD	Baton Rouge	LA	70809	(337) 230-3565
74	David Evans, PharmaD	Metairie	LA	70005	(985) 640-9994
75	Scott Goodrich	Burlington	MA	1803	(617) 590-1000
76	Robb Quinlan	Coon Rapids	MN	55448	(651) 398-7112
77	Robb Quinlan	Edina	MN	TBD	(651) 398-7112
78	Robb Quinlan	Burnsville	MN	TBD	(651) 398-7112
79	Toni Henning	Rochester	MN	55901	(713) 702-3173
80	Kristian Hammond, DC	Wentzville	MO	63385	(708) 369-5145
81	Deborah Hemmingsen	Mint Hill	NC	28227	(704) 841-2852

	Franchisee-Contact	City	State	Zip	Phone
82	Gordon Thornton	Charlotte	NC	TBD	(704) 575-3632
83	Heather Sefried, DC	Holly Springs	NC	27540	(919) 744-1975
84	Heather Sefried, DC	Apex	NC	27523	(919) 744-1975
85	Nathan and Tina Cambio	Raleigh	NC	27612	(984) 212-1794
86	Paul Trindel	Fayetteville	NC	28314	(336) 601-2926
87	Paul Trindel	TBD	NC	TBD	(336) 601-2926
88	Ron Wilson	Cary	NC	27518	(336) 402-4994
89	Ron Wilson	Morrisville	NC	27560	(336) 402-4994
90	Ron Wilson	Raleigh, Durham or Chapel Hill	NC	TBD	(336) 402-4994
91	Ron Wilson	Raleigh, Durham, Chapel Hill	NC	TBD	(336) 402-4994
92	Tim Roth	Omaha	NE	68154	(402) 510-4823
93	Scott Goodrich	Nashua	NH	3060	(617) 590-1000
94	Scott Goodrich	Bedford	NH	3110	(617) 590-1000
95	Eric Seward	West Caldwell	NJ	7006	(914) 907-1963
96	Eric Seward	Hasbrouck Heights	NJ	7604	(914) 907-1963
97	Eric Seward	Livingston	NJ	7039	(914) 907-1963
98	Eric Seward	Bloomfield	NJ	7003	(914) 907-1963
99	James Metcalfe	Wayne	NJ	7470	(917) 825-2319
100	Victor Chu	Jersey City	NJ	TBD	(732) 939-0839
101	Victor Chu	North Bergen	NJ	7047	(732) 939-0839
102	Ron Guthrie	Albuquerque	NM	87110	(281) 773-2119
103	Chris O'Neal	Las Vegas (relocating)	NV	TBD	(805) 451-3281
104	Davenel Denis	Greece	NY	14626	(917) 597-2149
105	Davenel Denis	Webster	NY	14580	(917) 597-2149
106	Chad Warner	Columbus-Upper Arlington, Gahanna, Westerville, Dublin	OH	TBD	(614) 204-4319
107	Chad Warner	Columbus-Upper Arlington, Gahanna, Westerville, Dublin	OH	TBD	(614) 204-4319
108	Chris O'Neal	Hillsboro	OR	97124	(805) 451-3281
109	Chris O'Neal	Happy Valley	OR	97086	(805) 451-3281
110	Chris O'Neal	Portland	OR	TBD	(805) 451-3281
111	David Duffy	Pittsburgh	PA	15237	(724) 816-7925
112	Mici Fluegge	North Charleston	SC	TBD	(864) 415-4191
113	Robert Keen	Lexington	SC	TBD	(803) 238-4100
114	Chris Kemper	Franklin	TN	37067	(858) 692-4590
115	Chris Kemper	Nashville	TN	37129	(858) 692-4590
116	Dr. Pat Kolwaite	Collierville	TN	38017	(901) 921-4811
117	Dr. Pat Kolwaite	Memphis	TN	38119	(901) 921-4811
118	Joe Snell, DC	Murfreesboro	TN	37129	(217) 621-0975
119	Andres Augusta Perez, DC	Baytown	TX	77521	(713) 520-5030

	Franchisee-Contact	City	State	Zip	Phone
120	Barbot McNabb	San Antonio transfer to Webster	TX	77598	(360) 220-1832
121	Barbot McNabb	San Antonio move to Houston	TX	77581	(360) 220-1832
122	Barbot McNabb	San Antonio	TX	TBD	(360) 220-1832
123	Barbot McNabb	San Antonio	TX	TBD	(360) 220-1832
124	Ben Crawford	Houston	TX	77081	(713) 539-4055
125	Ben Crawford	Houston	TX	77008	(713) 539-4055
126	David Glover	Webster	TX	77598	(713) 829-5198
127	Doug Stewart	Woodlands - South Woodlands	TX	TBD	(281) 475-9355
128	Dr. Larry D. Maddalena	Austin	TX	78749	(512) 968-2282
129	Dr. Larry D. Maddalena	San Antonio	TX	78249	(512) 968-2282
130	Gayland Lee	Kingwood	TX	77345	(713) 412-6390
131	Gayland Lee	Houston	TX	TBD	(713) 412-6390
132	Jose Lopez	San Antonio	TX	78253	(260) 403-6264
133	Kevin Stutz	Austin	TX	78746	(512) 970-5979
134	Noah Stone	Conroe	TX	77356	(832) 527-4119
135	Noah Stone	Tomball	TX	77377	(832) 527-4119
136	Phil Davis	Allen	TX	75013	(630) 803-1541
137	Phil Davis	Richardson	TX	75082	(630) 803-1541
138	Phil Davis	Irving	TX	75039	(630) 803-1541
139	Phil Davis	Rowlett	TX	75088	(630) 803-1541
140	Phil Davis	Mesquite	TX	75150	(630) 803-1541
141	Phil Davis	Little Elm	TX	75068	(630) 803-1541
142	Phil Davis	Keller	TX	76246	(630) 803-1541
143	Phil Davis	Plano	TX	75093	(630) 803-1541
144	Mike Starkey	Spanish Fork	UT	84660	(520) 450-0962
145	Alexander Klaus	Richmond	VA	23220	(704) 975-8352
146	Charles "Chuck" Cooper	Alexandria	VA	22315	(202) 220-9660
147	Charles "Chuck" Cooper	Dulles	VA	20166	(202) 220-9660
148	Charles "Chuck" Cooper	Vienna	VA	22180	(202) 220-9660
149	Charles "Chuck" Cooper	Fairfax	VA	22033	(202) 220-9660
150	Charles "Chuck" Cooper	Central Virginia #3, Fairfax, Annandale, Burke and Springfield trade area	VA	TBD	(202) 220-9660
151	Charles "Chuck" Cooper	Herndon	VA	20171	(202) 220-9660
152	Charles "Chuck" Cooper	Northeast Virginia #3, Vienna, Mclean, Falls Church and Arlington	VA	TBD	(202) 220-9660
153	Charles "Chuck" Cooper	Central Virginia #2, Fairfax, Annandale, Burke and Springfield trade area	VA	TBD	(202) 220-9660
154	Charles "Chuck" Cooper	Alexandria	VA	TBD	(202) 220-9660

	Franchisee-Contact	City	State	Zip	Phone
155	Charles Fisher	Fredericksburg	VA	TBD	(540) 903-8404
156	Jackye Kim, DC	Richmond	VA	23230	(804) 399-0002
157	Jarod Rehmann, DC	Manassas	VA	20110	(865) 803-9772
158	Chris O'Neal	TBD (relocating)	WA	TBD	(805) 451-3281
159	Jeffrey Bosco	Middleton	WI	TBD	(608) 234-3955
160	Jeffrey Bosco	Madison MSA	WI	TBD	(608) 234-3955
161	Will Rauckman	Fall Creek	WI	TBD	(715) 835-3375

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of Franchisees who had an <u>opened</u> outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement with us during our most recently completed fiscal year or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document:

Franchisees that had outlets that ceased doing business during 2015:

Ted Amendola (2 outlets)
Scott Lewandowski
TJSC, LLC
9280 E Raintree Dr #104
Scottsdale, AZ 85260
(480) 227-3223

Harla Cohen (1 outlet)
Funny Bones, LLC
676 Locust Point Road
Rumson, NJ 07760
(908) 705-4221

Steve Long (1 outlet)
The Joint Saint Paul, LLC
2208 Brookhaven Court
Edmond, OK 73034
(415) 414-1717

Chris O'Neal (2 outlets – relocating)
Joint Ventures, LLC
5422 Longley Lane Ste A
Reno, NV 89511
(805) 451-3281

Chad Meisinger (2 outlets)
OTT Enterprises, LLC
23522 El Toro Road, Suite 204
Lake Forest, CA 92630
(949) 412-8421

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of Franchisees who had an <u>unopened</u> outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement with us during our most recently completed fiscal year or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document:

Harla Cohen
676 Locust Point Road
Rumson, NJ 07760
(908) 705-4221

Justin Romano
385-3 Route 25A
Miller Place, New York11764
(631) 416-7767

David Leonard
5 Southside Drive
Clifton Park, New York 12065
(518) 348-6176

Alexander Klaus
2121 East Arbors Drive
Charlotte, North Carolina 28262
(704) 975-8352

Chris Taylor
5 Medalist Court
Brentwood, Tennessee 37027
(615) 438-1043

Charlie Marsh
14191 Town Center Blvd, Suite #1000
Noblesville, Indiana 46060
(317) 989-7955

Mike Montgomery
6227 Mid Rivers Mall Drive
Saint Peters, MO 63304
(314) 565-2764

Joseph Craft
15870 Southwest Freeway, Suite #100
Sugar Land, TX 77478
(281) 797-7982

Catherine Ryan
635 Electra Drive
Houston, Texas 77079
(630) 947-3070

Joseph J. Skubisz
635 Electra Drive
Houston, Texas 77079
(630) 947-3070

Steve Donnelly
2245 Fenton Pkwy, Suite #109
San Diego, CA 92108
(858) 999-6001

Timothy Reed
5440 Morehouse Drive #1700
San Diego, CA 92121
(858) 455-7654

Jeremy Jacquemond
5440 Morehouse Drive #1700
San Diego, CA 92121
(619) 612-9356

Neil Sinay
11 Brynwood Lane
Ladera Ranch, CA 92694
(949) 842-0560

Anita Davis
7325 Day Creek Blvd, Suite B108
Rancho Cucamonga, CA 91739
(480) 250-2099

Peter Townshend
12070 Carmel Mountain Road, Suite #290
San Diego, CA 92128
(858) 349-8705

Anthony Tran
12050 Lakewood Blvd
Downy, CA 90242
(925) 872-8899

Scot Ziessman
17340 70th Ave. N.
Maple Grove, MN 55311
(763) 439-5154

Dr. Rob Bousquet
500 E. McBee Avenue, Suite #102
Greenville, SC 29601
(864) 241-8228

Scott K. Heiser
1117 Eagle Drive
Loveland, CO 80537
(970) 290-9511

Gordon Thornton
8040 Providence Road, Suite #500
Charlotte, NC 28277
(704) 575-3632

Noah Stone
Summer's Song, LTD
2111 Chelsea Creek Lane
Spring, TX 77386
(832) 527-4119

Gary Meyers
7142 Military Rd.
Woodbury, MN 55129
(612) 618-1349

EXHIBIT G

FORM OF UCC-1 FINANCING STATEMENT

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) – do not abbreviate or combine names

1a. ORGANIZATION'S NAME

OR

1b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

1c. MAILING ADDRESS	TOWN	STATE	POSTAL CODE	COUNTRY

1d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
				☐ NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) – do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

2c. MAILING ADDRESS	TOWN	STATE	POSTAL CODE	COUNTRY

2d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any
				☐ NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME

OR

3b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

3c. MAILING ADDRESS	TOWN	STATE	POSTAL CODE	COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

All of Debtor's inventory, equipment, furnishings, fixtures, and supplies now owned or after-acquired; all of Debtor's accounts now existing or subsequently arising, together with all interest of Debtor, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; all of Debtor's contract rights, now existing or subsequently arising; and all of Debtor's general intangibles, now owned or existing, or after-acquired or subsequently arising.

5. ALTERNATIVE DESIGNATION [if applicable]: ☐ LESSEE/LESSOR ☐ CONSIGNEE/CONSIGNOR ☐ BAILEE/BAILOR ☐ SELLER/BUYER ☐ AG. LIEN ☐ NON-UCC FILING

6. ☐ This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable]

7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] [optional] ☐ All Debtors ☐ Debtor 1 ☐ Debtor 2

8. OPTIONAL FILER REFERENCE DATA

FILING OFFICER COPY – NATIONAL UCC FINANCING STATEMENT (FORM UCC1) (REV. 07/29/98)

Instructions for National UCC Financing Statement (Form UCC1)

Please type or laser-print this form. Be sure it is completely legible. Read all Instructions, especially Instruction 1; correct Debtor name is crucial. Follow Instructions completely.

Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. Filing office cannot give legal advice.

Do not insert anything in the open space in the upper portion of this form; it is reserved for filing office use.

When properly completed, send Filing Office Copy, with required fee, to filing office. If you want an acknowledgment, complete item B and, if filing in a filing office that returns an acknowledgment copy furnished by filer, you may also send Acknowledgment Copy; otherwise detach. If you want to make a search request, complete item 7 (after reading instruction 7 below) and send Search Report Copy, otherwise detach. Always detach Debtor and Secured Party Copies.

If you need to use attachments, use 8-1/2 X 11 inch sheets and put at the top of each sheet the name of the first Debtor, formatted exactly as it appears in item 1 of this form; you are encouraged to use Addendum (Form UCC1Ad).

A. To assist filing offices that might wish to communicate with filer, filer may provide information in item A. This item is optional.

B. Complete item B if you want an acknowledgment sent to you. If filing in a filing office that returns an acknowledgment copy furnished by filer, present simultaneously with this form a carbon or other copy of this form for use as an acknowledgment copy.

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1. Debtor name: **Enter only one Debtor name in item 1, an organization's name (1a) or an individual's name (1b). Enter Debtor's exact full legal name. Don't abbreviate.**

1a. Organization Debtor. "Organization" means an entity having a legal identity separate from its owner. A partnership is an organization; a sole proprietorship is not an organization, even if it does business under a trade name. If Debtor is a partnership, enter exact full legal name of partnership; you need not enter names of partners as additional Debtors. If Debtor is a registered organization (e.g., corporation, limited partnership, limited liability company), it is advisable to examine Debtor's current filed charter documents to determine Debtor's correct name, organization type, and jurisdiction of organization.

1b. Individual Debtor. "Individual" means a natural person and a sole proprietorship, whether or not operating under a trade name. Don't use prefixes (Mr., Mrs., Ms.). Use suffix box only for titles of lineage (Jr., Sr., III) and not for other suffixes or titles (e.g., M.D.). Use married woman's personal name (Mary Smith, not Mrs. John Smith). Enter individual Debtor's family name (surname) in Last Name box, first given name in First Name box, and all additional given names in Middle Name box.

For both organization and individual Debtors: Don't' use Debtor's trade name, DBA, AKA, FKA, Division name, etc. in place of or combined with Debtor's legal name; you may add such other names as additional Debtors if you wish (but this is neither required nor recommended.

1c. An address is always required for the Debtor named in 1a or 1b.

1d. Debtor's taxpayer identification number (tax ID #) – social security number or employer identification number – may be required in some states.

1e,f,g. "Additional information re organization Debtor" is always required. Type of organization and jurisdiction of organization as well as Debtor's exact legal name can be determined from Debtor's current filed charter document. Organizational ID #, if any, is assigned by the agency where the charter document was filed; this is different from taxpayer ID #; this should be entered preceded by the 2-character U.S. Postal identification of state of organization if one of the United States (e.g., CA12345, for a California corporation whose organizational ID # is 12345); if agency does not assign organizational ED #, check box in item 1g indicating "none."

***Note*: If Debtor is a trust or a trustee acting with respect to property held in trust, enter Debtor's name in item 1 and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a decedent's estate, enter name of deceased individual in item 1b and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a transmitting utility or this Financing Statement is filed in connection with a Manufactured-Home Transaction or a Public-Finance Transaction as defined in applicable Commercial Code, attach Addendum (Form UCC1Ad) and check appropriate box in item 18.**

2. If an additional Debtor is included, complete item 2, determined and formatted per Instruction 1. To include further additional Debtors, or one or more additional Secured Parties, attach either Addendum (Form UCC1Ad) or other additional page(s), using correct name format. Follow Instruction 1 for determining and formatting additional names.

3. Enter information for Secured Party or Total Assignee, determined and formatted per Instruction 1. If there is more than one Secured Party, see Instruction 2. If there has been a total assignment of the Secured Party's interest prior to filing this form, you may either (1) enter Assignor S/P's name and address in item 3 and file an Amendment (Form UCC3) [see item 5 of that form]; or (2) enter Total Assignee's name and address in item 3 and, if you wish, also attaching Addendum (Form UCC1Ad) giving Assignor S/Ps name and address in item 12.

4. Use item 4 to indicate the collateral covered by this Financing Statement. If space in item 4 is insufficient, put the entire collateral description or continuation of the collateral description on either Addendum (Form UCC1Ad) or other attached additional page(s).

5. If filer desires (at filer's option) to use titles of lessee and lessor, or consignee and consignor, or seller and buyer (in the case of accounts or chattel paper), or bailee and bailor instead of Debtor and Secured Party, check the appropriate box in item 5. If this is an agricultural lien (as defined in applicable Commercial Code) filing or is otherwise not a UCC security interest filing (e.g., a tax lien, judgment lien, etc.), check the appropriate box in item 5, complete items 1-7 as applicable and attach any other items required under other law.

6. If this Financing Statement is filed as a fixture filing or if the collateral consists of timber to be cut or as-extracted collateral, complete items 1-5, check the box in item 6, and complete the required information

(items 13, 14 and/or 15 on Addendum (Form UCC1Ad)..

7. **This item is optional. Check appropriate box in item 7 to request Search Report(s) on all or some of the Debtors named in this Financing Statement. The Report will list all Financing Statements on file against the designated Debtor on the date of the Report, including this Financing Statement. There is an additional fee for each Report. If you have checked a box in item 7, file Search Report Copy together with Filing Officer Copy (and Acknowledgment Copy). Note: Not all states do searches and not all states will honor a search request made via this form; some states require a separate request form.**

8. **This item is optional and is for filer's use only. For filer's convenience of reference, filer may enter in item 8 any identifying information (e.g., Secured Party's loan number, law firm file number, Debtor's name or other identification, state in which form is being filed, etc.) that filer may find useful.**

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME

OR

9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) – do not abbreviate or combine names

11a. ORGANIZATIONS' NAME

OR

11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

11c. MAILING ADDRESS	TOWN	STATE	POSTAL CODE	COUNTRY

11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any ☐ NONE

12. ☐ADDITIONAL SECURED PARTY'S or ☐ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME

OR

12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

12c. MAILING ADDRESS	TOWN	STATE	POSTAL CODE	COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as-extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.

Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate

18. Check only if applicable and check only one box.

☐ Debtor is a TRANSMITTING UTILITY

☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years

☐ Filed in connection with a Public-Finance Transaction – effective 30 years

6. REQUIRED SIGNATURE(S)

FILING OFFICE COPY – NATIONAL UCC FINANCING STATEMENT ADDENDUM (FORM UCC1Ad) (REV. 07/29/98)

Instructions for National UCC Financing Statement Addendum (Form UCC1Ad)

9. Insert name of first Debtor shown on Financing Statement to which this Addendum s related, exactly as shown in item 1 of Financing Statement.

10. Miscellaneous: Under certain circumstances, additional information not provided on Financing Statement may be required. Also, some states have non-uniform requirements. Use this space to provide such additional information or to comply with such requirements; otherwise, leave blank.

11. **If this Addendum adds an additional Debtor, complete item 11 in accordance with Instruction 1 on Financing Statement. To add more than one additional Debtor, either use an additional Addendum form for each additional Debtor or replicate for each additional Debtor the formatting of Financing Statement item 1 on an 8-1/2 X 11 inch sheet (showing at the top of the sheet the name of the first Debtor shown on the Financing Statement), and in either case give complete information for each additional Debtor in accordance with Instruction 1 on Financing Statement. All additional Debtor information, especially the name, must be presented in proper format exactly identical to the format of item 1 of Financing Statement.**

12. **If this Addendum adds an additional Secured Party, complete item 12 in accordance with Instruction 3 on Financing Statement. In the case of a total assignment of the Secured Party's interest before the filing of this Financing Statement, if filer has given the name and address of the Total Assignee in item 3 of the Financing Statement, filer may give the Assignor S/P's name and address in item 12.**

13-15. **If collateral is timber to be cut or as-extracted collateral, or if this Financing Statement is filed as a fixture filing, check appropriate box in item 13; provide description of real estate in item 14; and, if Debtor is not a record owner of the described real estate, also provide, in item 15, the name and address of a record owner. Also provide collateral description in item 4 of Financing Statement. Also check box 6 on Financing Statement. Description of real estate must be sufficient under the applicable law of the jurisdiction where the real estate is located.**

16. **Use this space to provide continued description of collateral, if you cannot complete description in item 4 of Financing Statement.**

17. **If Debtor is a trust or a trustee acting with respect to property held in trust or is a decedent's estate, check the appropriate box.**

18. **If Debtor is a transmitting utility or if the Financing Statement relates to a Manufactured-Home Transaction or a Public-Finance Transaction as defined in the applicable Commercial Code, check the appropriate box.**

EXHIBIT H

MANAGEMENT AGREEMENT

(Form May Vary Based on State Requirements)

THE FORMS OF MANAGEMENT AGREEMENT INCLUDED AS PART OF THIS EXHIBIT ARE PROVIDED FOR YOUR CONVENIENCE TO USE AS A STARTING POINT. YOU SHOULD CONSULT WITH YOUR OWN LEGAL COUNSEL TO REVIEW AND CHANGE THE MANAGEMENT AGREEMENT, AS NECESSARY, TO ENSURE THAT IT MEETS THE LEGAL REQUIREMENTS OF YOUR STATE.

MANAGEMENT AGREEMENT

(Most States)

THIS MANAGEMENT AGREEMENT ("Agreement") is made effective as of _____ by and between_____, a [State] [corporation/limited liability company], having its principal place of business at _____ ("the Company"), and _____, a _____ [State] professional service corporation, having its principal place of business at _____ (the "P.C.") **[This defined term may be adapted to correspond to the applicable business form (*i.e.*, P.L.L.C.).].**

WHEREAS, the P.C. has been incorporated under the laws of the State of _____ to render chiropractic services to patients of the P.C.;

WHEREAS, the P.C. desires to establish and operate a chiropractic clinic and provide chiropractic services (the "Clinic") at _____ (the "Premises") and to obtain certain equipment, furnishings, office space and management services for the P.C. from the Company; and

WHEREAS, the Company is ready, willing, and able to provide furnishings, equipment, office space and management services to the P.C. in connection with the Clinic.

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Representations and Warranties.

1.1 Representations and Warranties of the Company. The Company represents and warrants to the P.C. that at all times during the term of this Agreement, the Company is a corporation [**limited liability company**] duly organized, validly existing and in good standing under the laws of the State of _____.

1.2 Representations and Warranties of the P.C. The P.C. hereby represents and warrants to the Company that at all times during the term of this Agreement:

(a) The P.C. is a professional service corporation duly organized, validly existing and in good standing under the laws of the State of _____ and is duly licensed and qualified under all applicable laws and regulations to engage in the practice of chiropractic medicine in the State of _____.

(b) Each of the professionals employed or engaged by the P.C. to render services at the Clinic is duly licensed, certified, or registered, to render the professional services for which he or she has been employed or engaged by the P.C.

(c) The P.C. will establish and enforce procedures to ensure that proper and complete patient records are maintained regarding all patients of the P.C. as required by Section 4.10 below, applicable law and by the rules and regulations of any applicable governmental agency (collectively "Laws").

2. Furnishings and Equipment, Use of Premises, Trade Name

2.1 Title and Maintenance. During the term of this Agreement, the Company grants to the P.C. the exclusive right to use the Equipment and Furnishings specified in Exhibit A hereto, and as

may be amended from time to time, on the terms and conditions hereinafter set forth. The P.C. shall use, and shall cause its Providers (as defined in Section 4.2, below) to use, the Equipment and Furnishings in connection with the Clinic in a manner that the P.C. determines is in the best interest of its patients. Title to the Equipment and Furnishings, including any improvements thereto, shall be and remain in the Company at all times. The P.C. agrees to take no action that would adversely affect the Company's title to or interest in the Equipment and Furnishings. During the term of this Agreement, the P.C. shall be responsible for maintaining the Equipment and Furnishings in good condition and repair, reasonable wear and tear from normal use excepted, including, where necessary, the replacement or substitution of parts. All maintenance, repair and replacement, if necessary, of the Equipment and Furnishings shall be performed by the Company on behalf of the P.C., in accordance with Section 3.1 of this Agreement. The P.C. agrees to assume the cost and expense of all supplies used in connection with the Equipment and Furnishings, and the P.C. agrees to make the Equipment and furnishings available for inspection by the Company or its designee at any reasonable time.

2.2 Liens, Encumbrances, Etc. The P.C. shall not directly or indirectly create or suffer to exist any mortgage, security interest, attachment, writ or other lien or encumbrance on the Furnishings or Equipment, and will promptly and at its own expense, discharge any such lien or encumbrance which shall arise, unless the same shall have been created or approved by the Company.

2.3 Use of Premises. The Company will provide as a license to use space, the use of the Premises in which the P.C. shall conduct and provide its chiropractic services at the Clinic during the term of this Agreement. This Agreement shall not be construed as a lease or sublease of the Premises, and shall not be deemed to create a relationship between a landlord and a tenant. The P.C. shall have no rights as a lessee of or any other possessory or occupancy rights to or any interest in the Premises except for the right to perform professional chiropractic services on the Premises as expressly set forth in this Agreement.

2.4 Return of Equipment and Furnishings. Upon the termination or expiration, as applicable of this Agreement, the Company shall retain all Furnishings and Equipment and the P.C. will relinquish control thereof free and clear of all liens, encumbrances, and right of others (save those created or approved by the Company).

2.5 Assignment. The P.C. shall not assign any of its rights hereunder to the use of the furnishings and Equipment to any third party, without the prior written consent of the Company.

2.6 Reporting. . In addition to P.C.'s right to approve the initial Equipment identified in Exhibit A, the P.C. shall advise the Company with respect to the selection of additional and replacement equipment or furnishings for the Clinic, and with respect to any proposed additions or improvements to the Equipment or Furnishings. The P.C. may refer the patient for consultation or treatment elsewhere, if the P.C. deems such to be in the best interest of its patient(s). The P.C. hereby approves the use of the Equipment identified in Exhibit A hereto. The Equipment in Exhibit A will be furnished by the Company at no additional expense to the P.C. However, if P.C. chooses to use different therapeutic equipment, this will be treated as an additional expense of the P.C. The P.C. will ensure that all Equipment and Furnishings are used in a safe and appropriate manner. The P.C. shall promptly notify the Company of any defective Equipment or Furnishings.

2.7 Use of Trade Name. The Company shall provide P.C. with a revocable license to use the name "The Joint…the chiropractic place" for the management company and the location of the management company associated with the Clinic (the "Name"). The Name relating to the leased premises and the PC's management company shall be used by the P.C. in compliance with, and conformity to all applicable Laws.

3. General Responsibilities of the Company. Except as otherwise provided in this Agreement, the Company shall have responsibility for general management and administration of the day-

to-day business operations of the P.C., exclusive of chiropractic, professional and ethical aspects of the P.C.'s chiropractic Clinic, and whose activities shall in all respects be subject to and act in compliance with applicable Laws and regulation related thereto.

3.1 Maintenance, Repair and Servicing of Furnishings and Equipment. During the term of this Agreement, the P.C. engages the Company and the Company agrees to perform, or subcontract for the performance of, all maintenance, repair, and servicing as may be necessary for the Equipment and furnishings to be maintained in good working condition, reasonable wear and tear excepted.

3.2 Administrative and Management Services

(a) The Company shall provide, or arrange for the provision of, certain business, management and administrative services of a non-clinical nature necessary or appropriate for the proper operation of the P.C. ("the Management Services"), as described below. The Company shall be the exclusive provider to the P.C. of such Management Services. The P.C. shall not obtain any Management Services from any source other than the Company, except with the prior written consent of the Company. Subject to the terms of this Agreement and to applicable Laws, the Company is authorized to perform its services in whatever manner it deems necessary to meet the day to day requirements of the P.C., including, without limitation, performance of some business office functions at locations other than the premises of the P.C. and by person other than employees of the Company. The Company is authorized to contract with third parties, including one or more of its affiliates, for the provision of services, equipment and personnel needed to perform its obligations under this Agreement. Any contracts with such affiliates shall be arms' length agreements on terms reasonably available from reasonably efficient competing vendors. Nothing herein shall be construed to interfere with P.C.'s or its licensed providers' professional judgment or actions with respect to the diagnosis and treatment of any of their patients.

(b) The Management Services to be provided by the Company for the Clinic shall include, but not be limited to, the following:

(i) business planning;

(ii) financial management, including causing annual financial statements to be prepared for the P.C., providing to the P.C. the data necessary for the P.C. to prepare and file its tax returns and make any other necessary governmental filings, paying on behalf of the P.C., the P.C.'s Monthly Obligations (as defined in Section 4.4(d) hereof);

(iii) bookkeeping, accounting, and data processing services;

(iv) maintenance of patient records in accordance with procedures established by the P.C. pursuant to Section 1.2(c) above;

(v) materials management, including purchase and stock of office supplies and maintenance of equipment and facilities, subject to the P.C.'s approval of the selection of chiropractic equipment for the Clinic;

(vi) administering or causing to be administered any welfare, benefit or insurance plan or arrangement of the P.C.;

(vii) coordinate human resources management, including primary direction of recruitment, training, and management of all Administrative Staff (defined in Section 3.3 below);

(viii) billing to and collection from all payors, accounts receivable and accounts payable processing, all in accordance with the P.C.'s decisions made in consultation with the Company;

(ix) administering utilization, cost and quality management systems that are established in accordance with Section 4.3;

(x) subject to the P.C.'s approval of all materials that become public, developing a marketing program which includes the design, procurement, and monitoring of electronic and print advertising of the Clinic, in conformity with the requirements of applicable Laws;

(xi) arrange for the P.C. to obtain and maintain malpractice and other agreed upon insurance coverages;

(xii) providing administrative services in connection with the P.C.'s advertising, marketing and promotional activities of the Clinic, in accordance with applicable laws;

(xiii) arranging for necessary legal services except with respect to any legal dispute between the P.C. and the Company;

(xiv) performing credentialing support services such as application processing and information verification;

(xv) developing and providing OSHA compliance programs and consulting;

(xvi) developing and providing P.C. with consulting services regarding pricing and membership plan strategies for the Clinic, subject to the requirements of applicable provisions of Law. Notwithstanding the foregoing, the parties expressly acknowledge and agree that all policies and decisions relating to pricing, credit, refunds and warranties shall be established in compliance with applicable Laws; and

(xvii) to the extent not included in any of the services listed in Section 3.2(b)(i) – (xv) providing:

(a) relationship development with Chiropractic schools;

(b) personnel training and orientation in non-Chiropractic areas;

(c) monitoring of industry developments and strategic planning;

(d) payroll processing;

(e) public relations;

(f) facilities management;

(g) coordination and negotiation of clinic financing efforts;

(h) clinic remodels;

(i) continuing education programs;

(j) client scheduling design software;

(k) coordinate client service and complaint handling, provided that any clinical complaints shall be directed to the P.C. or its providers;

(l) clinic management analysis;

(m) internal publications development and distribution;

(n) conference and travel coordination; and

(o) administration of committees.

(c) The Company shall not provide any of the following services to the Clinic:

(i) the assignment of Providers to treat patients;

(ii) assumption of responsibility for the care of patients;

(iii) serving as the party to whom bills and charges are made payable;

(iv) any activity that involves the practice of chiropractic medicine and the provision of chiropractic services or that would cause the Clinic to be subject to licensure under applicable laws and regulations in _____ (**State**).

3.3 Administrative Staff. Subject to the requirements of applicable Laws, the Company shall, on the terms and conditions specified in this Agreement, employ or engage and make available to the Clinic, on a non-exclusive basis, sufficient non-clinical personnel and administrative staff (herein referred to collective as "Administrative Staff"). The hiring, firing, disciplining and determination of compensation and benefits of the Administrative Staff shall be within the sole discretion of the Company; provided, however, that the Company may, at the P.C.'s written request, remove from the Clinic any Administrative Staff member who does not perform to the reasonable satisfaction of P.C.

3.4 Patient Records. The Company shall preserve the confidentiality of any patient records that it stores on behalf of the P.C., including the restriction of access to such records by its own personnel to only those whose specific job description requires access to such information on a routine basis.

3.5 Performance Standards. All Management Services provided hereunder shall be subject to commercially reasonable performance standards agreed to by the parties from time to time.

4. Responsibilities of the P.C.

4.1 Professional Services. During the term of this Agreement, the P.C. shall be solely responsible for all aspects of the diagnostic, therapeutic and related professional services delivered by the Providers at the Clinic, and for the selection, training, professional direction, supervision, employment or engagement of all Providers. In addition, the P.C. shall be solely responsible for the following determining what diagnostic tests are appropriate for a particular condition; determining the need for referrals to or consultation with another chiropractor/specialist; and the overall care of the patient, including the treatment options available.

4.2 Time Commitment. The P.C. shall employ or engage and make available to the Clinic, sufficient chiropractors and other professionals, authorized to engage to the extent permitted by law

in the chiropractic services provided by the Clinic (collectively referred to as "Providers") in adequate numbers to meet the chiropractic needs of the patients of the Clinic. The P.C. shall provide such services during normal business hours, as established in consultation with the Company. The P.C. shall ensure that all work and coverage schedules meet the needs of patients of the P.C. in a competent, timely and responsive manner. The P.C. shall determine how many patients a chiropractor must see in a given period of time or how many hours a chiropractor must work.

4.3 Quality of Service. The P.C. shall establish and enforce procedures to assure the appropriateness, necessity, consistency, quality, cost effectiveness and efficacy of all chiropractic services provided to patients of the Clinic. The P.C. shall require each of its Providers who are licensed, registered or certified to perform professional services to participate in and cooperate with any utilization management, quality assurance, risk management, patient care assessment, continuous quality improvement, accreditation or other similar program or study to review the performance such Providers as may be required by the P.C., governmental agencies, professional review organizations, accrediting bodies, or health care entities or other third parties with which the P.C. may contract or affiliate.

4.4 Billing and Collection.

(a) The Company shall bill and use its best efforts to collect for all services rendered by the P.C. and its Providers hereunder and for all access and membership fees as agent for the P.C. in accordance with P.C.'s decisions made in consultation with the Company regarding billing procedures for professional services provided by the P.C. All of the payments with respect to such services shall be made by cash or by check, electronic funds transfer, or credit card payable to the P.C. and shall be deposited into a bank account of the P.C. (the "Concentration Account") with a bank mutually agreed to by the Company and the P.C. (the "Account Bank"). The Company shall prepare and make available to the P.C. an accounting of receipts attributable to services provided by the P.C., and receipts attributable to services provided by the Company.

(b) The P.C. shall, and shall cause its Providers to, promptly endorse and deliver to the Company all payments, notes, checks, money orders, remittances and other evidences of indebtedness or payment received by the P.C. or its Providers, with respect to all accounts, contract rights, instruments, documents, or other rights to payment from time to time arising from the rendering of chiropractic services by the P.C. and its Providers, for access or membership fees, or otherwise relating to the business of the P.C., together with any guarantees thereof or securities therefore which are generated during the term of this Agreement. The Company is hereby granted a special power of attorney with respect to the Concentration Account and shall have the power an authority to deposit into, and withdraw funds from, all such accounts as may be required to pay P.C.'s Expenses (as defined in Section 4.13 below). The P.C. shall notify the banking institution of the concentration Account, and shall cause one or more employees or agents designated by the Company to be listed as a signatory on that account.

(c) With respect to funds deposited in the Concentration Account (the "P.C.'s revenues"), the Company shall direct the Account Bank to transfer all amounts in the Concentration Account, at the end of each day, to an operating account maintained by and in the name of the Company (the "Operating Account"). The Company shall hold the P.C.'s Revenues in the Operating Account as the P.C.'s agent, and shall administer such Revenues on the P.C.'s behalf. The Company shall separately and accurately account for the receipt, use, disposition, and interest gained on the P.C.'s Revenues.

(d) On at least a monthly basis, the Company shall pay, from the P.C.'s Revenue in the Operating Account, all of the current month's P.C. Expenses, as defined in Section 4.13 hereof and the current month's Management Fee as defined in Section 5 hereof (collectively, the "P.C.'s Monthly Obligations"). In the event that the P.C.'s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the P.C.'s Monthly Obligations, the Company may advance to the P.C. an amount equal to the deficit (the "Deficit Advance") by depositing such amount in

the Concentration Account or the Operating Account. The amounts of the Deficit Advances shall accrue and the P.C. shall be obligated to pay such amounts upon the termination of this Agreement. In the event that there is a monthly profit that exceeds the P.C.'s Monthly Obligations (the "Monthly Profits"), then the Company shall use such amount to repay any prior Deficit Advances made by the Company (if any) together with interest accrued thereof.

4.5 Licensure. The P.C. shall ensure that each Provider associated with P.C. maintains, if applicable, an unrestricted license to practice chiropractic or other health care profession, or to be engaged in his or her particular field of expertise in the State of _____ and, to the extent that Providers provide professional services in other states, that such individuals maintain comparable unrestricted licensure in such other jurisdictions. Each Provider shall have a level of competence, experience and skill comparable to that prevailing in the community where such Provider provides professional services.

4.6 Continuing Education. The P.C. shall ensure that each Provider shall obtain the required continuing professional education for his or her specialty in each state where such Provider provides professional services and shall provide documentation of the same to the Company.

4.7 Disciplinary Actions. The P.C. shall, and shall cause each of its Providers to, disclose to the Company during the term of this Agreement: (i) the existence of any proceeding against any Provider instituted by any plaintiff, governmental agency, health care facility, peer review organization or professional society which involves any allegation of substandard care or professional misconduct raised against any Provider, and (ii) any allegation of substandard care or professional misconduct raised against any Provider by any person or agency during the term of this Agreement.

4.8 Outside Activities. The P.C. and its Providers shall devote their best efforts to fulfill their obligations hereunder. The P.C. and its Providers shall not engage in any other professional activities, whether or not such business activity is pursued for gain, profit, or other pecuniary advantage, which would interfere with the performance of the P.C.'s duties hereunder, without the prior written consent of the Company, which consent shall not be unreasonably withheld. The P.C. shall assure that each of its Providers shall not provide chiropractic services other than on behalf of the P.C., unless such activity is disclosed in writing to and is expressly authorized in writing by the Company. In the event that any of the P.C.'s Providers shall violate any provision of this Section 4.8(a), the P.C.'s President shall immediately notify the Company of such activity and the P.C. shall immediately take all necessary and appropriate corrective action to cease such activity.

(b) Except as otherwise approved in advance by the Company, and to the extent permitted by law, all amounts collected by the P.C. for chiropractic services, regardless of the source of payment, shall be assigned and belong to the Company including honoraria, royalties, revenues from patents, copyrights or other licensable intellectual property, revenues from teaching and supervising licensees-in-training and revenues from other professional activities ("Outside Income").

4.9 Patient Records.

(a) The P.C. and its Providers shall maintain, in a timely manner, complete, accurate and legible records for all patients of the Clinic, and all such patient records shall be the property of the P.C. The P.C. and its Providers shall comply with all applicable laws, regulations and ethical principles concerning confidentiality of patient records.

(b) The P.C. shall own and control all patient chiropractic records, including determining the contents thereof. The P.C. shall grant the Company access to the information contained in the patient records owned by the P.C. and completed by the Providers to the extent that access to such information is permitted by applicable Laws and is required in connection with the Company's

administrative responsibilities hereunder. The P.C. agrees that, upon the termination of this Management Agreement (as permitted by applicable laws), the P.C. will transfer the original, or at PC's discretion, complete copies of all of the P.C.'s patient records to a successor P.C. or a licensed chiropractor identified by the Company who will provide chiropractic services at the Premises or ensure that such records are transferred to a successor P.C. that will provide chiropractic services at the Premises. Notwithstanding the foregoing, such successor P.C. or chiropractor shall be obligated to transfer a patient's record in accordance with the patient's request.

(c) As required by the privacy regulations issue under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the parties shall comply with the terms of the Business Associate Addendum attached as Exhibit B of this Agreement.

4.10 Credentialing. The P.C. shall participate and cooperate in and comply with any credentialing program established from time to time by the Company.

4.11 Fees for Professional Services. The P.C. shall be solely responsible for legal, accounting, and other professional service fees it incurs, except as otherwise provided herein.

4.12 Standards of Care. The P.C. and its Providers shall render services to patients hereunder in a competent and professional manner, in compliance with generally accepted and prevailing standards of care and in compliance with applicable statutes, regulations, rules, policies and directives of federal, state and local governmental, regulatory and accrediting agencies.

4.13 P.C. Expenses. The following expenses of the P.C. that are related to the Clinic ("P.C. Expenses") shall be paid by the Management Company, on behalf of the P.C. and at the direction of the P.C.:

(a) Salaries, wages, benefits, (including health, life, and disability insurance coverage and all contributions under employee benefit plans), vacation and sick pay, employment and payroll taxes; and the cost of payroll administration and administration of benefits, for Providers employed by the P.C.;

(b) Cost of all new chiropractic and non-chiropractic equipment and supplies obtained for use in the operation of the Clinic, and depreciation cost of all capital equipment and items obtained for use in the operation of the Clinic in accordance with federal tax depreciation schedules for such equipment and items;

(c) Expenses of comprehensive professional liability insurance, professional liability insurance for each Provider of the P.C. to the extent the P.C. is required to pay for such insurance pursuant to the terms of the Provider's employment agreement, comprehensive general liability insurance and property insurance coverage for the P.C.'s facility and operations, and worker's compensation and unemployment insurance coverage for all P.C. employees;

(d) Interest expense on indebtedness (including capitalized leases) incurred with respect to debt obligations to fund the operation of, or the acquisition of capital assets for, the P.C.;

(e) State and local business license taxes, professional licensure and board certification fees, sales and use taxes, income, franchise and excise taxes and other similar taxes, fees and charges assessed against the P.C. or the Providers;

(f) Expenses incurred in the course of recruiting chiropractors, chiropractic receptionists and other professional staff to work for and/or join the P.C.; and

(g) Any federal income taxes, including the cost of preparation of the annual income tax returns of the P.C. and its Providers.

The P.C. shall promptly notify the Company of all P.C. Expenses incurred, and shall provide the Company with all invoices, bills, statements and other documents evidencing such P.C. Expenses.

5. Management Fee.

(a) In consideration of the Company (i) licensing to the P.C. the use of Equipment, Furnishings and the Name; (ii) permitting the P.C. to operate the Clinic and perform professional chiropractic services at the Premises; (iii) granting to the P.C. the right to use the personal property and leasehold improvement at the Premises; and (iv) providing all other services described in this Agreement, the P.C. hereby agrees to pay to the Company a monthly Management Fee that shall be equal to all revenues received by the P.C., less the expenses of the P.C. that the Company pays on behalf of the P.C. * David M. don't we need to modify this a bit

(b) The portion of the Management Fee (i) allocable to the P.C.'s use of the Equipment, Furnishings and Name has been determined by the parties to equal the fair market value of the use of the Equipment, Furnishings and name, respectively, and (ii) allocable to the provisions of all other services hereunder has been determined by the parties to equal the fair market value of such other services without taking into account the volume or value of any referrals of business from the Company (or its affiliates) to the P.C. or the Providers, or from the P.C. or the Providers to the Company (or its affiliates).

(c) The Management Fee paid by the P.C. to the Company hereunder has been determined by the parties through good-faith and arm's length bargaining. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of, or recommending referral of, patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C. In addition, the Management Fee charged hereunder does not include any discount, rebate, kickback, or other reduction in charge, and the Management Fee charged hereunder is not intended to be, nor shall it be construed to be, an inducement or payment for referral, or recommendation of referral, of patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C.

6. Regulatory Matters.

(a) The P.C.'s Providers shall at all times be free, in their sole discretion, to exercise their professional judgment on behalf of patients of the P.C. No provision of this Agreement is intended, nor shall it be construed, to permit the Company to affect or influence the professional judgment of any member of the P.C.'s Providers. To the extent that any act or service required or permitted of the Company by any provision of this Agreement may be construed or deemed to constitute the practice of chiropractic, the ownership or control of a chiropractic practice, or the operation of a clinic, said provision of this Agreement shall be void ab initio and the performance of said act or service by the Company shall be deemed waived by the P.C.

(b) The parties agree to cooperate with one another in the fulfillment of their respective obligations under this Agreement, and to comply with the requirements of applicable Laws and with all ordinances, statutes, regulations, directives, orders, or other lawful enactments or pronouncements of any federal, state, municipal, local or other lawful authority applicable to the Clinic, and of any insurance company insuring the Clinic or the parties against liability for accident or injury in or upon the premises of the Clinic.

7. Insurance.

7.1 General Comprehensive Liability Insurance. During the term of this agreement, the Company shall obtain and maintain, at the P.C.'s expense, a comprehensive general liability insurance policy and such other insurances as may be required, in such amounts, with such coverages and with such companies as the Company may reasonably determine to be necessary and appropriate, as required by law or as are usual and customary. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional named insureds, and provide for third (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

7.2 Equipment Insurance. The Company shall cause to be carried and maintained, at its own expense, insurance against all risks of physical loss or damage to the Equipment in an amount not less than the original purchase price or the replacement cost with like kind and quality at the time of loss, with such companies and as the Company shall reasonably determine. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional named insureds, and provided for thirty (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

7.3 Malpractice Insurance. During the term of this Agreement, the Company shall arrange for the P.C. to obtain and maintain, at the P.C.'s expense, professional liability insurance covering the P.C. and its Providers, with limits of not less than [one million dollars ($1,000,000) per occurrence and three million dollars ($3,000,000) in the aggregate], which the parties hereby agree are adequate amounts of coverage, or such other amount as required by law. In the event the P.C. has a "claims made" form of insurance in effect at any time during the term of this Agreement, the Company shall obtain, at P.C.'s expense, full "tail" coverage to cover any event that may have occurred during the term of this Agreement. The P.C. shall provide to the Company any information with respect to the P.C. or the Providers necessary for the Company to secure such professional liability insurance. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional name insureds, and provide for thirty (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

8. Indemnification by the P.C. The P.C. hereby agrees to indemnify, defend, and hold harmless the Company, and each of the Company's officers, directors, shareholders, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part out of any breach by the p.c. OF This Agreement or any acts or omissions by the P.C. or its Providers in their performance of this Agreement, including, but not limited to, negligence of the P.C. or its Providers arising form or related to any of their professional acts or omissions to the extent that such is not paid or covered by the proceeds of insurance. The P.C. shall immediately notify the Company of any lawsuits or actions, or any threat thereof, against P.C. or any Provider, or the Company, which may become known to the P.C.

9. Indemnification by the Company. The Company hereby agrees to indemnify, defend, and hold harmless the P.C., and each of its officers, managers, members, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part, out of any breach by the Company of this Agreement or any willful or grossly negligent act or omission by the Company in its performance of this Agreement, to the extent that such is not paid or covered by the proceeds of insurance. The company shall immediately notify the P.C. of any lawsuits or actions, or any threat thereof, against the Company, P.C. or any Provider that may become known to the Company.

10. Non-Solicitation.

(a) To the extent permitted by applicable Laws, the P.C.s hall not, during the term of this Agreement and for a period of one (1) year from the date of termination or expiration of this Agreement, and shall ensure that its Providers shall not, during the term of their employment by the P.C. and for a period of one (1) year thereafter, solicit for employment, verbally or in writing, employ or offer employment to any employee or former employee of the Company or its affiliates, including, but not limited to any personnel provided by the Company to P.C. hereunder, without the prior written consent of the Company.

(b) To the extent permitted by law, during the term of any Provider's employment with the P.C. and for a period of one (1) year after the termination or expiration of any such Provider's employment agreement with the P.C., such Provider shall not, without the express written consent of the P.C., solicit verbally or in writing, any patient or former patient of the P.C., or otherwise interfere with such patient or former patient's relationship with the P.C. in connection with the provisions of chiropractic services. Upon termination of any Provider's employment with the P.C., the P.C. shall promptly notify the Provider's patients of how and where to contact the Provider.

(c) In the event that any of the P.C.'s Providers shall violate any provision of this Section 10, the P.C.'s President shall immediately notify the Company of such activity and the P.C. shall immediately take all necessary and appropriate corrective action.

(d) Company agrees to waive any outstanding Management Fees owed by the P.C. at termination of this agreement, pursuant to Section 4.4(d), as consideration for the non-solicitation provisions set forth in Section 10 (a) and (b) above.

11. Proprietary Rights. The P.C. recognizes and acknowledges that all records, files, reports, protocols, polities, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the company (or its affiliates), belong to and shall remain the property of the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates.

12. Enforcement.

(a) The P.C. recognizes and acknowledges that all records, files, reports, protocols, policies, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the Company (or its affiliates), belong to and shall remain the property of the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates.

(b) All works, discoveries and developments, whether or not copyrightable, relating to the Company's present, past or prospective activities, services and products ("Inventions") which are at any time conceived or reduced to practice by P.C. and/or any of its Providers, acting alone or in conjunction with others, in connection with the Company's management of the P.C. or, during the course of the P.C.'s employment or engagement of Providers (or, if based on or related to any Confidential Information, made

by P.C. and/or any Provider during or after such management by the Company or employment or engagement by the P.C.) and all concepts and ideas known to P.C. or any Provider at any time during the Company's management of the P.C. which relate to the Company's present, past or prospective activities, services and products ("Concepts and Ideas") or any modifications thereof held by or known to P.C. and/or any Provider on the date of this Agreement or acquired by P.C: and/or any Provider during the term of this Agreement shall be the property of the Company, free of any reserved or other rights of any kind on P.C. and/or 'any Provider's part in respect thereof, and P.C. and/or any such Provider hereby assign all rights therein to the Company.

(c) P.C. and/or its Providers shall promptly make full disclosure of any such Inventions, Concepts and Ideas or modifications thereof to the Company. Further, P.C. and/or its Providers shall, at the Company's cost and expense, promptly execute formal applications for copyrights and also do all other acts and things (including, among others, executing and delivering instruments of further assurance or confirmation) deemed by the Company to be necessary or desirable at any time or times in order to effect the full assignment to the Company of P.C. and/or its Providers' rights and title to such Inventions, Concepts and Ideas or modifications, without payment therefor and without further compensation. In order to confirm the Company's rights, P.C. and/or its Providers will also assign to the Company any and all copyrights and reproduction rights to any written material prepared by P.C. and/or its Providers in connection with the Company's management of the P.C. or the Providers' employment or engagement by the P.C. P.C. and/or its Providers further understand that the absence of a request by the Company for information, or for the making of an oath, or for the execution of any document, shall in no way be construed to constitute a waiver of the rights of the Company under this Agreement. This Agreement shall not be construed to limit in any way any "shop rights" or other common law or contractual rights of the P.C. or the Company in or to any Inventions, Concepts and Ideas or modifications which the Company has or may have by virtue of the Company's management activities hereunder or the P.C.'s engagement of its Providers.

13. <u>Employment Agreements</u>. The P.C. agrees that it shall impose by contract on each of its Providers the obligation to abide by the applicable terms and conditions of this Agreement, including the restrictive covenants specified above. The Company and its affiliates are intended to be third-party beneficiaries of such contracts and the Company may, in its sole discretion, be a signatory to such contracts for purposes of enforcing against Providers the terms and conditions of this Agreement. Any liquidated damages pad to the P.C. by Providers pursuant to contracts between the P.C. and such Providers shall be assigned by the P.C. and paid over to the Company.

14. <u>Term and Termination</u>.

(a) The term of this Agreement shall be for [**coterminous with franchise agreement]** years commencing on the date first written above, unless sooner terminated as set forth herein, and shall automatically renew for successive one (1) year terms unless either party gives the other at least ninety (90) days prior written notice of its intention not to renew prior to the expiration of then current term.

(b) Either party may terminate this Agreement immediately upon the occurrence of any of the following events with regard to the other party: (i) the making of a general assignment for the benefit of creditors; (ii) the filing of a voluntary petition or the commencement of any proceeding by either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustments of indebtedness, reorganization, composition or extension; (iii) the filing of any involuntary petition or the commencement of any proceeding by or against either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness, reorganization, composition or extension, which such petition or proceeding is not dismissed within ninety (90) days of the date on which it is filed or commenced; or (iv) suspension of the transaction of the usual business of either party for a period in excess of thirty (14) days.

(c) The Company may terminate this Agreement immediately upon any of the following events:

(i) The date of death of **[Name of sole shareholder];**

(ii) The date **[Name of sole shareholder] is** determined by a court of competent jurisdiction to be incompetent, or permanently disabled so as to be unable to render any professional services

(iii) The date **[Name of sole shareholder]** becomes disqualified under the Bylaws of the P.C. or applicable law to be a shareholder of the P.C.;

(iv) The date upon which any of the shares of stock in the P.C. held by **[Name of sole shareholder]** are transferred or attempted to be transferred voluntarily, by operation of law or otherwise to any person;

(v) The date upon which **[Name of sole shareholder]** ceases to provide chiropractic services in connection with the P.C.; or

(v) The merger, consolidation, reorganization, sale, liquidation, dissolution, or other disposition of all or substantially all of the stock or assets of the P.C.

(d) The Company may terminate this Agreement if the P.C. fails, within seven (7) days after receiving written notice from the Company, to remove from the Clinic any Provider who the Company determines has materially disrupted or interfered with the performance of the P.C.'s obligations hereunder. This provision shall not be construed as permitting the Company to control or impair the P.C.'s or the Providers' chiropractic judgment, professional performance or patient of care.

(e) The Company may terminate this Agreement immediately upon written notice to the P.C. in the event of termination for any reason of any of the following agreements: the Shareholder and Stock Transfer Restriction Agreement, the Company's operating agreement and/or the employment agreement between the P.C. and _____ **[Doctor's Name].**

(f) The Company may terminate this Agreement at any time with or without cause, by giving the P.C. forty-five (45) days' prior written notice.

(g) Either party may terminate this Agreement upon thirty (30) days' prior written notice to the other party in the event of a material breach by the other party of any material term or condition hereof, if such breach is not cured to the reasonable satisfaction of the non-breaching party within thirty (30) days after the non-breaching party has given notice thereof to the other party.

(h) Upon termination or expiration of this agreement by either party, the P.C. shall pay the Company any amounts owed to the Company under paragraph 5 hereof as of the date of termination or expiration.

(i) Upon termination or expiration of this Agreement, the P.C. shall return to the Company any and all property of the Company which may be in the P.C.'s possession or under the P.C.'s control.

(j) If, in the opinion (the "Opinion") of nationally recognized health care counsel selected by the Company, it is determined that it is more likely than not that applicable Laws in effect or to become effective as of a date certain, or if the Company or the P.C. receives notice (the "Notice") of an

actual or threatened decision, finding or action by any governmental or private agency or court (collectively referred to herein as "Action"), which Laws or Action, if or when implemented, would have the effect of subjecting either party to civil or criminal prosecution under state and/or federal laws, or other material adverse proceeding on the basis of their participation herein, then the Company or the P.C. shall provide such Opinion or Notice to the other party. The parties shall attempt in good faith to amend this Agreement to the minimum extent necessary in order to comply with such Laws or to avoid the Action, as applicable, and shall utilize mutually agreed upon joint legal counsel to the extent practicable. If, within ninety (90) days of providing written notice of such Opinion or such Notice to the other party, the parties hereto acting in good faith are unable to mutually agree upon and make amendments or alterations to this Agreement to meet the requirements in question, or alternatively, the parties mutually determine in good faith that compliance with such requirements is impossible or unfeasible, then this Agreement shall be terminated without penalty, charge or continuing liability upon the earlier of the following: the date one hundred and eight (180) days subsequent to the date upon which any party gives written notice to the other party, or the effective date upon which the Law or Action prohibits the relationship of the parties pursuant to this Agreement. In the event of a termination of this Agreement in accordance with this Section 15(j), then the restrictions contained in 10 and 11 of this Agreement shall be waived and shall be of no further effect.

15. Obligations After Termination. Except as otherwise provided herein or in any amendment hereto, following the effective date of termination of this Agreement:

(a) The Company shall continue to permit the P.C. or its authorized representatives to conduct financial audits relating to the period this Agreement was in effect;

(b) The P.C. shall cooperate with the Company to assure the appropriate transfer of patient cases and patient records;

(c) Both the Company and the P.C. shall cooperate in connection with the termination or assignment of provider contracts and other contractual arrangements; and

(d) Both the Company and the P.C. shall cooperate in the preparation of final financial statements and the final reconciliation of fees paid hereunder, which shall be calculated by the Company six (6) months after termination of this agreement; provided that in the event of a termination of this Agreement by the Company pursuant to Section 15(b), (c), or (d), the P.C. and any such Provider shall forfeit its (or his/her) rights to any future payment from the Company under this or any other agreement between the parties, except as may otherwise be agreed to by the Company in its discretion.

16. Return of Proprietary Property and Confidential Information. All documents, procedural manuals, guides, specifications, plans, drawings, designs, copyrights, service marks and trademark rights, computer programs, program descriptions and similar materials, lists of present, past or prospective patients, proposals, marketing and public relations materials, invitations to submit proposals, fee schedules and data relating to patients and the pricing of the Company's products and services, records, notebooks and similar repositories of or containing Confidential Information and Inventions (including all copies thereof) that come into P.C. and/or its Providers possession or control, whether prepared by P.C., its Providers, or others: (a) are the property of the Company, (b) will not be used by P.C. or its Providers in any way adverse to the Company or to the benefit of P.C. and/or its Providers, (c) will not be removed from the Company's premises (except as P.C. and/or its Providers' duties hereunder require) and (d) at the termination of this Agreement or engagement of such Providers, will be left with, or forthwith returned and/or restored to the Company, and P.C. and such Providers shall discontinue use of such materials.

17. Status of Parties. In the performance of the work duties and obligations under this Agreement, it is mutually understood and agreed that each party is at all times acting and performing as an independent contractor with respect to the other and that no relationship of partnership, joint venture or employment is created by this Agreement.

18. **Force Majeure**. Neither party shall be deemed to be in default of this Agreement if prevented from performing any obligation hereunder for any reason beyond its control, including but not limited to, Acts of God, war, civil commotion, fire, flood or casualty, labor difficulties, shortages of or inability to obtain labor, materials or equipment, governmental regulations or restrictions, or unusually severe weather. In any such case, the parties agree to negotiate in good faith with the goal of preserving this Agreement and the respective rights and obligations of the parties hereunder, to the extent reasonably practicable. It is agreed that financial inability shall not be a matter beyond a party's reasonable control.

19. **Notices**. Any notices to be given hereunder by either party to the other shall be deemed to be received by the intended recipient (a) when delivered personally, (b) the first business day following delivery to a nationally recognized overnight courier service with proof of delivery, or (c) three (3) days after mailing by certified mail, postage prepaid with return receipt requested, in each case addressed to the parties at the addresses set forth on page 1 above or at any other address designated by the parties in writing.

20. **Entire Agreement**. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter of this Agreement. This Agreement may not be changed orally, and may only be amended by an agreement in writing signed by both parties.

21. **No Rights in Third Parties**. Except as provided in Section 13, hereof, this Agreement is not intended to, nor shall it be construed to, create any rights in any third parties, including, without limitation, in any Providers employed or engaged by the P.C. in connection with the Clinic.

22. **Governing Law**. This Agreement shall be construed and enforced under and in accordance with the laws of the State of _____, and venue for the commencement of any action or proceeding brought in connection with this agreement shall be exclusively in the federal or state court in the State of _____, County of _____. **[Insert State where franchisee and P.C. are located.]**

23. **Severability**. If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, that provision will be enforced to the maximum extent permissible, and the remaining provisions of this Agreement will remain in full force and effect, unless to do so would result in either party not receiving the benefit of its bargain.

24. **Waiver**. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to that term or any other term of this Agreement.

25. **Rights Unaffected**. No amendment, supplement or termination of this Agreement shall affect or impair any right or obligations which shall have theretofore matured hereunder.

26. **Interpretation of Syntax**. All references made and pronouns used herein shall be construed in the singular or plural, and in such gender, as the sense and circumstances require.

27. **Successors**. This Agreement shall be binding upon and shall inure to the benefit of the parties, their respective heirs, executors, administrators and assigns.

28. **Further Actions**. Each of the parties agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

29. **Non-Assignment**. The P.C. may not assign this Agreement except with the prior written approval of the Company. The Company may assign this Agreement.

30. **Access of the Government to Records**. To the extent that the provisions of Section 1861(v)(1)(I) of the Social Security Action [42 U.S.C. § 1395x(v)(1)(I)] are applicable to this Agreement, the parties agree to make available, upon the written request of the Secretary of the Department of Health and Human Services or upon the request of the Comptroller General, or any of their duly authorized representatives, this Agreement, and other books, records and documents that are necessary to certify the nature and extent of costs incurred by them for services furnished under this Agreement. The obligations hereunder shall extent for four (4) years after furnishing of such services. The parties shall notify each other of any such request for records.

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto affix their signatures below and execute this Agreement under seal.

[P.C.]	**[JOINT FRANCHISEE/ "Company"]**
By:_____	**By:_____**
Its: President	**Its:_____**

EXHIBIT A

TO JOINT MANAGEMENT AGREEMENT

EQUIPMENT/FURNISHINGS

[Insert "Supply List" for each Clinic]

EXHIBIT B

TO JOINT MANAGEMENT AGREEMENT

BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum (the "Addendum") to the Management Agreement (the "Agreement") dated _____, by and between the P.C. and the Company (for purposes of this addendum, the "Business Associate"), is entered into for the purpose of complying with the Health Insurance Portability and Accessibility Act of 1996, as amended by the Health Information Technology Act of 2009 (the "HITECH Act"), and the regulations promulgated under HIPAA and the HITECH Act (all of the foregoing collectively referred to as "HIPAA").

I. Definitions. For purposes of this addendum, the following capitalized terms shall have the meanings ascribed to them below:

A. "Protected Health Information" shall mean Individually Identifiable Health Information (as defined below) that is (a) transmitted by electronic media; (b) maintained in any electronic medium; or (c) transmitted or maintained in any other form or medium. "Protected Health Information" does not include Individually Identifiable health information in (x) education records covered by the Family Educational Right and Privacy Act, as amended (20 USC §1232(g) or (y) records described in 20 USC §1231g(a)(4)(B)(iv). For purposes of this definition, Individually Identifiable Health Information shall mean health information, including demographic information collected from an individual, that: (aa) is created or received by a health care provider (including the P.C.), health plan, employer or health care clearing house; and (bb) relates to the past. present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual and that (1) identifies the individual or (2) with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

B. "Required by Law" shall mean a mandate contained in law that compels the use or disclosure of Protected Health Information and that is enforceable in a court of law. "Required by Law" includes, but is not limited to, court orders and court-ordered warrants; subpoenas or summons issued by a court, grand jury, a governmental or tribal inspector general, or an administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions or participation with respect to health care providers participating in the program; and statutes or regulations that require such information if payment is sought under a government program providing public benefits.

Any terms used but not otherwise defined in this Addendum shall have the same meaning as the meaning ascribed to those terms in HIPAA.

II. Permitted Uses and Disclosures. Business Associate may use or disclose Protected Health Information received or created by Business Associate pursuant to the Agreement solely for the following purposes:

A. Business Associate may use or disclose Protected Health Information as necessary to carry out Business Associate's responsibilities and duties under the Agreement.

B. Business Associate may use or disclose Protected Health Information for Business Associate's proper management and administration ore to fulfill any present or future legal responsibilities of Business Associate; provided, however, that if Business Associate discloses Protected Health Information to a third party under this Section II(b), Business Associate shall Ii) obtain reasonable assurances from the person to whom the Protected Health Information is disclosed that it will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed and (ii) obligate such person to notify Business Associate of any instances of which it is aware in which the confidentiality of the Protected Health Information has been breached.

C. Business Associate may use or disclose protected Information as Required by Law.

D. Any use or disclosure of Protected Health Information permitted hereunder shall be limited to the minimum amount necessary to accomplish the intended purpose of the use, disclosure or request and shall otherwise be accordance with HIPAA.

III. Disclosure to Agent. In the event Business Associate disclosed to any agent, including a subcontractor, Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C., Business Associate shall obligate each such agent to agree to the same restrictions and conditions regarding the use and disclosure of Protected Health Information as are applicable to Business Associate under this Addendum.

IV. Safeguards. Business Associate shall employ appropriate administrative, technical and physical safeguards, consistent with the size and complexity of Business Associate's operations, to prevent the use or disclosure of Protected Health Information in any manner inconsistent with the terms of this Addendum. Business Associate shall maintain a written security program describing such safeguards, a copy of which shall be available to the P.C. upon request.

V. Reporting of Improper Disclosures. Business Associate shall report to the P.C. any unauthorized or improper use or disclosure of Protected Health Information within one (1) business day of the date on which Business Associate becomes aware of such use or disclosure.

VI. Reporting of Disclosures of Security Incidents. Business Associate shall report to the P.C. any Security Incident of which it becomes aware. For purposes of this Addendum, "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system; provided, however, that Business Associate shall not have any obligation to notify P.C. of any unsuccessful attempts to (i) obtain unauthorized access to P.C.'s information in Business Associate's possession, or (ii) interfere with Business Associate's system operations in an information system, where such unsuccessful attempts are extremely numerous and common to all users of electronic information systems (e.g., attempted unauthorized access to information systems, attempted modification or destruction of data files and software, attempted transmission of a computer virus).

VII. Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Addendum.

VIII. Access to protected health information by the P.C.

A. Within (10) days of a request by the P.C., Business Associate shall provide to the P.C. all Protected Health Information in Business Associate's possession necessary for the P.C. to

provide patients or their representatives with access to or copies thereof in accordance with 45 CFR §§ 164.524.

B. Within ten (10) days of a request by the P.C., Business Associate shall provide to the P.C. all information and records in Business Associate's possession necessary for the P. C. to provide patients or their representatives with an accounting of disclosures thereof in accordance with 45 C.F.R § 164.528.

C. Within ten (10) days of a request by the P.C. Business Associate shall provide to the P.C. all protected Health Information in Business Associate's possession necessary for the P.C. to respond to a request by a patient to amend such Protected Health Information in accordance with 45 C.F.R. § 164.526. At the P.C.'s direction, Business Associate shall incorporate any amendments to a patient's Protected Health Information made by the P.C. into the copies of such information maintained by Business Associate.

IX. Access of HHS. Business Associate shall make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from the P.C., or created or received by Business Associate on behalf of the P.C., to HHS in accordance with HIPAA and the regulations promulgated thereunder.

X. Return of Protected Health Information Upon Termination. Upon termination of the Agreement, Business Associate shall: (a) if feasible, return or destroy all Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C. that Business Associate still maintains in any form, and Business Associate shall retain no copies of such information; or (b) if Business Associate reasonably determines that such return or destruction is not feasible, extend the protections of this Addendum to such information and limit further uses and disclosures to those purposes that make the return or destruction of the Protected Health Information infeasible.

XI. Obligations of P.C.

A. Upon request of Business Associate, P.C. shall provide Business Associate with the notice of privacy practices that P.C. produces in accordance with 45 CFR §164.520.

B. P.C. shall provide Business Associate with any changes in, or revocation of, permission by an individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses and disclosures.

C. P.C. shall notify Business Associate of any restriction on the use or disclosure of Protected Health Information to which P.C. has agreed in accordance with 45 CFR §164.522 to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

XII. Amendment. If any of the regulations promulgated under HIPAA are amended or interpreted in a manner that renders this Addendum inconsistent therewith, the P.C. may, on thirty (30) days written notice to Business Associate, amend this Addendum to the extent necessary to comply with such amendments or interpretations.

XIII. Indemnification. Each of the parties shall indemnify, defend and hold harmless the other and its directors, officers, employees and agents from and against any and all third party liabilities, costs, claims and losses including, without limitation, the imposition of civil penalties by HHS under HIPAA, arising from or relating to the breach by either party or any of its directors, officers, employees or agents (including subcontractors) of the terms of this Addendum.

XIV. Conflicting Terms. In the event of any terms of this Addendum conflict with any terms of the Agreement, the terms of this Addendum shall govern and control.

MANAGEMENT AGREEMENT

(For Use in CA)

THIS MANAGEMENT AGREEMENT ("Agreement") is made effective as of _____ by and between_____, a [State] [corporation/limited liability company], having its principal place of business at _____ ("the Company"), and _____, a _____ [State] professional service corporation, having its principal place of business at _____ (the "P.C.") **[This defined term may be adapted to correspond to the applicable business form (*i.e.*, P.L.L.C.).].**

WHEREAS, the P.C. has been incorporated under the laws of the State of _____ to render chiropractic services to patients of the P.C.;

WHEREAS, the P.C. desires to establish and operate a chiropractic clinic and provide chiropractic services (the "Clinic") at _____ (the "Premises") and to obtain certain equipment, furnishings, office space and management services for the P.C. from the Company; and

WHEREAS, the Company is ready, willing, and able to provide furnishings, equipment, office space and management services to the P.C. in connection with the Clinic.

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Representations and Warranties.

1.1 Representations and Warranties of the Company. The Company represents and warrants to the P.C. that at all times during the term of this Agreement, the Company is a corporation [**limited liability company**] duly organized, validly existing and in good standing under the laws of the State of _____.

1.2 Representations and Warranties of the P.C. The P.C. hereby represents and warrants to the Company that at all times during the term of this Agreement:

(a) The P.C. is a professional service corporation duly organized, validly existing and in good standing under the laws of the State of _____ and is duly licensed and qualified under all applicable laws and regulations to engage in the practice of chiropractic medicine in the State of _____.

(b) Each of the professionals employed or engaged by the P.C. to render services at the Clinic is duly licensed, certified, or registered, to render the professional services for which he or she has been employed or engaged by the P.C.

(c) The P.C. will establish and enforce procedures to ensure that proper and complete patient records are maintained regarding all patients of the P.C. as required by Section 4.10 below, applicable law and by the rules and regulations of any applicable governmental agency (collectively "Laws").

2. Furnishings and Equipment, Use of Premises, Trade Name

2.1 Title and Maintenance. During the term of this Agreement, the Company grants to the P.C. the exclusive right to use the Equipment and Furnishings specified in Exhibit A hereto, and as

may be amended from time to time, on the terms and conditions hereinafter set forth. All Equipment selected for use at the Clinic and identified in Exhibit A must be reviewed and approved by the P.C. The P.C. shall use, and shall cause its Providers (as defined in Section 4.2, below) to use, the Equipment and Furnishings in connection with the Clinic in a manner that the P.C. determines is in the best interest of its patients. Title to the Equipment and Furnishings, including any improvements thereto, shall be and remain in the Company at all times. The P.C. agrees to take no action that would adversely affect the Company's title to or interest in the Equipment and Furnishings. During the term of this Agreement, the P.C. shall be responsible for maintaining the Equipment and Furnishings in good condition and repair, reasonable wear and tear from normal use excepted, including, where necessary, the replacement or substitution of parts. All maintenance, repair and replacement, if necessary, of the Equipment and Furnishings shall be performed by the Company on behalf of the P.C., in accordance with Section 3.1 of this Agreement. The P.C. agrees to assume the cost and expense of all supplies used in connection with the Equipment and Furnishings, and the P.C. agrees to make the Equipment and furnishings available for inspection by the Company or its designee at any reasonable time.

2.2 Liens, Encumbrances, Etc. The P.C. shall not directly or indirectly create or suffer to exist any mortgage, security interest, attachment, writ or other lien or encumbrance on the Furnishings or Equipment, and will promptly and at its own expense, discharge any such lien or encumbrance which shall arise, unless the same shall have been created or approved by the Company.

2.3 Use of Premises. The Company will provide as a license to use space, the use of the Premises in which the P.C. shall conduct and provide its chiropractic services at the Clinic during the term of this Agreement. This Agreement shall not be construed as a lease or sublease of the Premises, and shall not be deemed to create a relationship between a landlord and a tenant. The P.C. shall have no rights as a lessee of or any other possessory or occupancy rights to or any interest in the Premises except for the right to perform professional chiropractic services on the Premises as expressly set forth in this Agreement.

2.4 Return of Equipment and Furnishings. Upon the termination or expiration, as applicable of this Agreement, the Company shall retain all Furnishings and Equipment and the P.C. will relinquish control thereof free and clear of all liens, encumbrances, and right of others (save those created or approved by the Company).

2.5 Assignment. The P.C. shall not assign any of its rights hereunder to the use of the furnishings and Equipment to any third party, without the prior written consent of the Company.

2.6 Reporting. In addition to P.C.'s right to approve the initial Equipment identified in Exhibit A, the P.C. shall advise the Company with respect to the selection of additional and replacement equipment or furnishings for the Clinic, and with respect to any proposed additions or improvements to the Equipment or Furnishings. The P.C. may refer the patient for consultation or treatment elsewhere, if the P.C. deems such to be in the best interest of its patient(s). The P.C. hereby approves the use of the Equipment identified in Exhibit A hereto. The Equipment in Exhibit A will be furnished by the Company at no additional expense to the P.C. However, if P.C. chooses to use different therapeutic equipment, this will be treated as an additional expense of the P.C. The P.C. will ensure that all Equipment and Furnishings are used in a safe and appropriate manner. The P.C. shall promptly notify the Company of any defective Equipment or Furnishings.

2.7 Use of Trade Name. The Company shall provide P.C. with a revocable license to use the name "The Joint…the chiropractic place" for the Clinic (the "Name") and the Name shall be used by the P.C. in conformity with all applicable Laws.

3. General Responsibilities of the Company. Except as otherwise provided in this Agreement, the Company shall have responsibility for general management and administration of the day-

to-day business operations of the P.C., exclusive of chiropractic, professional and ethical aspects of the P.C.'s chiropractic Clinic, in all respects subject to applicable Laws.

3.1 Maintenance, Repair and Servicing of Furnishings and Equipment. During the term of this Agreement, the P.C. engages the Company and the Company agrees to perform, or subcontract for the performance of, all maintenance, repair, and servicing as may be necessary for the Equipment and furnishings to be maintained in good working condition, reasonable wear and tear excepted.

3.2 Administrative and Management Services

(a) The Company shall provide, or arrange for the provision of, certain business, management and administrative services of a non-clinical nature necessary or appropriate for the proper operation of the P.C. ("the Management Services"), as described below. The Company shall be the exclusive provider to the P.C. of such Management Services. The P.C. shall not obtain any Management Services from any source other than the Company, except with the prior written consent of the Company. Subject to the terms of this Agreement and to applicable Laws, the Company is authorized to perform its services in whatever manner it deems necessary to meet the day to day requirements of the P.C., including, without limitation, performance of some business office functions at locations other than the premises of the P.C. and by person other than employees of the Company. The Company is authorized to contract with third parties, including one or more of its affiliates, for the provision of services, equipment and personnel needed to perform its obligations under this Agreement. Any contracts with such affiliates shall be arms' length agreements on terms reasonably available from reasonably efficient competing vendors. Nothing herein shall be construed to interfere with P.C.'s or its licensed providers' professional judgment or actions with respect to the diagnosis and treatment of any of their patients.

(b) The Management Services to be provided by the Company for the Clinic shall include, but not be limited to, the following:

(i) business planning;

(ii) financial management, including causing annual financial statements to be prepared for the P.C., providing to the P.C. the data necessary for the P.C. to prepare and file its tax returns and make any other necessary governmental filings, paying on behalf of the P.C., the P.C.'s Monthly Obligations (as defined in Section 4.4(d) hereof);

(iii) bookkeeping, accounting, and data processing services;

(iv) maintenance of patient records owned and maintained by the P.C. in accordance with procedures established by the P.C. pursuant to Section 1.2(c) above;

(v) materials management, including purchase and stock of office supplies and maintenance of equipment and facilities, subject to the P.C.'s approval of the selection of chiropractic equipment for the Clinic;

(vi) administering or causing to be administered any welfare, benefit or insurance plan or arrangement of the P.C.;

(vii) coordinate human resources management, including primary direction of recruitment, training, and management of all Administrative Staff (defined in Section 3.3 below);

(viii) billing to and collection from all payors, on behalf of and in the name of the P.C., accounts receivable and accounts payable processing, all in accordance with the P.C.'s instructions and final approval made in consultation with the Company;

(ix) administering utilization, cost and quality management systems that are established in accordance with Section 4.3;

(x) developing a marketing program which includes the design, procurement, and monitoring of electronic and print advertising of the Clinic, in conformity with the requirements of applicable Laws;

(xi) arrange for the P.C. to obtain and maintain malpractice and other agreed upon insurance coverages;

(xii) providing administrative services in connection with the P.C.'s advertising, marketing and promotional activities of the Clinic, subject to the P.C.'s approval of the materials used to advertise, market and promote the Clinic;

(xiii) arranging for necessary legal services except with respect to any legal dispute between the P.C. and the Company;

(xiv) performing credentialing support services such as application processing and information verification;

(xv) developing and providing OSHA compliance programs and consulting;

(xvi) developing and providing P.C. with consulting services regarding pricing and membership plan strategies for the Clinic, subject to the requirements of applicable provisions of Law. Notwithstanding the foregoing, the parties expressly acknowledge and agree that all policies and decisions relating to pricing, credit, refunds and warranties shall be established in compliance with applicable Laws; and

(xvii) to the extent not included in any of the services listed in Section 3.2(b)(i) – (xv) providing:

(a) relationship development with Chiropractic schools;

(b) personnel training and orientation in non-Chiropractic areas;

(c) monitoring of industry developments and strategic planning;

(d) payroll processing;

(e) public relations;

(f) facilities management;

(g) coordination and negotiation of clinic financing efforts;

(h) clinic remodels;

(i) continuing education programs;

(j) client scheduling design software;

(k) coordinate client service and complaint handling, provided that any clinical complaints shall be directed to the P.C. or its providers;

(l) clinic management analysis;

(m) internal publications development and distribution;

(n) conference and travel coordination; and

(o) administration of committees.

(c) The Company shall not provide any of the following services to the Clinic:

(i) the assignment of Providers to treat patients, including determining how many patients a chiropractor must see in a given period or how many hours a chiropractor must work;

(ii) assumption of responsibility for the care of patients including the treatment options available;

(iii) serving as the party to whom bills and charges are made payable;

(iv) determining what diagnostic tests are appropriate for a particular condition;

(v) determining the need for referrals to or consultation with another healthcare provider; and

(vi) any activity that involves the practice of chiropractic medicine and the provision of chiropractic services or that would cause the Clinic to be subject to licensure under applicable laws and regulations in _____ (**State**).

3.3 **Administrative Staff**. Subject to the requirements of applicable Laws, the Company shall, on the terms and conditions specified in this Agreement, employ or engage and make available to the Clinic, on a non-exclusive basis, sufficient non-clinical personnel and administrative staff (herein referred to collective as "Administrative Staff"). The hiring, firing, disciplining and determination of compensation and benefits of the Administrative Staff shall be within the sole discretion of the Company; provided, however, that the Company may, at the P.C.'s written request, remove from the Clinic any Administrative Staff member who does not perform to the reasonable satisfaction of P.C.

3.4 **Patient Records**. The Company shall preserve the confidentiality of any patient records that it stores on behalf of the P.C., including the restriction of access to such records by its own personnel to only those whose specific job description requires access to such information on a routine basis.

3.5 **Performance Standards**. All Management Services provided hereunder shall be subject to commercially reasonable performance standards agreed to by the parties from time to time.

4. Responsibilities of the P.C.

4.1 Professional Services. During the term of this Agreement, the P.C. shall be solely responsible for all aspects of the diagnostic, therapeutic and related professional services delivered by the Providers at the Clinic, and for the selection, training, professional direction, supervision, employment or engagement, and termination of all Providers. In addition, the P.C. shall be solely responsible for the following determining what diagnostic tests are appropriate for a particular condition; determining the need for referrals to or consultation with another chiropractor/specialist; and the overall care of the patient, including the treatment options available.

4.2 Time Commitment. The P.C. shall employ or engage and make available to the Clinic, sufficient chiropractors and other professionals, authorized to engage to the extent permitted by law in the chiropractic services provided by the Clinic (collectively referred to as "Providers") in adequate numbers to meet the chiropractic needs of the patients of the Clinic. The P.C. shall establish the Clinic's hours of operation and provide such services during normal business hours, as established in consultation with the Company. The P.C. shall ensure that all work and coverage schedules meet the needs of patients of the P.C. in a competent, timely and responsive manner. The P.C. shall determine how many patients a chiropractor must see in a given period of time or how many hours a chiropractor must work.

4.3 Quality of Service. The P.C. shall establish and enforce procedures to assure the appropriateness, necessity, consistency, quality, cost effectiveness and efficacy of all chiropractic services provided to patients of the Clinic. The P.C. shall require each of its Providers who are licensed, registered or certified to perform professional services to participate in and cooperate with any utilization management, quality assurance, risk management, patient care assessment, continuous quality improvement, accreditation or other similar program or study to review the performance such Providers as may be required by the P.C., governmental agencies, professional review organizations, accrediting bodies, or health care entities or other third parties with which the P.C. may contract or affiliate.

4.4 Billing and Collection.

(a) The Company shall bill and use its best efforts to collect for all services rendered by the P.C. and its Providers hereunder and for all access and membership fees as agent for the P.C. in accordance with P.C.'s instructions and final approval made in consultation with the Company regarding coding and billing procedures for professional services provided by the P.C. All of the payments with respect to such services shall be made by cash or by check, electronic funds transfer, or credit card payable to the P.C. and shall be deposited into a bank account of the P.C. (the "Concentration Account") with a bank mutually agreed to by the Company and the P.C. (the "Account Bank"). The Company shall prepare and make available to the P.C. an accounting of receipts attributable to services provided by the P.C., and receipts attributable to services provided by the Company.

(b) The P.C. shall, and shall cause its Providers to, promptly endorse and deliver to the Company all payments, notes, checks, money orders, remittances and other evidences of indebtedness or payment received by the P.C. or its Providers, with respect to all accounts, contract rights, instruments, documents, or other rights to payment from time to time arising from the rendering of chiropractic services by the P.C. and its Providers, for access or membership fees, or otherwise relating to the business of the P.C., together with any guarantees thereof or securities therefore which are generated during the term of this Agreement. The Company is hereby granted a special power of attorney with respect to the Concentration Account and shall have the power an authority to deposit into, and withdraw funds from, all such accounts as may be required to pay P.C.'s Expenses (as defined in Section 4.13 below). The P.C. shall notify the banking institution of the concentration Account, and shall cause one or more employees or agents designated by the Company to be listed as a signatory on that account.

(c) With respect to funds deposited in the Concentration Account (the "P.C.'s revenues"), the Company shall direct the Account Bank to transfer all amounts in the Concentration Account, at the end of each day, to an operating account maintained by and in the name of the Company (the "Operating Account"). The Company shall hold the P.C.'s Revenues in the Operating Account as the P.C.'s agent, and shall administer such Revenues on the P.C.'s behalf. The Company shall separately and accurately account for the receipt, use, disposition, and interest gained on the P.C.'s Revenues.

(d) On at least a monthly basis, the Company shall pay, from the P.C.'s Revenue in the Operating Account, all of the current month's P.C. Expenses, as defined in Section 4.13 hereof and the current month's Management Fee as defined in Section 5 hereof (collectively, the "P.C.'s Monthly Obligations"). In the event that the P.C.'s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the P.C.'s Monthly Obligations, the Company may advance to the P.C. an amount equal to the deficit (the "Deficit Advance") by depositing such amount in the Concentration Account or the Operating Account. The amounts of the Deficit Advances shall accrue and the P.C. shall be obligated to pay such amounts upon the termination of this Agreement. In the event that there is a monthly profit that exceeds the P.C.'s Monthly Obligations (the "Monthly Profits"), then the Company shall use such amount to repay any prior Deficit Advances made by the Company (if any) together with interest accrued thereof.

4.5 Licensure. The P.C. shall ensure that each Provider associated with P.C. maintains, if applicable, an unrestricted license to practice chiropractic or other health care profession, or to be engaged in his or her particular field of expertise in the State of _____ and, to the extent that Providers provide professional services in other states, that such individuals maintain comparable unrestricted licensure in such other jurisdictions. Each Provider shall have a level of competence, experience and skill comparable to that prevailing in the community where such Provider provides professional services.

4.6 Continuing Education. The P.C. shall ensure that each Provider shall obtain the required continuing professional education for his or her specialty in each state where such Provider provides professional services and shall provide documentation of the same to the Company.

4.7 Disciplinary Actions. The P.C. shall, and shall cause each of its Providers to, disclose to the Company during the term of this Agreement: (i) the existence of any proceeding against any Provider instituted by any plaintiff, governmental agency, health care facility, peer review organization or professional society which involves any allegation of substandard care or professional misconduct raised against any Provider, and (ii) any allegation of substandard care or professional misconduct raised against any Provider by any person or agency during the term of this Agreement.

4.8 Reserved.

4.9 Patient Records.

(a) The P.C. and its Providers shall maintain, in a timely manner, complete, accurate and legible records for all patients of the Clinic, and all such patient records shall be the property of the P.C. The P.C. and its Providers shall comply with all applicable laws, regulations and ethical principles concerning confidentiality of patient records.

(b) The P.C. shall own and control all patient chiropractic records, including determining the contents thereof. The P.C. shall grant the Company access to the information contained in the patient records owned by the P.C. and completed by the Providers to the extent that access to such information is permitted by applicable Laws and is required in connection with the Company's administrative responsibilities hereunder. The P.C. agrees that, upon the termination of this Management Agreement (as permitted by applicable laws), the P.C. will transfer the original, or at PC's discretion,

complete copies of all of the P.C.'s patient records to a successor P.C. or a licensed chiropractor identified by the Company who will provide chiropractic services at the Premises or ensure that such records are transferred to a successor P.C. that will provide chiropractic services at the Premises. Notwithstanding the foregoing, such successor P.C. or chiropractor shall be obligated to transfer a patient's record in accordance with the patient's request.

(c) As required by the privacy regulations issue under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the parties shall comply with the terms of the Business Associate Addendum attached as Exhibit B of this Agreement.

4.10 Credentialing. The P.C. shall participate and cooperate in and comply with any credentialing program established from time to time by the Company.

4.11 Fees for Professional Services. The P.C. shall be solely responsible for legal, accounting, and other professional service fees it incurs, except as otherwise provided herein.

4.12 Standards of Care. The P.C. and its Providers shall render services to patients hereunder in a competent and professional manner, in compliance with generally accepted and prevailing standards of care and in compliance with applicable statutes, regulations, rules, policies and directives of federal, state and local governmental, regulatory and accrediting agencies.

4.13 P.C. Expenses. The following expenses of the P.C. that are related to the Clinic ("P.C. Expenses") shall be paid by the Management Company, on behalf of the P.C. and at the direction of the P.C.:

(a) Salaries, wages, benefits, (including health, life, and disability insurance coverage and all contributions under employee benefit plans), vacation and sick pay, employment and payroll taxes; and the cost of payroll administration and administration of benefits, for Providers employed by the P.C.;

(h) Cost of all new chiropractic and non-chiropractic equipment and supplies obtained for use in the operation of the Clinic, and depreciation cost of all capital equipment and items obtained for use in the operation of the Clinic in accordance with federal tax depreciation schedules for such equipment and items;

(i) Expenses of comprehensive professional liability insurance, professional liability insurance for each Provider of the P.C. to the extent the P.C. is required to pay for such insurance pursuant to the terms of the Provider's employment agreement, comprehensive general liability insurance and property insurance coverage for the P.C.'s facility and operations, and worker's compensation and unemployment insurance coverage for all P.C. employees;

(j) Interest expense on indebtedness (including capitalized leases) incurred with respect to debt obligations to fund the operation of, or the acquisition of capital assets for, the P.C.;

(k) State and local business license taxes, professional licensure and board certification fees, sales and use taxes, income, franchise and excise taxes and other similar taxes, fees and charges assessed against the P.C. or the Providers;

(l) Expenses incurred in the course of recruiting chiropractors, chiropractic receptionists and other professional staff to work for and/or join the P.C.; and

(m) Any federal income taxes, including the cost of preparation of the annual income tax returns of the P.C. and its Providers.

The P.C. shall promptly notify the Company of all P.C. Expenses incurred, and shall provide the Company with all invoices, bills, statements and other documents evidencing such P.C. Expenses.

5. Management Fee.

(a) In consideration of the Company (i) licensing to the P.C. the use of Equipment, Furnishings and the Name; (ii) permitting the P.C. to operate the Clinic and perform professional chiropractic services at the Premises; (iii) granting to the P.C. the right to use the personal property and leasehold improvement at the Premises; and (iv) providing all other services described in this Agreement, the P.C. hereby agrees to pay to the Company a monthly Management Fee that shall be equal to **[_____ Dollars ($_____)].** The Management Fee will be adjusted annually by the parties. The Management Fee shall be paid in accordance with Section 4.4(d). In the event that in any month the P.C.s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the monthly Management Fee, the unpaid amount of the Management Fee shall accrue each month, and the P.C. shall be obligated to pay such amount until fully paid in accordance with Section 4.4(d). The parties agree that the Management Fee represents the fair market value of the items and services provided under this Agreement. Further, the parties acknowledge that the Management Fee is not based upon, or in no way take into account, the volume or value of referrals to the Clinic or is intended to constitute remuneration for referrals, or the influencing of such referrals, to the Clinic.

(b) The portion of the Management Fee (i) allocable to the P.C.'s use of the Equipment, Furnishings and Name has been determined by the parties to equal the fair market value of the use of the Equipment, Furnishings and name, respectively, and (ii) allocable to the provisions of all other services hereunder has been determined by the parties to equal the fair market value of such other services without taking into account the volume or value of any referrals of business from the Company (or its affiliates) to the P.C. or the Providers, or from the P.C. or the Providers to the Company (or its affiliates).

(c) The Management Fee paid by the P.C. to the Company hereunder has been determined by the parties through good-faith and arm's length bargaining. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of, or recommending referral of, patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C. In addition, the Management Fee charged hereunder does not include any discount, rebate, kickback, or other reduction in charge, and the Management Fee charged hereunder is not intended to be, nor shall it be construed to be, an inducement or payment for referral, or recommendation of referral, of patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C.

6. Regulatory Matters.

(a) The P.C.'s Providers shall at all times be free, in their sole discretion, to exercise their professional judgment on behalf of patients of the P.C. No provision of this Agreement is intended, nor shall it be construed, to permit the Company to affect or influence the professional judgment of any member of the P.C.'s Providers. To the extent that any act or service required or permitted of the Company by any provision of this Agreement may be construed or deemed to constitute the practice of chiropractic, the ownership or control of a chiropractic practice, or the operation of a clinic, said provision of this Agreement shall be void ab initio and the performance of said act or service by the Company shall be deemed waived by the P.C.

(b) The parties agree to cooperate with one another in the fulfillment of their respective obligations under this Agreement, and to comply with the requirements of applicable Laws and with all ordinances, statutes, regulations, directives, orders, or other lawful enactments or pronouncements of any federal, state, municipal, local or other lawful authority applicable to the Clinic, and of any insurance

company insuring the Clinic or the parties against liability for accident or injury in or upon the premises of the Clinic.

7. Insurance.

7.1 General Comprehensive Liability Insurance. During the term of this agreement, the Company shall obtain and maintain, at the P.C.'s expense, a comprehensive general liability insurance policy and such other insurances as may be required, in such amounts, with such coverages and with such companies as the Company may reasonably determine to be necessary and appropriate, as required by law or as are usual and customary. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional named insureds, and provide for third (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

7.2 Equipment Insurance. The Company shall cause to be carried and maintained, at its own expense, insurance against all risks of physical loss or damage to the Equipment in an amount not less than the original purchase price or the replacement cost with like kind and quality at the time of loss, with such companies and as the Company shall reasonably determine. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional named insureds, and provided for thirty (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

7.3 Malpractice Insurance. During the term of this Agreement, the Company shall arrange for the P.C. to obtain and maintain, at the P.C.'s expense, professional liability insurance covering the P.C. and its Providers, with limits of not less than [one million dollars ($1,000,000) per occurrence and three million dollars ($3,000,000) in the aggregate], which the parties hereby agree are adequate amounts of coverage, or such other amount as required by law. In the event the P.C. has a "claims made" form of insurance in effect at any time during the term of this Agreement, the Company shall obtain, at P.C.'s expense, full "tail" coverage to cover any event that may have occurred during the term of this Agreement. The P.C. shall provide to the Company any information with respect to the P.C. or the Providers necessary for the Company to secure such professional liability insurance. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional name insureds, and provide for thirty (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

8. Indemnification by the P.C. The P.C. hereby agrees to indemnify, defend, and hold harmless the Company, and each of the Company's officers, directors, shareholders, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part out of any breach by the p.c. OF This Agreement or any acts or omissions by the P.C. or its Providers in their performance of this Agreement, including, but not limited to, negligence of the P.C. or its Providers arising form or related to any of their professional acts or omissions to the extent that such is not paid or covered by the proceeds of insurance. The P.C. shall immediately notify the Company of any lawsuits or actions, or any threat thereof, against P.C. or any Provider, or the Company, which may become known to the P.C.

9. Indemnification by the Company. The Company hereby agrees to indemnify, defend, and hold harmless the P.C., and each of its officers, managers, members, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part, out of any breach by the Company of this Agreement or any willful or grossly negligent act or omission by the Company in its performance of this Agreement, to the extent that such is not paid or covered by the proceeds of insurance. The company shall immediately

notify the P.C. of any lawsuits or actions, or any threat thereof, against the Company, P.C. or any Provider that may become known to the Company.

10. Non-Solicitation.

(a) To the extent permitted by applicable Laws, the P.C. shall not, during the term of this Agreement and for a period of one (1) year from the date of termination or expiration of this Agreement, and shall ensure that its Providers shall not, during the term of their employment by the P.C. and for a period of one (1) year thereafter, solicit for employment, verbally or in writing, employ or offer employment to any employee or former employee of the Company or its affiliates, including, but not limited to any personnel provided by the Company to P.C. hereunder, without the prior written consent of the Company.

(b) To the extent permitted by law, during the term of any Provider's employment with the P.C. and for a period of one (1) year after the termination or expiration of any such Provider's employment agreement with the P.C., such Provider shall not, without the express written consent of the P.C., solicit verbally or in writing, any patient or former patient of the P.C., or otherwise interfere with such patient or former patient's relationship with the P.C. in connection with the provisions of chiropractic services. Upon termination of any Provider's employment with the P.C., the P.C. shall promptly notify the Provider's patients of how and where to contact the Provider.

(c) In the event that any of the P.C.'s Providers shall violate any provision of this Section 10, the P.C.'s President shall immediately notify the Company of such activity and the P.C. shall immediately take all necessary and appropriate corrective action.

(d) Company agrees to waive any outstanding Management Fees owed by the P.C. at termination of this agreement, pursuant to Section 5(a), as consideration for the non-solicitation provisions set forth in Section 10 (a) and (b) above.

11. Proprietary Rights. The P.C. recognizes and acknowledges that all records, files, reports, protocols, polities, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the company (or its affiliates), belong to and shall remain the property of the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates. Nothing herein is intended to refer to a patient health or treatment records.

12. Enforcement. The P.C. agrees that the restrictive covenants set forth in Sections 10, 11 and 12 are reasonable in nature, duration and geographical scope. The P.C. further acknowledges that any violation of those restrictive covenants will cause the Company irreparable damage, which a monetary award would be inadequate to remedy, and that a court or arbitrator of competent jurisdiction may, in addition to monetary awards, enjoin any breach of, and enforce, such restrictive covenants by temporary restraining order, and preliminary and permanent injunctive relief without the need for the moving party to post any bond or surety. If a court or arbitrator of competent jurisdiction determines that any of the restrictive covenants set forth in Section 10 or 11 are unreasonable in nature, duration or geographic scope, then the P.C. agrees that such court or arbitrator shall reform such restrictive covenant so that such restrictive covenant is enforceable to the maximum extent permitted by law for a restrictive covenant of that nature, and such court shall enforce the restrictive covenant to that extent. If any court or arbitrator finds that the P.C. and/or any Provider has breached the restrictive covenants set forth in Sections 10 or 11

above, then such restrictive covenants shall be extended for an additional period equal to the period of such breach.

13. Employment Agreements. The P.C. agrees that it shall impose by contract on each of its Providers the obligation to abide by the applicable terms and conditions of this Agreement, including the restrictive covenants specified above. The Company and its affiliates are intended to be third-party beneficiaries of such contracts and the Company may, in its sole discretion, be a signatory to such contracts for purposes of enforcing against Providers the terms and conditions of this Agreement. Any liquidated damages pad to the P.C. by Providers pursuant to contracts between the P.C. and such Providers shall be assigned by the P.C. and paid over to the Company.

14. Term and Termination.

(a) The term of this Agreement shall be for [**coterminous with franchise agreement]** years commencing on the date first written above, unless sooner terminated as set forth herein, and shall automatically renew for successive one (1) year terms unless either party gives the other at least ninety (90) days prior written notice of its intention not to renew prior to the expiration of then current term.

(b) Either party may terminate this Agreement immediately upon the occurrence of any of the following events with regard to the other party: (i) the making of a general assignment for the benefit of creditors; (ii) the filing of a voluntary petition or the commencement of any proceeding by either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustments of indebtedness, reorganization, composition or extension; (iii) the filing of any involuntary petition or the commencement of any proceeding by or against either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness, reorganization, composition or extension, which such petition or proceeding is not dismissed within ninety (90) days of the date on which it is filed or commenced; or (iv) suspension of the transaction of the usual business of either party for a period in excess of thirty (14) days.

(c) The Company may terminate this Agreement immediately upon any of the following events:

(i) The date of death of **[Name of sole shareholder];**

(ii) The date **[Name of sole shareholder] is** determined by a court of competent jurisdiction to be incompetent, or permanently disabled so as to be unable to render any professional services

(iii) The date **[Name of sole shareholder]** becomes disqualified under the Bylaws of the P.C. or applicable law to be a shareholder of the P.C.;

(iv) The date upon which any of the shares of stock in the P.C. held by **[Name of sole shareholder]** are transferred or attempted to be transferred voluntarily, by operation of law or otherwise to any person;

(v) The date upon which **[Name of sole shareholder]** ceases to provide chiropractic services in connection with the P.C.; or

(v) The merger, consolidation, reorganization, sale, liquidation, dissolution, or other disposition of all or substantially all of the stock or assets of the P.C.

(d) The Company may terminate this Agreement if the P.C. fails, within seven (7) days after receiving written notice from the Company, to remove from the Clinic any Provider who the Company

determines has materially disrupted or interfered with the performance of the P.C.'s obligations hereunder. This provision shall not be construed as permitting the Company to control or impair the P.C.'s or the Providers' chiropractic judgment, professional performance or patient of care.

(e) The Company may terminate this Agreement immediately upon written notice to the P.C. in the event of termination for any reason of any of the following agreements: the Shareholder and Stock Transfer Restriction Agreement, the Company's operating agreement and/or the employment agreement between the P.C. and _____ **[Doctor's Name].**

(f) The Company may terminate this Agreement at any time with or without cause, by giving the P.C. forty-five (45) days' prior written notice.

(g) Either party may terminate this Agreement upon thirty (30) days' prior written notice to the other party in the event of a material breach by the other party of any material term or condition hereof, if such breach is not cured to the reasonable satisfaction of the non-breaching party within thirty (30) days after the non-breaching party has given notice thereof to the other party.

(h) Upon termination or expiration of this agreement by either party, the P.C. shall pay the Company any amounts owed to the Company under paragraph 5 hereof as of the date of termination or expiration.

(i) Upon termination or expiration of this Agreement, the P.C. shall return to the Company any and all property of the Company which may be in the P.C.'s possession or under the P.C.'s control.

(j) If, in the opinion (the "Opinion") of nationally recognized health care counsel selected by the Company, it is determined that it is more likely than not that applicable Laws in effect or to become effective as of a date certain, or if the Company or the P.C. receives notice (the "Notice") of an actual or threatened decision, finding or action by any governmental or private agency or court (collectively referred to herein as "Action"), which Laws or Action, if or when implemented, would have the effect of subjecting either party to civil or criminal prosecution under state and/or federal laws, or other material adverse proceeding on the basis of their participation herein, then the Company or the P.C. shall provide such Opinion or Notice to the other party. The parties shall attempt in good faith to amend this Agreement to the minimum extent necessary in order to comply with such Laws or to avoid the Action, as applicable, and shall utilize mutually agreed upon joint legal counsel to the extent practicable. If, within ninety (90) days of providing written notice of such Opinion or such Notice to the other party, the parties hereto acting in good faith are unable to mutually agree upon and make amendments or alterations to this Agreement to meet the requirements in question, or alternatively, the parties mutually determine in good faith that compliance with such requirements is impossible or unfeasible, then this Agreement shall be terminated without penalty, charge or continuing liability upon the earlier of the following: the date one hundred and eight (180) days subsequent to the date upon which any party gives written notice to the other party, or the effective date upon which the Law or Action prohibits the relationship of the parties pursuant to this Agreement. In the event of a termination of this Agreement in accordance with this Section 15(j), then the restrictions contained in 10 and 11 of this Agreement shall be waived and shall be of no further effect.

15. <u>Obligations After Termination</u>. Except as otherwise provided herein or in any amendment hereto, following the effective date of termination of this Agreement:

(a) The Company shall continue to permit the P.C. or its authorized representatives to conduct financial audits relating to the period this Agreement was in effect;

(b) The P.C. shall cooperate with the Company to assure the appropriate transfer of patient cases and patient records;

(c) Both the Company and the P.C. shall cooperate in connection with the termination or assignment of provider contracts and other contractual arrangements; and

(d) Both the Company and the P.C. shall cooperate in the preparation of final financial statements and the final reconciliation of fees paid hereunder, which shall be calculated by the Company six (6) months after termination of this agreement; provided that in the event of a termination of this Agreement by the Company pursuant to Section 15(b), (c), or (d), the P.C. and any such Provider shall forfeit its (or his/her) rights to any future payment from the Company under this or any other agreement between the parties, except as may otherwise be agreed to by the Company in its discretion.

16. Return of Proprietary Property and Confidential Information. All documents, procedural manuals, guides, specifications, plans, drawings, designs, copyrights, service marks and trademark rights, computer programs, program descriptions and similar materials, lists of present, past or prospective patients, proposals, marketing and public relations materials, invitations to submit proposals, fee schedules and data relating to patients and the pricing of the Company's products and services, records, notebooks and similar repositories of or containing Confidential Information and Inventions (including all copies thereof) that come into P.C. and/or its Providers possession or control, whether prepared by P.C., its Providers, or others: (a) are the property of the Company, (b) will not be used by P.C. or its Providers in any way adverse to the Company or to the benefit of P.C. and/or its Providers, (c) will not be removed from the Company's premises (except as P.C. and/or its Providers' duties hereunder require) and (d) at the termination of this Agreement or engagement of such Providers, will be left with, or forthwith returned and/or restored to the Company, and P.C. and such Providers shall discontinue use of such materials.

17. Status of Parties. In the performance of the work duties and obligations under this Agreement, it is mutually understood and agreed that each party is at all times acting and performing as an independent contractor with respect to the other and that no relationship of partnership, joint venture or employment is created by this Agreement.

18. Force Majeure. Neither party shall be deemed to be in default of this Agreement if prevented from performing any obligation hereunder for any reason beyond its control, including but not limited to, Acts of God, war, civil commotion, fire, flood or casualty, labor difficulties, shortages of or inability to obtain labor, materials or equipment, governmental regulations or restrictions, or unusually severe weather. In any such case, the parties agree to negotiate in good faith with the goal of preserving this Agreement and the respective rights and obligations of the parties hereunder, to the extent reasonably practicable. It is agreed that financial inability shall not be a matter beyond a party's reasonable control.

19. Notices. Any notices to be given hereunder by either party to the other shall be deemed to be received by the intended recipient (a) when delivered personally, (b) the first business day following delivery to a nationally recognized overnight courier service with proof of delivery, or (c) three (3) days after mailing by certified mail, postage prepaid with return receipt requested, in each case addressed to the parties at the addresses set forth on page 1 above or at any other address designated by the parties in writing.

20. Entire Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter of this Agreement. This Agreement may not be changed orally, and may only be amended by an agreement in writing signed by both parties.

21. No Rights in Third Parties. Except as provided in Section 13, hereof, this Agreement is not intended to, nor shall it be construed to, create any rights in any third parties, including, without limitation, in any Providers employed or engaged by the P.C. in connection with the Clinic.

22. **Governing Law**. This Agreement shall be construed and enforced under and in accordance with the laws of the State of _____, and venue for the commencement of any action or proceeding brought in connection with this agreement shall be exclusively in the federal or state court in the State of _____, County of _____. **[Insert State where franchisee and P.C. are located.]**

23. **Severability**. If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, that provision will be enforced to the maximum extent permissible, and the remaining provisions of this Agreement will remain in full force and effect, unless to do so would result in either party not receiving the benefit of its bargain.

24. **Waiver**. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to that term or any other term of this Agreement.

25. **Rights Unaffected**. No amendment, supplement or termination of this Agreement shall affect or impair any right or obligations which shall have theretofore matured hereunder.

26. **Interpretation of Syntax**. All references made and pronouns used herein shall be construed in the singular or plural, and in such gender, as the sense and circumstances require.

27. **Successors**. This Agreement shall be binding upon and shall inure to the benefit of the parties, their respective heirs, executors, administrators and assigns.

28. **Further Actions**. Each of the parties agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

29. **Non-Assignment**. The P.C. may not assign this Agreement except with the prior written approval of the Company. The Company may assign this Agreement.

30. **Access of the Government to Records**. To the extent that the provisions of Section 1861(v)(1)(I) of the Social Security Action [42 U.S.C. § 1395x(v)(1)(I)] are applicable to this Agreement, the parties agree to make available, upon the written request of the Secretary of the Department of Health and Human Services or upon the request of the Comptroller General, or any of their duly authorized representatives, this Agreement, and other books, records and documents that are necessary to certify the nature and extent of costs incurred by them for services furnished under this Agreement. The obligations hereunder shall extent for four (4) years after furnishing of such services. The parties shall notify each other of any such request for records.

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto affix their signatures below and execute this Agreement under seal.

[P.C.]	**[JOINT FRANCHISEE/ "Company"]**
By:_____	**By:_____**
Its: President	**Its:_____**

EXHIBIT A

TO JOINT MANAGEMENT AGREEMENT

EQUIPMENT/FURNISHINGS

[Insert "Supply List" for each Clinic]

EXHIBIT B

TO JOINT MANAGEMENT AGREEMENT

BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum (the "Addendum") to the Management Agreement (the "Agreement") dated _____, by and between the P.C. and the Company (for purposes of this addendum, the "Business Associate"), is entered into for the purpose of complying with the Health Insurance Portability and Accessibility Act of 1996, as amended by the Health Information Technology Act of 2009 (the "HITECH Act"), and the regulations promulgated under HIPAA and the HITECH Act (all of the foregoing collectively referred to as "HIPAA").

I. Definitions. For purposes of this addendum, the following capitalized terms shall have the meanings ascribed to them below:

A. "Protected Health Information" shall mean Individually Identifiable Health Information (as defined below) that is (a) transmitted by electronic media; (b) maintained in any electronic medium; or (c) transmitted or maintained in any other form or medium. "Protected Health Information" does not include Individually Identifiable health information in (x) education records covered by the Family Educational Right and Privacy Act, as amended (20 USC §1232(g) or (y) records described in 20 USC §1231g(a)(4)(B)(iv). For purposes of this definition, Individually Identifiable Health Information shall mean health information, including demographic information collected from an individual, that: (aa) is created or received by a health care provider (including the P.C.), health plan, employer or health care clearing house; and (bb) relates to the past. present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual and that (1) identifies the individual or (2) with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

B. "Required by Law" shall mean a mandate contained in law that compels the use or disclosure of Protected Health Information and that is enforceable in a court of law. "Required by Law" includes, but is not limited to, court orders and court-ordered warrants; subpoenas or summons issued by a court, grand jury, a governmental or tribal inspector general, or an administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions or participation with respect to health care providers participating in the program; and statutes or regulations that require such information if payment is sought under a government program providing public benefits.

Any terms used but not otherwise defined in this Addendum shall have the same meaning as the meaning ascribed to those terms in HIPAA.

II. Permitted Uses and Disclosures. Business Associate may use or disclose Protected Health Information received or created by Business Associate pursuant to the Agreement solely for the following purposes:

A. Business Associate may use or disclose Protected Health Information as necessary to carry out Business Associate's responsibilities and duties under the Agreement.

B. Business Associate may use or disclose Protected Health Information for Business Associate's proper management and administration ore to fulfill any present or future legal responsibilities of Business Associate; provided, however, that if Business Associate discloses Protected Health Information to a third party under this Section II(b), Business Associate shall Ii) obtain reasonable assurances from the person to whom the Protected Health Information is disclosed that it will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed and (ii) obligate such person to notify Business Associate of any instances of which it is aware in which the confidentiality of the Protected Health Information has been breached.

C. Business Associate may use or disclose protected Information as Required by Law.

D. Any use or disclosure of Protected Health Information permitted hereunder shall be limited to the minimum amount necessary to accomplish the intended purpose of the use, disclosure or request and shall otherwise be accordance with HIPAA.

III. Disclosure to Agent. In the event Business Associate disclosed to any agent, including a subcontractor, Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C., Business Associate shall obligate each such agent to agree to the same restrictions and conditions regarding the use and disclosure of Protected Health Information as are applicable to Business Associate under this Addendum.

IV. Safeguards. Business Associate shall employ appropriate administrative, technical and physical safeguards, consistent with the size and complexity of Business Associate's operations, to prevent the use or disclosure of Protected Health Information in any manner inconsistent with the terms of this Addendum. Business Associate shall maintain a written security program describing such safeguards, a copy of which shall be available to the P.C. upon request.

V. Reporting of Improper Disclosures. Business Associate shall report to the P.C. any unauthorized or improper use or disclosure of Protected Health Information within one (1) business day of the date on which Business Associate becomes aware of such use or disclosure.

VI. Reporting of Disclosures of Security Incidents. Business Associate shall report to the P.C. any Security Incident of which it becomes aware. For purposes of this Addendum, "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system; provided, however, that Business Associate shall not have any obligation to notify P.C. of any unsuccessful attempts to (i) obtain unauthorized access to P.C.'s information in Business Associate's possession, or (ii) interfere with Business Associate's system operations in an information system, where such unsuccessful attempts are extremely numerous and common to all users of electronic information systems (e.g., attempted unauthorized access to information systems, attempted modification or destruction of data files and software, attempted transmission of a computer virus).

VII. Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Addendum.

VIII. Access to protected health information by the P.C.

A. Within (10) days of a request by the P.C., Business Associate shall provide to the P.C. all Protected Health Information in Business Associate's possession necessary for the P.C. to provide patients or their representatives with access to or copies thereof in accordance with 45 CFR §§ 164.524.

B. Within ten (10) days of a request by the P.C., Business Associate shall provide to the P.C. all information and records in Business Associate's possession necessary for the P. C. to provide patients or their representatives with an accounting of disclosures thereof in accordance with 45 C.F.R § 164.528.

C. Within ten (10) days of a request by the P.C. Business Associate shall provide to the P.C. all protected Health Information in Business Associate's possession necessary for the P.C. to respond to a request by a patient to amend such Protected Health Information in accordance with 45 C.F.R. § 164.526. At the P.C.'s direction, Business Associate shall incorporate any amendments to a patient's Protected Health Information made by the P.C. into the copies of such information maintained by Business Associate.

IX. Access of HHS. Business Associate shall make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from the P.C., or created or received by Business Associate on behalf of the P.C., to HHS in accordance with HIPAA and the regulations promulgated thereunder.

X. Return of Protected Health Information Upon Termination. Upon termination of the Agreement, Business Associate shall: (a) if feasible, return or destroy all Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C. that Business Associate still maintains in any form, and Business Associate shall retain no copies of such information; or (b) if Business Associate reasonably determines that such return or destruction is not feasible, extend the protections of this Addendum to such information and limit further uses and disclosures to those purposes that make the return or destruction of the Protected Health Information infeasible.

XI. Obligations of P.C.

A. Upon request of Business Associate, P.C. shall provide Business Associate with the notice of privacy practices that P.C. produces in accordance with 45 CFR §164.520.

B. P.C. shall provide Business Associate with any changes in, or revocation of, permission by an individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses and disclosures.

C. P.C. shall notify Business Associate of any restriction on the use or disclosure of Protected Health Information to which P.C. has agreed in accordance with 45 CFR §164.522 to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

XII. Amendment. If any of the regulations promulgated under HIPAA are amended or interpreted in a manner that renders this Addendum inconsistent therewith, the P.C. may, on thirty (30) days written notice to Business Associate, amend this Addendum to the extent necessary to comply with such amendments or interpretations.

XIII. Indemnification. Each of the parties shall indemnify, defend and hold harmless the other and its directors, officers, employees and agents from and against any and all third party liabilities, costs, claims and losses including, without limitation, the imposition of civil penalties by HHS under HIPAA, arising from or relating to the breach by either party or any of its directors, officers, employees or agents (including subcontractors) of the terms of this Addendum.

XIV. Conflicting Terms. In the event of any terms of this Addendum conflict with any terms of the Agreement, the terms of this Addendum shall govern and control.

MANAGEMENT AGREEMENT

(For Use in FL, IL, NY and Other States Requiring Flat Fee for Management Services)

THIS MANAGEMENT AGREEMENT ("Agreement") is made effective as of _____ by and between_____, a [State] [corporation/limited liability company], having its principal place of business at _____ ("the Company"), and _____, a _____ [State] professional service corporation, having its principal place of business at _____ (the "P.C.") **[This defined term may be adapted to correspond to the applicable business form (*i.e.*, P.L.L.C.).].**

WHEREAS, the P.C. has been incorporated under the laws of the State of _____ to render chiropractic services to patients of the P.C.;

WHEREAS, the P.C. desires to establish and operate a chiropractic clinic and provide chiropractic services (the "Clinic") at _____ (the "Premises") and to obtain certain equipment, furnishings, office space and management services for the P.C. from the Company; and

WHEREAS, the Company is ready, willing, and able to provide furnishings, equipment, office space and management services to the P.C. in connection with the Clinic.

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Representations and Warranties.

1.1 Representations and Warranties of the Company. The Company represents and warrants to the P.C. that at all times during the term of this Agreement, the Company is a corporation [**limited liability company**] duly organized, validly existing and in good standing under the laws of the State of _____.

1.2 Representations and Warranties of the P.C. The P.C. hereby represents and warrants to the Company that at all times during the term of this Agreement:

(a) The P.C. is a professional service corporation duly organized, validly existing and in good standing under the laws of the State of _____ and is duly licensed and qualified under all applicable laws and regulations to engage in the practice of chiropractic medicine in the State of _____.

(b) Each of the professionals employed or engaged by the P.C. to render services at the Clinic is duly licensed, certified, or registered, to render the professional services for which he or she has been employed or engaged by the P.C.

(c) The P.C. will establish and enforce procedures to ensure that proper and complete patient records are maintained regarding all patients of the P.C. as required by Section 4.10 below, applicable law and by the rules and regulations of any applicable governmental agency (collectively "Laws").

2. Furnishings and Equipment, Use of Premises, Trade Name

2.1 Title and Maintenance. During the term of this Agreement, the Company grants to the P.C. the exclusive right to use the Equipment and Furnishings specified in Exhibit A hereto, and as may be amended from time to time, on the terms and conditions hereinafter set forth. The P.C. shall use, and shall cause its Providers (as defined in Section 4.2, below) to use, the Equipment and Furnishings in connection with the Clinic in a manner that the P.C. determines is in the best interest of its patients. Title to the Equipment and Furnishings, including any improvements thereto, shall be and remain in the Company at all times. The P.C. agrees to take no action that would adversely affect the Company's title to or interest in the Equipment and Furnishings. During the term of this Agreement, the P.C. shall be responsible for maintaining the Equipment and Furnishings in good condition and repair, reasonable wear and tear from normal use excepted, including, where necessary, the replacement or substitution of parts. All maintenance, repair and replacement, if necessary, of the Equipment and Furnishings shall be performed by the Company on behalf of the P.C., in accordance with Section 3.1 of this Agreement. The P.C. agrees to assume the cost and expense of all supplies used in connection with the Equipment and Furnishings, and the P.C. agrees to make the Equipment and furnishings available for inspection by the Company or its designee at any reasonable time.

2.2 Liens, Encumbrances, Etc. The P.C. shall not directly or indirectly create or suffer to exist any mortgage, security interest, attachment, writ or other lien or encumbrance on the Furnishings or Equipment, and will promptly and at its own expense, discharge any such lien or encumbrance which shall arise, unless the same shall have been created or approved by the Company.

2.3 Use of Premises. The Company will provide as a license to use space, the use of the Premises in which the P.C. shall conduct and provide its chiropractic services at the Clinic during the term of this Agreement. This Agreement shall not be construed as a lease or sublease of the Premises, and shall not be deemed to create a relationship between a landlord and a tenant. The P.C. shall have no rights as a lessee of or any other possessory or occupancy rights to or any interest in the Premises except for the right to perform professional chiropractic services on the Premises as expressly set forth in this Agreement.

2.4 Return of Equipment and Furnishings. Upon the termination or expiration, as applicable of this Agreement, the Company shall retain all Furnishings and Equipment and the P.C. will relinquish control thereof free and clear of all liens, encumbrances, and right of others (save those created or approved by the Company).

2.5 Assignment. The P.C. shall not assign any of its rights hereunder to the use of the furnishings and Equipment to any third party, without the prior written consent of the Company.

2.6 Reporting. . In addition to P.C.'s right to approve the initial Equipment identified in Exhibit A, the P.C. shall advise the Company with respect to the selection of additional and replacement equipment or furnishings for the Clinic, and with respect to any proposed additions or improvements to the Equipment or Furnishings. The P.C. may refer the patient for consultation or treatment elsewhere, if the P.C. deems such to be in the best interest of its patient(s). The P.C. hereby approves the use of the Equipment identified in Exhibit A hereto. The Equipment in Exhibit A will be furnished by the Company at no additional expense to the P.C. However, if P.C. chooses to use different therapeutic equipment, this will be treated as an additional expense of the P.C. The P.C. will ensure that all Equipment and Furnishings are used in a safe and appropriate manner. The P.C. shall promptly notify the Company of any defective Equipment or Furnishings.

2.7 Use of Trade Name. The Company shall provide P.C. with a revocable license to use the name "The Joint…the chiropractic place" for the Clinic (the "Name") and the Name shall be used by the P.C. in conformity with all applicable Laws.

3. General Responsibilities of the Company. Except as otherwise provided in this Agreement, the Company shall have responsibility for general management and administration of the day-to-day business operations of the P.C., exclusive of chiropractic, professional and ethical aspects of the P.C.'s chiropractic Clinic, in all respects subject to applicable Laws.

3.1 Maintenance, Repair and Servicing of Furnishings and Equipment. During the term of this Agreement, the P.C. engages the Company and the Company agrees to perform, or subcontract for the performance of, all maintenance, repair, and servicing as may be necessary for the Equipment and furnishings to be maintained in good working condition, reasonable wear and tear excepted.

3.2 Administrative and Management Services

(a) The Company shall provide, or arrange for the provision of, certain business, management and administrative services of a non-clinical nature necessary or appropriate for the proper operation of the P.C. ("the Management Services"), as described below. The Company shall be the exclusive provider to the P.C. of such Management Services. The P.C. shall not obtain any Management Services from any source other than the Company, except with the prior written consent of the Company. Subject to the terms of this Agreement and to applicable Laws, the Company is authorized to perform its services in whatever manner it deems necessary to meet the day to day requirements of the P.C., including, without limitation, performance of some business office functions at locations other than the premises of the P.C. and by person other than employees of the Company. The Company is authorized to contract with third parties, including one or more of its affiliates, for the provision of services, equipment and personnel needed to perform its obligations under this Agreement. Any contracts with such affiliates shall be arms' length agreements on terms reasonably available from reasonably efficient competing vendors. Nothing herein shall be construed to interfere with P.C.'s or its licensed providers' professional judgment or actions with respect to the diagnosis and treatment of any of their patients.

(b) The Management Services to be provided by the Company for the Clinic shall include, but not be limited to, the following:

(i) business planning;

(ii) financial management, including causing annual financial statements to be prepared for the P.C., providing to the P.C. the data necessary for the P.C. to prepare and file its tax returns and make any other necessary governmental filings, paying on behalf of the P.C., the P.C.'s Monthly Obligations (as defined in Section 4.4(d) hereof);

(iii) bookkeeping, accounting, and data processing services;

(iv) maintenance of patient records in accordance with procedures established by the P.C. pursuant to Section 1.2(c) above;

(v) materials management, including purchase and stock of office supplies and maintenance of equipment and facilities, subject to the P.C.'s approval of the selection of chiropractic equipment for the Clinic;

(vi) administering or causing to be administered any welfare, benefit or insurance plan or arrangement of the P.C.;

(vii) coordinate human resources management, including primary direction of recruitment, training, and management of all Administrative Staff (defined in Section 3.3 below);

(viii) billing to and collection from all payors, accounts receivable and accounts payable processing, all in accordance with the P.C.'s decisions made in consultation with the Company;

(ix) subject to the P.C.'s approval of all materials that become public, administering utilization, cost and quality management systems that are established in accordance with Section 4.3;

(x) developing a marketing program which includes the design, procurement, and monitoring of electronic and print advertising of the Clinic, in conformity with the requirements of applicable Laws;

(xi) arrange for the P.C. to obtain and maintain malpractice and other agreed upon insurance coverages;

(xii) providing administrative services in connection with the P.C.'s advertising, marketing and promotional activities of the Clinic, in accordance with applicable laws;

(xiii) arranging for necessary legal services except with respect to any legal dispute between the P.C. and the Company;

(xiv) performing credentialing support services such as application processing and information verification;

(xv) developing and providing OSHA compliance programs and consulting;

(xvi) developing and providing P.C. with consulting services regarding pricing and membership plan strategies for the Clinic, subject to the requirements of applicable provisions of Law. Notwithstanding the foregoing, the parties expressly acknowledge and agree that all policies and decisions relating to pricing, credit, refunds and warranties shall be established in compliance with applicable Laws; and

(xvii) to the extent not included in any of the services listed in Section 3.2(b)(i) – (xv) providing:

(a) relationship development with Chiropractic schools;

(b) personnel training and orientation in non-Chiropractic areas;

(c) monitoring of industry developments and strategic planning;

(d) payroll processing;

(e) public relations;

(f) facilities management;

(g) coordination and negotiation of clinic financing efforts;

(h) clinic remodels;

(i) continuing education programs;

(j) client scheduling design software;

(k) coordinate client service and complaint handling, provided that any clinical complaints shall be directed to the P.C. or its providers;

(l) clinic management analysis;

(m) internal publications development and distribution;

(n) conference and travel coordination; and

(o) administration of committees.

(c) The Company shall not provide any of the following services to the Clinic:

(i) the assignment of Providers to treat patients;
(ii) assumption of responsibility for the care of patients;

(iii) serving as the party to whom bills and charges are made payable;

(iv) any activity that involves the practice of chiropractic medicine and the provision of chiropractic services or that would cause the Clinic to be subject to licensure under applicable laws and regulations in _____ (**State**).

3.3 Administrative Staff. Subject to the requirements of applicable Laws, the Company shall, on the terms and conditions specified in this Agreement, employ or engage and make available to the Clinic, on a non-exclusive basis, sufficient non-clinical personnel and administrative staff (herein referred to collective as "Administrative Staff"). The hiring, firing, disciplining and determination of compensation and benefits of the Administrative Staff shall be within the sole discretion of the Company; provided, however, that the Company may, at the P.C.'s written request, remove from the Clinic any Administrative Staff member who does not perform to the reasonable satisfaction of P.C.

3.4 Patient Records. The Company shall preserve the confidentiality of any patient records that it stores on behalf of the P.C., including the restriction of access to such records by its own personnel to only those whose specific job description requires access to such information on a routine basis.

3.5 Performance Standards. All Management Services provided hereunder shall be subject to commercially reasonable performance standards agreed to by the parties from time to time.

4. Responsibilities of the P.C.

4.1 Professional Services. During the term of this Agreement, the P.C. shall be solely responsible for all aspects of the diagnostic, therapeutic and related professional services delivered by the Providers at the Clinic, and for the selection, training, professional direction, supervision, employment or engagement of all Providers. In addition, the P.C. shall be solely responsible for the following determining what diagnostic tests are appropriate for a particular condition; determining the need for referrals to or consultation with another chiropractor/specialist; and the overall care of the patient, including the treatment options available.

4.2 Time Commitment. The P.C. shall employ or engage and make available to the Clinic, sufficient chiropractors and other professionals, authorized to engage to the extent permitted by law

in the chiropractic services provided by the Clinic (collectively referred to as "Providers") in adequate numbers to meet the chiropractic needs of the patients of the Clinic. The P.C. shall provide such services during normal business hours, as established in consultation with the Company. The P.C. shall ensure that all work and coverage schedules meet the needs of patients of the P.C. in a competent, timely and responsive manner. The P.C. shall determine how many patients a chiropractor must see in a given period of time or how many hours a chiropractor must work.

4.3 Quality of Service. The P.C. shall establish and enforce procedures to assure the appropriateness, necessity, consistency, quality, cost effectiveness and efficacy of all chiropractic services provided to patients of the Clinic. The P.C. shall require each of its Providers who are licensed, registered or certified to perform professional services to participate in and cooperate with any utilization management, quality assurance, risk management, patient care assessment, continuous quality improvement, accreditation or other similar program or study to review the performance such Providers as may be required by the P.C., governmental agencies, professional review organizations, accrediting bodies, or health care entities or other third parties with which the P.C. may contract or affiliate.

4.4 Billing and Collection.

(a) The Company shall bill and use its best efforts to collect for all services rendered by the P.C. and its Providers hereunder and for all access and membership fees as agent for the P.C. in accordance with P.C.'s decisions made in consultation with the Company regarding billing procedures for professional services provided by the P.C. All of the payments with respect to such services shall be made by cash or by check, electronic funds transfer, or credit card payable to the P.C. and shall be deposited into a bank account of the P.C. (the "Concentration Account") with a bank mutually agreed to by the Company and the P.C. (the "Account Bank"). The Company shall prepare and make available to the P.C. an accounting of receipts attributable to services provided by the P.C., and receipts attributable to services provided by the Company.

(b) The P.C. shall, and shall cause its Providers to, promptly endorse and deliver to the Company all payments, notes, checks, money orders, remittances and other evidences of indebtedness or payment received by the P.C. or its Providers, with respect to all accounts, contract rights, instruments, documents, or other rights to payment from time to time arising from the rendering of chiropractic services by the P.C. and its Providers, for access or membership fees, or otherwise relating to the business of the P.C., together with any guarantees thereof or securities therefore which are generated during the term of this Agreement. The Company is hereby granted a special power of attorney with respect to the Concentration Account and shall have the power an authority to deposit into, and withdraw funds from, all such accounts as may be required to pay P.C.'s Expenses (as defined in Section 4.13 below). The P.C. shall notify the banking institution of the concentration Account, and shall cause one or more employees or agents designated by the Company to be listed as a signatory on that account.

(c) With respect to funds deposited in the Concentration Account (the "P.C.'s revenues"), the Company shall direct the Account Bank to transfer all amounts in the Concentration Account, at the end of each day, to an operating account maintained by and in the name of the Company (the "Operating Account"). The Company shall hold the P.C.'s Revenues in the Operating Account as the P.C.'s agent, and shall administer such Revenues on the P.C.'s behalf. The Company shall separately and accurately account for the receipt, use, disposition, and interest gained on the P.C.'s Revenues.

(d) On at least a monthly basis, the Company shall pay, from the P.C.'s Revenue in the Operating Account, all of the current month's P.C. Expenses, as defined in Section 4.13 hereof and the current month's Management Fee as defined in Section 5 hereof (collectively, the "P.C.'s Monthly Obligations"). In the event that the P.C.'s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the P.C.'s Monthly Obligations, the Company may advance to the P.C. an amount equal to the deficit (the "Deficit Advance") by depositing such amount in

the Concentration Account or the Operating Account. The amounts of the Deficit Advances shall accrue and the P.C. shall be obligated to pay such amounts upon the termination of this Agreement. In the event that there is a monthly profit that exceeds the P.C.'s Monthly Obligations (the "Monthly Profits"), then the Company shall use such amount to repay any prior Deficit Advances made by the Company (if any) together with interest accrued thereof.

4.5 Licensure. The P.C. shall ensure that each Provider associated with P.C. maintains, if applicable, an unrestricted license to practice chiropractic or other health care profession, or to be engaged in his or her particular field of expertise in the State of _____ and, to the extent that Providers provide professional services in other states, that such individuals maintain comparable unrestricted licensure in such other jurisdictions. Each Provider shall have a level of competence, experience and skill comparable to that prevailing in the community where such Provider provides professional services.

4.6 Continuing Education. The P.C. shall ensure that each Provider shall obtain the required continuing professional education for his or her specialty in each state where such Provider provides professional services and shall provide documentation of the same to the Company.

4.7 Disciplinary Actions. The P.C. shall, and shall cause each of its Providers to, disclose to the Company during the term of this Agreement: (i) the existence of any proceeding against any Provider instituted by any plaintiff, governmental agency, health care facility, peer review organization or professional society which involves any allegation of substandard care or professional misconduct raised against any Provider, and (ii) any allegation of substandard care or professional misconduct raised against any Provider by any person or agency during the term of this Agreement.

4.8 Outside Activities. The P.C. and its Providers shall devote their best efforts to fulfill their obligations hereunder. The P.C. and its Providers shall not engage in any other professional activities, whether or not such business activity is pursued for gain, profit, or other pecuniary advantage, which would interfere with the performance of the P.C.'s duties hereunder, without the prior written consent of the Company, which consent shall not be unreasonably withheld. The P.C. shall assure that each of its Providers shall not provide chiropractic services other than on behalf of the P.C., unless such activity is disclosed in writing to and is expressly authorized in writing by the Company. In the event that any of the P.C.'s Providers shall violate any provision of this Section 4.8(a), the P.C.'s President shall immediately notify the Company of such activity and the P.C. shall immediately take all necessary and appropriate corrective action to cease such activity.

(b) Except as otherwise approved in advance by the Company, and to the extent permitted by law, all amounts collected by the P.C. for chiropractic services, regardless of the source of payment, shall be assigned and belong to the Company including honoraria, royalties, revenues from patents, copyrights or other licensable intellectual property, revenues from teaching and supervising licensees-in-training and revenues from other professional activities ("Outside Income").

4.9 Patient Records.

(a) The P.C. and its Providers shall maintain, in a timely manner, complete, accurate and legible records for all patients of the Clinic, and all such patient records shall be the property of the P.C. The P.C. and its Providers shall comply with all applicable laws, regulations and ethical principles concerning confidentiality of patient records.

(b) The P.C. shall own and control all patient chiropractic records, including determining the contents thereof. The P.C. shall grant the Company access to the information contained in the patient records owned by the P.C. and completed by the Providers to the extent that access to such information is permitted by applicable Laws and is required in connection with the Company's

administrative responsibilities hereunder. The P.C. agrees that, upon the termination of this Management Agreement (as permitted by applicable laws), the P.C. will transfer the original, or at PC's discretion, complete copies of all of the P.C.'s patient records to a successor P.C. or a licensed chiropractor identified by the Company who will provide chiropractic services at the Premises or ensure that such records are transferred to a successor P.C. that will provide chiropractic services at the Premises. Notwithstanding the foregoing, such successor P.C. or chiropractor shall be obligated to transfer a patient's record in accordance with the patient's request.

(c) As required by the privacy regulations issue under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the parties shall comply with the terms of the Business Associate Addendum attached as Exhibit B of this Agreement.

4.10 Credentialing. The P.C. shall participate and cooperate in and comply with any credentialing program established from time to time by the Company.

4.11 Fees for Professional Services. The P.C. shall be solely responsible for legal, accounting, and other professional service fees it incurs, except as otherwise provided herein.

4.12 Standards of Care. The P.C. and its Providers shall render services to patients hereunder in a competent and professional manner, in compliance with generally accepted and prevailing standards of care and in compliance with applicable statutes, regulations, rules, policies and directives of federal, state and local governmental, regulatory and accrediting agencies.

4.13 P.C. Expenses. The following expenses of the P.C. that are related to the Clinic ("P.C. Expenses") shall be paid by the Management Company, on behalf of the P.C. and at the direction of the P.C.:

(a) Salaries, wages, benefits, (including health, life, and disability insurance coverage and all contributions under employee benefit plans), vacation and sick pay, employment and payroll taxes; and the cost of payroll administration and administration of benefits, for Providers employed by the P.C.;

(b) Cost of all new chiropractic and non-chiropractic equipment and supplies obtained for use in the operation of the Clinic, and depreciation cost of all capital equipment and items obtained for use in the operation of the Clinic in accordance with federal tax depreciation schedules for such equipment and items;

(c) Expenses of comprehensive professional liability insurance, professional liability insurance for each Provider of the P.C. to the extent the P.C. is required to pay for such insurance pursuant to the terms of the Provider's employment agreement, comprehensive general liability insurance and property insurance coverage for the P.C.'s facility and operations, and worker's compensation and unemployment insurance coverage for all P.C. employees;

(d) Interest expense on indebtedness (including capitalized leases) incurred with respect to debt obligations to fund the operation of, or the acquisition of capital assets for, the P.C.;

(e) State and local business license taxes, professional licensure and board certification fees, sales and use taxes, income, franchise and excise taxes and other similar taxes, fees and charges assessed against the P.C. or the Providers;

(f) Expenses incurred in the course of recruiting chiropractors, chiropractic receptionists and other professional staff to work for and/or join the P.C.; and

(g) Any federal income taxes, including the cost of preparation of the annual income tax returns of the P.C. and its Providers.

The P.C. shall promptly notify the Company of all P.C. Expenses incurred, and shall provide the Company with all invoices, bills, statements and other documents evidencing such P.C. Expenses.

5. Management Fee.

(a) In consideration of the Company (i) licensing to the P.C. the use of Equipment, Furnishings and the Name; (ii) permitting the P.C. to operate the Clinic and perform professional chiropractic services at the Premises; (iii) granting to the P.C. the right to use the personal property and leasehold improvement at the Premises; and (iv) providing all other services described in this Agreement, the P.C. hereby agrees to pay to the Company a monthly Management Fee that shall be equal to **[_____ Dollars ($_____)].** The Management Fee will be adjusted annually by the parties. The Management Fee shall be paid in accordance with Section 4.4(d). In the event that in any month the P.C.s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the monthly Management Fee, the unpaid amount of the Management Fee shall accrue each month, and the P.C. shall be obligated to pay such amount until fully paid in accordance with Section 4.4(d). The parties agree that the Management Fee represents the fair market value of the items and services provided under this Agreement. Further, the parties acknowledge that the Management Fee is not based upon, or in no way take into account, the volume or value of referrals to the Clinic or is intended to constitute remuneration for referrals, or the influencing of such referrals, to the Clinic.

(b) The portion of the Management Fee (i) allocable to the P.C.'s use of the Equipment, Furnishings and Name has been determined by the parties to equal the fair market value of the use of the Equipment, Furnishings and name, respectively, and (ii) allocable to the provisions of all other services hereunder has been determined by the parties to equal the fair market value of such other services without taking into account the volume or value of any referrals of business from the Company (or its affiliates) to the P.C. or the Providers, or from the P.C. or the Providers to the Company (or its affiliates).

(c) The Management Fee paid by the P.C. to the Company hereunder has been determined by the parties through good-faith and arm's length bargaining. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of, or recommending referral of, patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C. In addition, the Management Fee charged hereunder does not include any discount, rebate, kickback, or other reduction in charge, and the Management Fee charged hereunder is not intended to be, nor shall it be construed to be, an inducement or payment for referral, or recommendation of referral, of patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C.

6. Regulatory Matters.

(a) The P.C.'s Providers shall at all times be free, in their sole discretion, to exercise their professional judgment on behalf of patients of the P.C. No provision of this Agreement is intended, nor shall it be construed, to permit the Company to affect or influence the professional judgment of any member of the P.C.'s Providers. To the extent that any act or service required or permitted of the Company by any provision of this Agreement may be construed or deemed to constitute the practice of chiropractic, the ownership or control of a chiropractic practice, or the operation of a clinic, said provision of this Agreement shall be void ab initio and the performance of said act or service by the Company shall be deemed waived by the P.C.

(b) The parties agree to cooperate with one another in the fulfillment of their respective obligations under this Agreement, and to comply with the requirements of applicable Laws and with all

ordinances, statutes, regulations, directives, orders, or other lawful enactments or pronouncements of any federal, state, municipal, local or other lawful authority applicable to the Clinic, and of any insurance company insuring the Clinic or the parties against liability for accident or injury in or upon the premises of the Clinic.

7. Insurance.

7.1 General Comprehensive Liability Insurance. During the term of this agreement, the Company shall obtain and maintain, at the P.C.'s expense, a comprehensive general liability insurance policy and such other insurances as may be required, in such amounts, with such coverages and with such companies as the Company may reasonably determine to be necessary and appropriate, as required by law or as are usual and customary. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional named insureds, and provide for third (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

7.2 Equipment Insurance. The Company shall cause to be carried and maintained, at its own expense, insurance against all risks of physical loss or damage to the Equipment in an amount not less than the original purchase price or the replacement cost with like kind and quality at the time of loss, with such companies and as the Company shall reasonably determine. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional named insureds, and provided for thirty (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

7.3 Malpractice Insurance. During the term of this Agreement, the Company shall arrange for the P.C. to obtain and maintain, at the P.C.'s expense, professional liability insurance covering the P.C. and its Providers, with limits of not less than [one million dollars ($1,000,000) per occurrence and three million dollars ($3,000,000) in the aggregate], which the parties hereby agree are adequate amounts of coverage, or such other amount as required by law. In the event the P.C. has a "claims made" form of insurance in effect at any time during the term of this Agreement, the Company shall obtain, at P.C.'s expense, full "tail" coverage to cover any event that may have occurred during the term of this Agreement. The P.C. shall provide to the Company any information with respect to the P.C. or the Providers necessary for the Company to secure such professional liability insurance. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional name insureds, and provide for thirty (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

8. Indemnification by the P.C. The P.C. hereby agrees to indemnify, defend, and hold harmless the Company, and each of the Company's officers, directors, shareholders, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part out of any breach by the p.c. OF This Agreement or any acts or omissions by the P.C. or its Providers in their performance of this Agreement, including, but not limited to, negligence of the P.C. or its Providers arising form or related to any of their professional acts or omissions to the extent that such is not paid or covered by the proceeds of insurance. The P.C. shall immediately notify the Company of any lawsuits or actions, or any threat thereof, against P.C. or any Provider, or the Company, which may become known to the P.C.

9. Indemnification by the Company. The Company hereby agrees to indemnify, defend, and hold harmless the P.C., and each of its officers, managers, members, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part, out of any breach by the Company of this Agreement or

any willful or grossly negligent act or omission by the Company in its performance of this Agreement, to the extent that such is not paid or covered by the proceeds of insurance. The company shall immediately notify the P.C. of any lawsuits or actions, or any threat thereof, against the Company, P.C. or any Provider that may become known to the Company.

10. Non-Solicitation.

(a) To the extent permitted by applicable Laws, the P.C.s hall not, during the term of this Agreement and for a period of one (1) year from the date of termination or expiration of this Agreement, and shall ensure that its Providers shall not, during the term of their employment by the P.C. and for a period of one (1) year thereafter, solicit for employment, verbally or in writing, employ or offer employment to any employee or former employee of the Company or its affiliates, including, but not limited to any personnel provided by the Company to P.C. hereunder, without the prior written consent of the Company.

(b) To the extent permitted by law, during the term of any Provider's employment with the P.C. and for a period of one (1) year after the termination or expiration of any such Provider's employment agreement with the P.C., such Provider shall not, without the express written consent of the P.C., solicit verbally or in writing, any patient or former patient of the P.C., or otherwise interfere with such patient or former patient's relationship with the P.C. in connection with the provisions of chiropractic services. Upon termination of any Provider's employment with the P.C., the P.C. shall promptly notify the Provider's patients of how and where to contact the Provider.

(c) In the event that any of the P.C.'s Providers shall violate any provision of this Section 10, the P.C.'s President shall immediately notify the Company of such activity and the P.C. shall immediately take all necessary and appropriate corrective action.

(d) Company agrees to waive any outstanding Management Fees owed by the P.C. at termination of this agreement, pursuant to Section 4.4(d), as consideration for the non-solicitation provisions set forth in Section 10 (a) and (b) above.

11. Proprietary Rights. The P.C. recognizes and acknowledges that all records, files, reports, protocols, polities, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the company (or its affiliates), belong to and shall remain the property of the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates.

12. Enforcement.

(a) The P.C. recognizes and acknowledges that all records, files, reports, protocols, policies, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the Company (or its affiliates), belong to and shall remain the property of the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates.

(b) All works, discoveries and developments, whether or not copyrightable, relating to the Company's present, past or prospective activities, services and products ("Inventions") which are at any time conceived or reduced to practice by P.C. and/or any of its Providers, acting alone or in conjunction with others, in connection with the Company's management of the P.C. or, during the course of the P.C.'s employment or engagement of Providers (or, if based on or related to any Confidential Information, made by P.C. and/or any Provider during or after such management by the Company or employment or engagement by the P.C.) and all concepts and ideas known to P.C. or any Provider at any time during the Company's management of the P.C. which relate to the Company's present, past or prospective activities, services and products ("Concepts and Ideas") or any modifications thereof held by or known to P.C. and/or any Provider on the date of this Agreement or acquired by P.C: and/or any Provider during the term of this Agreement shall be the property of the Company, free of any reserved or other rights of any kind on P.C. and/or 'any Provider's part in respect thereof, and P.C. and/or any such Provider hereby assign all rights therein to the Company.

(c) P.C. and/or its Providers shall promptly make full disclosure of any such Inventions, Concepts and Ideas or modifications thereof to the Company. Further, P.C. and/or its Providers shall, at the Company's cost and expense, promptly execute formal applications for copyrights and also do all other acts and things (including, among others, executing and delivering instruments of further assurance or confirmation) deemed by the Company to be necessary or desirable at any time or times in order to effect the full assignment to the Company of P.C. and/or its Providers' rights and title to such Inventions, Concepts and Ideas or modifications, without payment therefor and without further compensation. In order to confirm the Company's rights, P.C. and/or its Providers will also assign to the Company any and all copyrights and reproduction rights to any written material prepared by P.C. and/or its Providers in connection with the Company's management of the P.C. or the Providers' employment or engagement by the P.C. P.C. and/or its Providers further understand that the absence of a request by the Company for information, or for the making of an oath, or for the execution of any document, shall in no way be construed to constitute a waiver of the rights of the Company under this Agreement. This Agreement shall not be construed to limit in any way any "shop rights" or other common law or contractual rights of the P.C. or the Company in or to any Inventions, Concepts and Ideas or modifications which the Company has or may have by virtue of the Company's management activities hereunder or the P.C.'s engagement of its Providers.

13. <u>Employment Agreements</u>. The P.C. agrees that it shall impose by contract on each of its Providers the obligation to abide by the applicable terms and conditions of this Agreement, including the restrictive covenants specified above. The Company and its affiliates are intended to be third-party beneficiaries of such contracts and the Company may, in its sole discretion, be a signatory to such contracts for purposes of enforcing against Providers the terms and conditions of this Agreement. Any liquidated damages pad to the P.C. by Providers pursuant to contracts between the P.C. and such Providers shall be assigned by the P.C. and paid over to the Company.

14. <u>Term and Termination</u>.

(a) The term of this Agreement shall be for [**coterminous with franchise agreement]** years commencing on the date first written above, unless sooner terminated as set forth herein, and shall automatically renew for successive one (1) year terms unless either party gives the other at least ninety (90) days prior written notice of its intention not to renew prior to the expiration of then current term.

(b) Either party may terminate this Agreement immediately upon the occurrence of any of the following events with regard to the other party: (i) the making of a general assignment for the benefit of creditors; (ii) the filing of a voluntary petition or the commencement of any proceeding by either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustments of indebtedness, reorganization, composition or extension; (iii) the filing of any involuntary petition or the commencement of any proceeding by or against either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness,

reorganization, composition or extension, which such petition or proceeding is not dismissed within ninety (90) days of the date on which it is filed or commenced; or (iv) suspension of the transaction of the usual business of either party for a period in excess of thirty (14) days.

(c) The Company may terminate this Agreement immediately upon any of the following events:

(i) The date of death of **[Name of sole shareholder];**

(ii) The date **[Name of sole shareholder] is** determined by a court of competent jurisdiction to be incompetent, or permanently disabled so as to be unable to render any professional services

(iii) The date **[Name of sole shareholder]** becomes disqualified under the Bylaws of the P.C. or applicable law to be a shareholder of the P.C.;

(iv) The date upon which any of the shares of stock in the P.C. held by **[Name of sole shareholder]** are transferred or attempted to be transferred voluntarily, by operation of law or otherwise to any person;

(v) The date upon which **[Name of sole shareholder]** ceases to provide chiropractic services in connection with the P.C.; or

(v) The merger, consolidation, reorganization, sale, liquidation, dissolution, or other disposition of all or substantially all of the stock or assets of the P.C.

(d) The Company may terminate this Agreement if the P.C. fails, within seven (7) days after receiving written notice from the Company, to remove from the Clinic any Provider who the Company determines has materially disrupted or interfered with the performance of the P.C.'s obligations hereunder. This provision shall not be construed as permitting the Company to control or impair the P.C.'s or the Providers' chiropractic judgment, professional performance or patient of care.

(e) The Company may terminate this Agreement immediately upon written notice to the P.C. in the event of termination for any reason of any of the following agreements: the Shareholder and Stock Transfer Restriction Agreement, the Company's operating agreement and/or the employment agreement between the P.C. and _____ **[Doctor's Name].**

(f) The Company may terminate this Agreement at any time with or without cause, by giving the P.C. forty-five (45) days' prior written notice.

(g) Either party may terminate this Agreement upon thirty (30) days' prior written notice to the other party in the event of a material breach by the other party of any material term or condition hereof, if such breach is not cured to the reasonable satisfaction of the non-breaching party within thirty (30) days after the non-breaching party has given notice thereof to the other party.

(h) Upon termination or expiration of this agreement by either party, the P.C. shall pay the Company any amounts owed to the Company under paragraph 5 hereof as of the date of termination or expiration.

(i) Upon termination or expiration of this Agreement, the P.C. shall return to the Company any and all property of the Company which may be in the P.C.'s possession or under the P.C.'s control.

(j) If, in the opinion (the "Opinion") of nationally recognized health care counsel selected by the Company, it is determined that it is more likely than not that applicable Laws in effect or to become effective as of a date certain, or if the Company or the P.C. receives notice (the "Notice") of an actual or threatened decision, finding or action by any governmental or private agency or court (collectively referred to herein as "Action"), which Laws or Action, if or when implemented, would have the effect of subjecting either party to civil or criminal prosecution under state and/or federal laws, or other material adverse proceeding on the basis of their participation herein, then the Company or the P.C. shall provide such Opinion or Notice to the other party. The parties shall attempt in good faith to amend this Agreement to the minimum extent necessary in order to comply with such Laws or to avoid the Action, as applicable, and shall utilize mutually agreed upon joint legal counsel to the extent practicable. If, within ninety (90) days of providing written notice of such Opinion or such Notice to the other party, the parties hereto acting in good faith are unable to mutually agree upon and make amendments or alterations to this Agreement to meet the requirements in question, or alternatively, the parties mutually determine in good faith that compliance with such requirements is impossible or unfeasible, then this Agreement shall be terminated without penalty, charge or continuing liability upon the earlier of the following: the date one hundred and eight (180) days subsequent to the date upon which any party gives written notice to the other party, or the effective date upon which the Law or Action prohibits the relationship of the parties pursuant to this Agreement. In the event of a termination of this Agreement in accordance with this Section 15(j), then the restrictions contained in 10 and 11 of this Agreement shall be waived and shall be of no further effect.

15. Obligations After Termination. Except as otherwise provided herein or in any amendment hereto, following the effective date of termination of this Agreement:

(a) The Company shall continue to permit the P.C. or its authorized representatives to conduct financial audits relating to the period this Agreement was in effect;

(b) The P.C. shall cooperate with the Company to assure the appropriate transfer of patient cases and patient records;

(c) Both the Company and the P.C. shall cooperate in connection with the termination or assignment of provider contracts and other contractual arrangements; and

(d) Both the Company and the P.C. shall cooperate in the preparation of final financial statements and the final reconciliation of fees paid hereunder, which shall be calculated by the Company six (6) months after termination of this agreement; provided that in the event of a termination of this Agreement by the Company pursuant to Section 15(b), (c), or (d), the P.C. and any such Provider shall forfeit its (or his/her) rights to any future payment from the Company under this or any other agreement between the parties, except as may otherwise be agreed to by the Company in its discretion.

16. Return of Proprietary Property and Confidential Information. All documents, procedural manuals, guides, specifications, plans, drawings, designs, copyrights, service marks and trademark rights, computer programs, program descriptions and similar materials, lists of present, past or prospective patients, proposals, marketing and public relations materials, invitations to submit proposals, fee schedules and data relating to patients and the pricing of the Company's products and services, records, notebooks and similar repositories of or containing Confidential Information and Inventions (including all copies thereof) that come into P.C. and/or its Providers possession or control, whether prepared by P.C., its Providers, or others: (a) are the property of the Company, (b) will not be used by P.C. or its Providers in any way adverse to the Company or to the benefit of P.C. and/or its Providers, (c) will not be removed from the Company's premises (except as P.C. and/or its Providers' duties hereunder require) and (d) at the termination of this Agreement or engagement of such Providers, will be left with, or forthwith returned and/or restored to the Company, and P.C. and such Providers shall discontinue use of such materials.

17. **Status of Parties**. In the performance of the work duties and obligations under this Agreement, it is mutually understood and agreed that each party is at all times acting and performing as an independent contractor with respect to the other and that no relationship of partnership, joint venture or employment is created by this Agreement.

18. **Force Majeure**. Neither party shall be deemed to be in default of this Agreement if prevented from performing any obligation hereunder for any reason beyond its control, including but not limited to, Acts of God, war, civil commotion, fire, flood or casualty, labor difficulties, shortages of or inability to obtain labor, materials or equipment, governmental regulations or restrictions, or unusually severe weather. In any such case, the parties agree to negotiate in good faith with the goal of preserving this Agreement and the respective rights and obligations of the parties hereunder, to the extent reasonably practicable. It is agreed that financial inability shall not be a matter beyond a party's reasonable control.

19. **Notices**. Any notices to be given hereunder by either party to the other shall be deemed to be received by the intended recipient (a) when delivered personally, (b) the first business day following delivery to a nationally recognized overnight courier service with proof of delivery, or (c) three (3) days after mailing by certified mail, postage prepaid with return receipt requested, in each case addressed to the parties at the addresses set forth on page 1 above or at any other address designated by the parties in writing.

20. **Entire Agreement**. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter of this Agreement. This Agreement may not be changed orally, and may only be amended by an agreement in writing signed by both parties.

21. **No Rights in Third Parties**. Except as provided in Section 13, hereof, this Agreement is not intended to, nor shall it be construed to, create any rights in any third parties, including, without limitation, in any Providers employed or engaged by the P.C. in connection with the Clinic.

22. **Governing Law**. This Agreement shall be construed and enforced under and in accordance with the laws of the State of _____, and venue for the commencement of any action or proceeding brought in connection with this agreement shall be exclusively in the federal or state court in the State of _____, County of _____. **[Insert State where franchisee and P.C. are located.]**

23. **Severability**. If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, that provision will be enforced to the maximum extent permissible, and the remaining provisions of this Agreement will remain in full force and effect, unless to do so would result in either party not receiving the benefit of its bargain.

24. **Waiver**. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to that term or any other term of this Agreement.

25. **Rights Unaffected**. No amendment, supplement or termination of this Agreement shall affect or impair any right or obligations which shall have theretofore matured hereunder.

26. **Interpretation of Syntax**. All references made and pronouns used herein shall be construed in the singular or plural, and in such gender, as the sense and circumstances require.

27. **Successors**. This Agreement shall be binding upon and shall inure to the benefit of the parties, their respective heirs, executors, administrators and assigns.

28. **Further Actions**. Each of the parties agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

29. **Non-Assignment**. The P.C. may not assign this Agreement except with the prior written approval of the Company. The Company may assign this Agreement.

30. **Access of the Government to Records**. To the extent that the provisions of Section 1861(v)(1)(I) of the Social Security Action [42 U.S.C. § 1395x(v)(1)(I)] are applicable to this Agreement, the parties agree to make available, upon the written request of the Secretary of the Department of Health and Human Services or upon the request of the Comptroller General, or any of their duly authorized representatives, this Agreement, and other books, records and documents that are necessary to certify the nature and extent of costs incurred by them for services furnished under this Agreement. The obligations hereunder shall extent for four (4) years after furnishing of such services. The parties shall notify each other of any such request for records.

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto affix their signatures below and execute this Agreement under seal.

[P.C.]	**[JOINT FRANCHISEE/ "Company"]**
By:_____	**By:_____**
Its: President	**Its:_____**

EXHIBIT A

TO JOINT MANAGEMENT AGREEMENT

EQUIPMENT/FURNISHINGS

[Insert "Supply List" for each Clinic]

EXHIBIT B

TO JOINT MANAGEMENT AGREEMENT

BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum (the "Addendum") to the Management Agreement (the "Agreement") dated _____, by and between the P.C. and the Company (for purposes of this addendum, the "Business Associate"), is entered into for the purpose of complying with the Health Insurance Portability and Accessibility Act of 1996, as amended by the Health Information Technology Act of 2009 (the "HITECH Act"), and the regulations promulgated under HIPAA and the HITECH Act (all of the foregoing collectively referred to as "HIPAA").

I. Definitions. For purposes of this addendum, the following capitalized terms shall have the meanings ascribed to them below:

A. "Protected Health Information" shall mean Individually Identifiable Health Information (as defined below) that is (a) transmitted by electronic media; (b) maintained in any electronic medium; or (c) transmitted or maintained in any other form or medium. "Protected Health Information" does not include Individually Identifiable health information in (x) education records covered by the Family Educational Right and Privacy Act, as amended (20 USC §1232(g) or (y) records described in 20 USC §1231g(a)(4)(B)(iv). For purposes of this definition, Individually Identifiable Health Information shall mean health information, including demographic information collected from an individual, that: (aa) is created or received by a health care provider (including the P.C.), health plan, employer or health care clearing house; and (bb) relates to the past. present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual and that (1) identifies the individual or (2) with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

B. "Required by Law" shall mean a mandate contained in law that compels the use or disclosure of Protected Health Information and that is enforceable in a court of law. "Required by Law" includes, but is not limited to, court orders and court-ordered warrants; subpoenas or summons issued by a court, grand jury, a governmental or tribal inspector general, or an administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions or participation with respect to health care providers participating in the program; and statutes or regulations that require such information if payment is sought under a government program providing public benefits.

Any terms used but not otherwise defined in this Addendum shall have the same meaning as the meaning ascribed to those terms in HIPAA.

II. Permitted Uses and Disclosures. Business Associate may use or disclose Protected Health Information received or created by Business Associate pursuant to the Agreement solely for the following purposes:

A. Business Associate may use or disclose Protected Health Information as necessary to carry out Business Associate's responsibilities and duties under the Agreement.

B. Business Associate may use or disclose Protected Health Information for Business Associate's proper management and administration ore to fulfill any present or future legal responsibilities of Business Associate; provided, however, that if Business Associate discloses Protected Health Information to a third party under this Section II(b), Business Associate shall Ii) obtain reasonable assurances from the person to whom the Protected Health Information is disclosed that it will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed and (ii) obligate such person to notify Business Associate of any instances of which it is aware in which the confidentiality of the Protected Health Information has been breached.

C. Business Associate may use or disclose protected Information as Required by Law.

D. Any use or disclosure of Protected Health Information permitted hereunder shall be limited to the minimum amount necessary to accomplish the intended purpose of the use, disclosure or request and shall otherwise be accordance with HIPAA.

III. Disclosure to Agent. In the event Business Associate disclosed to any agent, including a subcontractor, Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C., Business Associate shall obligate each such agent to agree to the same restrictions and conditions regarding the use and disclosure of Protected Health Information as are applicable to Business Associate under this Addendum.

IV. Safeguards. Business Associate shall employ appropriate administrative, technical and physical safeguards, consistent with the size and complexity of Business Associate's operations, to prevent the use or disclosure of Protected Health Information in any manner inconsistent with the terms of this Addendum. Business Associate shall maintain a written security program describing such safeguards, a copy of which shall be available to the P.C. upon request.

V. Reporting of Improper Disclosures. Business Associate shall report to the P.C. any unauthorized or improper use or disclosure of Protected Health Information within one (1) business day of the date on which Business Associate becomes aware of such use or disclosure.

VI. Reporting of Disclosures of Security Incidents. Business Associate shall report to the P.C. any Security Incident of which it becomes aware. For purposes of this Addendum, "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system; provided, however, that Business Associate shall not have any obligation to notify P.C. of any unsuccessful attempts to (i) obtain unauthorized access to P.C.'s information in Business Associate's possession, or (ii) interfere with Business Associate's system operations in an information system, where such unsuccessful attempts are extremely numerous and common to all users of electronic information systems (e.g., attempted unauthorized access to information systems, attempted modification or destruction of data files and software, attempted transmission of a computer virus).

VII. Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Addendum.

VIII. Access to protected health information by the P.C.

A. Within (10) days of a request by the P.C., Business Associate shall provide to the P.C. all Protected Health Information in Business Associate's possession necessary for the P.C. to provide patients or their representatives with access to or copies thereof in accordance with 45 CFR §§ 164.524.

B. Within ten (10) days of a request by the P.C., Business Associate shall provide to the P.C. all information and records in Business Associate's possession necessary for the P. C. to provide patients or their representatives with an accounting of disclosures thereof in accordance with 45 C.F.R § 164.528.

C. Within ten (10) days of a request by the P.C. Business Associate shall provide to the P.C. all protected Health Information in Business Associate's possession necessary for the P.C. to respond to a request by a patient to amend such Protected Health Information in accordance with 45 C.F.R. § 164.526. At the P.C.'s direction, Business Associate shall incorporate any amendments to a patient's Protected Health Information made by the P.C. into the copies of such information maintained by Business Associate.

IX. Access of HHS. Business Associate shall make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from the P.C., or created or received by Business Associate on behalf of the P.C., to HHS in accordance with HIPAA and the regulations promulgated thereunder.

X. Return of Protected Health Information Upon Termination. Upon termination of the Agreement, Business Associate shall: (a) if feasible, return or destroy all Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C. that Business Associate still maintains in any form, and Business Associate shall retain no copies of such information; or (b) if Business Associate reasonably determines that such return or destruction is not feasible, extend the protections of this Addendum to such information and limit further uses and disclosures to those purposes that make the return or destruction of the Protected Health Information infeasible.

XI. Obligations of P.C.

A. Upon request of Business Associate, P.C. shall provide Business Associate with the notice of privacy practices that P.C. produces in accordance with 45 CFR §164.520.

B. P.C. shall provide Business Associate with any changes in, or revocation of, permission by an individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses and disclosures.

C. P.C. shall notify Business Associate of any restriction on the use or disclosure of Protected Health Information to which P.C. has agreed in accordance with 45 CFR §164.522 to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

XII. Amendment. If any of the regulations promulgated under HIPAA are amended or interpreted in a manner that renders this Addendum inconsistent therewith, the P.C. may, on thirty (30) days written notice to Business Associate, amend this Addendum to the extent necessary to comply with such amendments or interpretations.

XIII. Indemnification. Each of the parties shall indemnify, defend and hold harmless the other and its directors, officers, employees and agents from and against any and all third party liabilities, costs, claims and losses including, without limitation, the imposition of civil penalties by HHS under HIPAA, arising from or relating to the breach by either party or any of its directors, officers, employees or agents (including subcontractors) of the terms of this Addendum.

XIV. Conflicting Terms. In the event of any terms of this Addendum conflict with any terms of the Agreement, the terms of this Addendum shall govern and control.

MANAGEMENT AGREEMENT

(North Carolina)

THIS MANAGEMENT AGREEMENT ("Agreement") is made effective as of _____ by and between_____, a [State] [corporation/limited liability company], having its principal place of business at _____ ("the Company"), and _____, a _____ [State] professional service corporation, having its principal place of business at _____ (the "P.C.") **[This defined term may be adapted to correspond to the applicable business form (*i.e.*, P.L.L.C.).].**

WHEREAS, the P.C. has been incorporated under the laws of the State of _____ to render chiropractic services to patients of the P.C.;

WHEREAS, the P.C. desires to establish and operate a chiropractic clinic and provide chiropractic services (the "Clinic") at _____ (the "Premises") and to obtain certain equipment, furnishings, office space and management services for the P.C. from the Company; and

WHEREAS, the Company is ready, willing, and able to provide furnishings, equipment, office space and management services to the P.C. in connection with the Clinic.

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Representations and Warranties.

1.1 Representations and Warranties of the Company. The Company represents and warrants to the P.C. that at all times during the term of this Agreement, the Company is a corporation [**limited liability company**] duly organized, validly existing and in good standing under the laws of the State of _____.

1.2 Representations and Warranties of the P.C. The P.C. hereby represents and warrants to the Company that at all times during the term of this Agreement:

(a) The P.C. is a professional service corporation duly organized, validly existing and in good standing under the laws of the State of _____ and is duly licensed and qualified under all applicable laws and regulations to engage in the practice of chiropractic medicine in the State of _____.

(b) Each of the professionals employed or engaged by the P.C. to render services at the Clinic is duly licensed, certified, or registered, to render the professional services for which he or she has been employed or engaged by the P.C.

(c) The P.C. will establish and enforce procedures to ensure that proper and complete patient records are maintained regarding all patients of the P.C. as required by Section 4.10 below, applicable law and by the rules and regulations of any applicable governmental agency (collectively "Laws").

2. Furnishings and Equipment, Use of Premises, Trade Name

2.1 Title and Maintenance. During the term of this Agreement, the Company grants to the P.C. the exclusive right to use the Equipment and Furnishings specified in Exhibit A hereto, and as may be amended from time to time, on the terms and conditions hereinafter set forth. The P.C. shall use, and shall cause its Providers (as defined in Section 4.2, below) to use, the Equipment and Furnishings in connection with the Clinic in a manner that the P.C. determines is in the best interest of its patients. Title to the Equipment and Furnishings, including any improvements thereto, shall be and remain in the Company at all times. The P.C. agrees to take no action that would adversely affect the Company's title to or interest in the Equipment and Furnishings. During the term of this Agreement, the P.C. shall be responsible for maintaining the Equipment and Furnishings in good condition and repair, reasonable wear and tear from normal use excepted, including, where necessary, the replacement or substitution of parts. All maintenance, repair and replacement, if necessary, of the Equipment and Furnishings shall be performed by the Company on behalf of the P.C., in accordance with Section 3.1 of this Agreement. The P.C. agrees to assume the cost and expense of all supplies used in connection with the Equipment and Furnishings, and the P.C. agrees to make the Equipment and furnishings available for inspection by the Company or its designee at any reasonable time.

2.2 Liens, Encumbrances, Etc. The P.C. shall not directly or indirectly create or suffer to exist any mortgage, security interest, attachment, writ or other lien or encumbrance on the Furnishings or Equipment, and will promptly and at its own expense, discharge any such lien or encumbrance which shall arise, unless the same shall have been created or approved by the Company.

2.3 Use of Premises. The Company will provide as a license to use space, the use of the Premises in which the P.C. shall conduct and provide its chiropractic services at the Clinic during the term of this Agreement. This Agreement shall not be construed as a lease or sublease of the Premises, and shall not be deemed to create a relationship between a landlord and a tenant. The P.C. shall have no rights as a lessee of or any other possessory or occupancy rights to or any interest in the Premises except for the right to perform professional chiropractic services on the Premises as expressly set forth in this Agreement.

2.4 Return of Equipment and Furnishings. Upon the termination or expiration, as applicable of this Agreement, the Company shall retain all Furnishings and Equipment and the P.C. will relinquish control thereof free and clear of all liens, encumbrances, and right of others (save those created or approved by the Company).

2.5 Assignment. The P.C. shall not assign any of its rights hereunder to the use of the furnishings and Equipment to any third party, without the prior written consent of the Company.

2.6 Reporting. The P.C. shall advise the Company with respect to the selection of additional and replacement equipment or furnishings for the Clinic, and with respect to any proposed additions or improvements to the Equipment or Furnishings. The P.C. will ensure that all Equipment and Furnishings are used in a safe and appropriate manner. The P.C. shall promptly notify the Company of any defective Equipment or Furnishings. The P.C. may refer the patient for consultation or treatment elsewhere, if the P.C. deems such to be in the best interest of its patient(s). The P.C. hereby approves the use of the Equipment identified in Exhibit A hereto.

2.7 Use of Trade Name. The Company shall provide P.C. with a revocable license to use the name "The Joint…the chiropractic place" for the Clinic (the "Name") and the Name shall be used by the P.C. in conformity with all applicable Laws.

3. General Responsibilities of the Company. Except as otherwise provided in this Agreement, the Company shall have responsibility for general management and administration of the day-

to-day business operations of the P.C., exclusive of chiropractic, professional and ethical aspects of the P.C.'s chiropractic Clinic, in all respects subject to applicable Laws.

3.1 Maintenance, Repair and Servicing of Furnishings and Equipment. During the term of this Agreement, the P.C. engages the Company and the Company agrees to perform, or subcontract for the performance of, all maintenance, repair, and servicing as may be necessary for the Equipment and furnishings to be maintained in good working condition, reasonable wear and tear excepted.

3.2 Administrative and Management Services

(a) The Company shall provide, or arrange for the provision of, certain business, management and administrative services of a non-clinical nature necessary or appropriate for the proper operation of the P.C. ("the Management Services"), as described below. The Company shall be the exclusive provider to the P.C. of such Management Services. The P.C. shall not obtain any Management Services from any source other than the Company, except with the prior written consent of the Company. Subject to the terms of this Agreement and to applicable Laws, the Company is authorized to perform its services in whatever manner it deems necessary to meet the day to day requirements of the P.C., including, without limitation, performance of some business office functions at locations other than the premises of the P.C. and by person other than employees of the Company. The Company is authorized to contract with third parties, including one or more of its affiliates, for the provision of services, equipment and personnel needed to perform its obligations under this Agreement. Any contracts with such affiliates shall be arms' length agreements on terms reasonably available from reasonably efficient competing vendors. Nothing herein shall be construed to interfere with P.C.'s or its licensed providers' professional judgment or actions with respect to the diagnosis and treatment of any of their patients.

(b) The Management Services to be provided by the Company for the Clinic shall include, but not be limited to, the following:

(i) business planning;

(ii) financial management, including causing annual financial statements to be prepared for the P.C., providing to the P.C. the data necessary for the P.C. to prepare and file its tax returns and make any other necessary governmental filings, paying on behalf of the P.C., the P.C.'s Monthly Obligations (as defined in Section 4.4(d) hereof);

(iii) bookkeeping, accounting, and data processing services;

(iv) maintenance of patient records owned and maintained by the P.C. in accordance with procedures established by the P.C. pursuant to Section 1.2(c) above;

(v) materials management, including purchase and stock of office supplies and maintenance of equipment and facilities, subject to the P.C.'s approval of the selection of chiropractic equipment for the Clinic;

(vi) administering or causing to be administered any welfare, benefit or insurance plan or arrangement of the P.C.;

(vii) coordinate human resources management, including primary direction of recruitment, training, and management of all Administrative Staff (defined in Section 3.3 below);

(viii) billing to and collection from all payors, accounts receivable and accounts payable processing, all in accordance with the P.C.'s decisions made in consultation with the Company;

(ix) administering utilization, cost and quality management systems that are established in accordance with Section 4.3;

(x) subject to the P.C.'s approval of all materials that become public, developing a marketing program which includes the design, procurement, and monitoring of electronic and print advertising of the Clinic, in conformity with the requirements of applicable Laws;

(xi) arrange for the P.C. to obtain and maintain malpractice and other agreed upon insurance coverages;

(xii) providing administrative services in connection with the P.C.'s advertising, marketing and promotional activities of the Clinic, in accordance with applicable laws;

(xiii) arranging for necessary legal services except with respect to any legal dispute between the P.C. and the Company;

(xiv) performing credentialing support services such as application processing and information verification;

(xv) developing and providing OSHA compliance programs and consulting;

(xvi) developing and providing P.C. with consulting services regarding pricing and membership plan strategies for the Clinic, subject to the requirements of applicable provisions of Law. Notwithstanding the foregoing, the parties expressly acknowledge and agree that all policies and decisions relating to pricing, credit, refunds and warranties shall be established in compliance with applicable Laws; and

(xvii) to the extent not included in any of the services listed in Section 3.2(b)(i) – (xv) providing:

(a) relationship development with Chiropractic schools;

(b) personnel training and orientation in non-Chiropractic areas;

(c) monitoring of industry developments and strategic planning;

(d) payroll processing;

(e) public relations;

(f) facilities management;

(g) coordination and negotiation of clinic financing efforts;

(h) clinic remodels;

(i) continuing education programs;

(j) client scheduling design software;

(k) coordinate client service and complaint handling, provided that any clinical complaints shall be directed to the P.C. or its providers;

(l) clinic management analysis;

(m) internal publications development and distribution;

(n) conference and travel coordination; and

(o) administration of committees.

(c) The Company shall not provide any of the following services to the Clinic:

(i) the assignment of Providers to treat patients;

(ii) assumption of responsibility for the care of patients;

(iii) serving as the party to whom bills and charges are made payable;

(iv) any activity that involves the practice of chiropractic medicine and the provision of chiropractic services or that would cause the Clinic to be subject to licensure under applicable laws and regulations in _____ (**State**).

3.3 Administrative Staff. Subject to the requirements of applicable Laws, the Company shall, on the terms and conditions specified in this Agreement, employ or engage and make available to the Clinic, on a non-exclusive basis, sufficient non-clinical personnel and administrative staff (herein referred to collective as "Administrative Staff"). The hiring, firing, disciplining and determination of compensation and benefits of the Administrative Staff shall be within the sole discretion of the Company; provided, however, that the Company may, at the P.C.'s written request, remove from the Clinic any Administrative Staff member who does not perform to the reasonable satisfaction of P.C.

3.4 Patient Records. The Company shall use its reasonable efforts to preserve the confidentiality of patient records and use information contained in such records only to the extent permitted by applicable Laws.

3.5 Performance Standards. All Management Services provided hereunder shall be subject to commercially reasonable performance standards agreed to by the parties from time to time.

4. Responsibilities of the P.C.

4.1 Professional Services. During the term of this Agreement, the P.C. shall be solely responsible for all aspects of the diagnostic, therapeutic and related professional services delivered by the Providers at the Clinic, and for the selection, training, professional direction, supervision, employment or engagement of all Providers. In addition, the P.C. shall be solely responsible for the following determining what diagnostic tests are appropriate for a particular condition; determining the need for referrals to or consultation with another chiropractor/specialist; and the overall care of the patient, including the treatment options available.

4.2 Time Commitment. The P.C. shall employ or engage and make available to the Clinic, sufficient chiropractors and other professionals, authorized to engage to the extent permitted by law in the chiropractic services provided by the Clinic (collectively referred to as "Providers") in adequate numbers to meet the chiropractic needs of the patients of the Clinic. The P.C. shall provide such services during normal business hours, as established in consultation with the Company. The P.C. shall ensure that all work and coverage schedules meet the needs of patients of the P.C. in a competent, timely and responsive manner. The P.C. shall determine how many patients a chiropractor must see in a given period of time or how many hours a chiropractor must work.

4.3 Quality of Service. The P.C. shall establish and enforce procedures to assure the appropriateness, necessity, consistency, quality, cost effectiveness and efficacy of all chiropractic services provided to patients of the Clinic. The P.C. shall require each of its Providers who are licensed, registered or certified to perform professional services to participate in and cooperate with any utilization management, quality assurance, risk management, patient care assessment, continuous quality improvement, accreditation or other similar program or study to review the performance such Providers as may be required by the P.C., governmental agencies, professional review organizations, accrediting bodies, or health care entities or other third parties with which the P.C. may contract or affiliate. The P.C. shall ensure that no Provider materially disrupts or interferes with the performance of the P.C.'s obligations hereunder at the Clinic.

4.4 Billing and Collection.

(a) The Company shall bill and use its best efforts to collect for all services rendered by the P.C. and its Providers hereunder and for all access and membership fees as agent for the P.C. in accordance with P.C.'s decisions made in consultation with the Company regarding billing procedures for professional services provided by the P.C. All of the payments with respect to such services shall be made by cash or by check, electronic funds transfer, or credit card payable to the P.C. and shall be deposited into a bank account of the P.C. (the "Concentration Account") with a bank mutually agreed to by the Company and the P.C. (the "Account Bank"). The Company shall prepare and make available to the P.C. an accounting of receipts attributable to services provided by the P.C., and receipts attributable to services provided by the Company.

(b) The P.C. shall, and shall cause its Providers to, promptly endorse and deliver to the Company all payments, notes, checks, money orders, remittances and other evidences of indebtedness or payment received by the P.C. or its Providers, with respect to all accounts, contract rights, instruments, documents, or other rights to payment from time to time arising from the rendering of chiropractic services by the P.C. and its Providers, for access or membership fees, or otherwise relating to the business of the P.C., together with any guarantees thereof or securities therefore which are generated during the term of this Agreement. The Company is hereby granted a special power of attorney with respect to the Concentration Account and shall have the power an authority to deposit into, and withdraw funds from, all such accounts as may be required to pay P.C.'s Expenses (as defined in Section 4.13 below). The P.C. shall notify the banking institution of the concentration Account, and shall cause one or more employees or agents designated by the Company to be listed as a signatory on that account.

(c) With respect to funds deposited in the Concentration Account (the "P.C.'s revenues"), the Company shall direct the Account Bank to transfer all amounts in the Concentration Account, at the end of each day, to an operating account maintained by and in the name of the Company (the "Operating Account"). The Company shall hold the P.C.'s Revenues in the Operating Account as the P.C.'s agent, and shall administer such Revenues on the P.C.'s behalf. The Company shall separately and accurately account for the receipt, use, disposition, and interest gained on the P.C.'s Revenues.

(d) On at least a monthly basis, the Company shall pay, from the P.C.'s Revenue in the Operating Account, all of the current month's P.C. Expenses, as defined in Section 4.13 hereof and the current month's Management Fee as defined in Section 5 hereof (collectively, the "P.C.s Monthly Obligations"). In the event that the P.C.'s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the P.C.'s Monthly Obligations, the Company may advance to the P.C. an amount equal to the deficit (the "Deficit Advance") by depositing such amount in the Concentration Account or the Operating Account. The amounts of the Deficit Advances shall accrue and the P.C. shall be obligated to pay such amounts upon the termination of this Agreement. In the event that there is a monthly profit that exceeds the P.C.'s Monthly Obligations (the "Monthly Profits"), then the Company shall use such amount to repay any prior Deficit Advances made by the Company (if any) together with interest accrued thereof.

4.5 Licensure. The P.C. shall ensure that each Provider associated with P.C. maintains, if applicable, an unrestricted license to practice chiropractic or other health care profession, or to be engaged in his or her particular field of expertise in the State of _____ and, to the extent that Providers provide professional services in other states, that such individuals maintain comparable unrestricted licensure in such other jurisdictions. Each Provider shall have a level of competence, experience and skill comparable to that prevailing in the community where such Provider provides professional services.

4.6 Continuing Education. The P.C. shall ensure that each Provider shall obtain the required continuing professional education for his or her specialty in each state where such Provider provides professional services and shall provide documentation of the same to the Company.

4.7 Disciplinary Actions. The P.C. shall, and shall cause each of its Providers to, disclose to the Company during the term of this Agreement: (i) the existence of any proceeding against any Provider instituted by any plaintiff, governmental agency, health care facility, peer review organization or professional society which involves any allegation of substandard care or professional misconduct raised against any Provider, and (ii) any allegation of substandard care or professional misconduct raised against any Provider by any person or agency during the term of this Agreement.

4.8 Outside Activities. The P.C. and its Providers shall devote their best efforts to fulfill their obligations hereunder. The P.C. and its Providers shall not engage in any other professional activities, whether or not such business activity is pursued for gain, profit, or other pecuniary advantage, which would interfere with the performance of the P.C.'s duties hereunder, without the prior written consent of the Company, which consent shall not be unreasonably withheld. The P.C. shall assure that each of its Providers shall not provide chiropractic services other than on behalf of the P.C., unless such activity is disclosed in writing to and is expressly authorized in writing by the Company.

4.9 Patient Records.

(a) The P.C. and its Providers shall maintain, in a timely manner, complete, accurate and legible records for all patients of the Clinic, and all such patient records shall be the property of the P.C. The P.C. and its Providers shall comply with all applicable laws, regulations and ethical principles concerning confidentiality of patient records.

(b) The P.C. shall own and control all patient chiropractic records, including determining the contents thereof. The P.C. shall grant the Company access to the information contained in the patient records owned by the P.C. and completed by the Providers to the extent that access to such information is permitted by applicable Laws and is required in connection with the Company's administrative responsibilities hereunder. The P.C. agrees that, upon the termination of this Management Agreement (as permitted by applicable laws), the P.C. will transfer the original, or at P.C's discretion,

complete copies of all of the P.C.'s patient records to a successor P.C. or a licensed chiropractor identified by the Company who will provide chiropractic services at the Premises, or ensure that such records are transferred to a successor P.C. that will provide chiropractic services at the Premises. Notwithstanding the foregoing, such successor P.C. or chiropractor shall be obligated to transfer a patient's record in accordance with the patient's request.

(c) As required by the privacy regulations issue under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the parties shall comply with the terms of the Business Associate Addendum attached as Exhibit B of this Agreement.

4.10 Credentialing. The P.C. shall participate and cooperate in and comply with any credentialing program established from time to time by the Company.

4.11 Fees for Professional Services. The P.C. shall be solely responsible for legal, accounting, and other professional service fees it incurs, except as otherwise provided herein.

4.12 Standards of Care. The P.C. and its Providers shall render services to patients hereunder in a competent and professional manner, in compliance with generally accepted and prevailing standards of care and in compliance with applicable statutes, regulations, rules, policies and directives of federal, state and local governmental, regulatory and accrediting agencies.

4.13 P.C. Expenses. The following expenses of the P.C. that are related to the Clinic ("P.C. Expenses") shall be paid by the Management Company, on behalf of the P.C. and at the direction of the P.C.:

(a) Salaries, wages, benefits, (including health, life, and disability insurance coverage and all contributions under employee benefit plans), vacation and sick pay, employment and payroll taxes; and the cost of payroll administration and administration of benefits, for Providers employed by the P.C.;

(b) Cost of all new chiropractic and non-chiropractic equipment and supplies obtained for use in the operation of the Clinic, and depreciation cost of all capital equipment and items obtained for use in the operation of the Clinic in accordance with federal tax depreciation schedules for such equipment and items;

(c) Expenses of comprehensive professional liability insurance, professional liability insurance for each Provider of the P.C. to the extent the P.C. is required to pay for such insurance pursuant to the terms of the Provider's employment agreement, comprehensive general liability insurance and property insurance coverage for the P.C.'s facility and operations, and worker's compensation and unemployment insurance coverage for all P.C. employees;

(d) Interest expense on indebtedness (including capitalized leases) incurred with respect to debt obligations to fund the operation of, or the acquisition of capital assets for, the P.C.;

(e) State and local business license taxes, professional licensure and board certification fees, sales and use taxes, income, franchise and excise taxes and other similar taxes, fees and charges assessed against the P.C. or the Providers;

(f) Expenses incurred in the course of recruiting chiropractors, chiropractic receptionists and other professional staff to work for and/or join the P.C.; and

(g) Any federal income taxes, including the cost of preparation of the annual income tax returns of the P.C. and its Providers.

The P.C. shall promptly notify the Company of all P.C. Expenses incurred, and shall provide the Company with all invoices, bills, statements and other documents evidencing such P.C. Expenses.

5. Management Fee.

(a) In consideration of the Company (i) licensing to the P.C. the use of Equipment, Furnishings and the Name; (ii) permitting the P.C. to operate the Clinic and perform professional chiropractic services at the Premises; (iii) granting to the P.C. the right to use the personal property and leasehold improvement at the Premises; and (iv) providing all other services described in this Agreement, the P.C. hereby agrees to pay to the Company a monthly Management Fee that shall be equal to **[_____ Dollars ($_____)].** The Management Fee will be adjusted annually by the parties. The Management Fee shall be paid in accordance with Section 4.4(d). In the event that in any month the P.C.s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the monthly Management Fee, the unpaid amount of the Management Fee shall accrue each month, and the P.C. shall be obligated to pay such amount until fully paid in accordance with Section 4.4(d). The parties agree that the Management Fee represents the fair market value of the items and services provided under this Agreement. Further, the parties acknowledge that the Management Fee is not based upon, or in no way take into account, the volume or value of referrals to the Clinic or is intended to constitute remuneration for referrals, or the influencing of such referrals, to the Clinic.

(b) The portion of the Management Fee (i) allocable to the P.C.'s use of the Equipment, Furnishings and Name has been determined by the parties to equal the fair market value of the use of the Equipment, Furnishings and name, respectively, and (ii) allocable to the provisions of all other services hereunder has been determined by the parties to equal the fair market value of such other services.

(c) The Management Fee paid by the P.C. to the Company hereunder has been determined by the parties through good-faith and arm's length bargaining. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of, or recommending referral of, patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C. In addition, the Management Fee charged hereunder does not include any discount, rebate, kickback, or other reduction in charge, and the Management Fee charged hereunder is not intended to be, nor shall it be construed to be, an inducement or payment for referral, or recommendation of referral, of patients by the P.C. to the Company (or its affiliates) or by the Company (or its affiliates) to the P.C.

6. Regulatory Matters.

(a) The P.C.'s Providers shall at all times be free, in their sole discretion, to exercise their professional judgment on behalf of patients of the P.C. No provision of this Agreement is intended, nor shall it be construed, to permit the Company to affect or influence the professional judgment of any member of the P.C.'s Providers. To the extent that any act or service required or permitted of the Company by any provision of this Agreement may be construed or deemed to constitute the practice of chiropractic, the ownership or control of a chiropractic practice, or the operation of a clinic, said provision of this Agreement shall be void ab initio and the performance of said act or service by the Company shall be deemed waived by the P.C.

(b) The parties agree to cooperate with one another in the fulfillment of their respective obligations under this Agreement, and to comply with the requirements of applicable Laws and with all ordinances, statutes, regulations, directives, orders, or other lawful enactments or pronouncements of any

federal, state, municipal, local or other lawful authority applicable to the Clinic, and of any insurance company insuring the Clinic or the parties against liability for accident or injury in or upon the premises of the Clinic.

7. Insurance.

7.1 General Comprehensive Liability Insurance. During the term of this agreement, the Company shall obtain and maintain, at the P.C.'s expense, a comprehensive general liability insurance policy and such other insurances as may be required, in such amounts, with such coverages and with such companies as the Company may reasonably determine to be necessary and appropriate, as required by law or as are usual and customary. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional named insureds, and provide for third (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

7.2 Equipment Insurance. The Company shall cause to be carried and maintained, at its own expense, insurance against all risks of physical loss or damage to the Equipment in an amount not less than the original purchase price or the replacement cost with like kind and quality at the time of loss, with such companies and as the Company shall reasonably determine. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional named insureds, and provided for thirty (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

7.3 Malpractice Insurance. During the term of this Agreement, the Company shall arrange for the P.C. to obtain and maintain, at the P.C.'s expense, professional liability insurance covering the P.C. and its Providers, with limits of not less than [one million dollars ($1,000,000) per occurrence and three million dollars ($3,000,000) in the aggregate], which the parties hereby agree are adequate amounts of coverage, or such other amount as required by law. In the event the P.C. has a "claims made" form of insurance in effect at any time during the term of this Agreement, the Company shall obtain, at P.C.'s expense, full "tail" coverage to cover any event that may have occurred during the term of this Agreement. The P.C. shall provide to the Company any information with respect to the P.C. or the Providers necessary for the Company to secure such professional liability insurance. These insurance policies must name The Joint Corp., the Company, and any of their respective affiliates that the Company or The Joint Corp. designates as additional name insureds, and provide for thirty (30) days' prior written notice to the Company and The Joint Corp. and of a policy's material modification, cancellation or expiration.

8. Indemnification by the P.C. The P.C. hereby agrees to indemnify, defend, and hold harmless the Company, and each of the Company's officers, directors, shareholders, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part out of any breach by the P.C. of this Agreement or any acts or omissions by the P.C. or its Providers in their performance of this Agreement, including, but not limited to, negligence of the P.C. or its Providers arising form or related to any of their professional acts or omissions to the extent that such is not paid or covered by the proceeds of insurance. The P.C. shall immediately notify the Company of any lawsuits or actions, or any threat thereof, against P.C. or any Provider, or the Company, which may become known to the P.C.

9. Indemnification by the Company. The Company hereby agrees to indemnify, defend, and hold harmless the P.C., and each of its officers, managers, members, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part, out of any breach by the Company of this Agreement or

any willful or grossly negligent act or omission by the Company in its performance of this Agreement, to the extent that such is not paid or covered by the proceeds of insurance. The company shall immediately notify the P.C. of any lawsuits or actions, or any threat thereof, against the Company, P.C. or any Provider that may become known to the Company.

10. Non-Solicitation.

(a) To the extent permitted by applicable Laws, the P.C.s hall not, during the term of this Agreement and for a period of one (1) year from the date of termination or expiration of this Agreement, and shall ensure that its Providers shall not, during the term of their employment by the P.C. and for a period of one (1) year thereafter, solicit for employment, verbally or in writing, employ or offer employment to any employee or former employee of the Company or its affiliates, including, but not limited to any personnel provided by the Company to P.C. hereunder, without the prior written consent of the Company.

(b) To the extent permitted by law, during the term of any Provider's employment with the P.C. and for a period of one (1) year after the termination or expiration of any such Provider's employment agreement with the P.C., such Provider shall not, without the express written consent of the P.C., solicit verbally or in writing, any patient or former patient of the P.C., or otherwise interfere with such patient or former patient's relationship with the P.C. in connection with the provisions of chiropractic services. Upon termination of any Provider's employment with the P.C., the P.C. shall promptly notify the Provider's patients of how and where to contact the Provider.

(c) In the event that any of the P.C.'s Providers shall violate any provision of this Section 10, the P.C.'s President shall immediately notify the Company of such activity and the P.C. shall immediately take all necessary and appropriate corrective action.

(d) Company agrees to waive any outstanding Management Fees owed by the P.C. at termination of this agreement, pursuant to Section 4.4(d), as consideration for the non-solicitation provisions set forth in Section 10 (a) and (b) above.

11. Proprietary Rights. The P.C. recognizes and acknowledges that all records, files, reports, protocols, polities, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the company (or its affiliates), belong to and shall remain the property of the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates.

12. Enforcement.

(a) The P.C. recognizes and acknowledges that all records, files, reports, protocols, policies, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Company (or its affiliates) in rendering services hereunder, or relating to the operations of the Company (or its affiliates), belong to and shall remain the property of the Company, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Company's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Company (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Company or its respective affiliates.

(b) All works, discoveries and developments, whether or not copyrightable, relating to the Company's present, past or prospective activities, services and products ("Inventions") which are at any time conceived or reduced to practice by P.C. and/or any of its Providers, acting alone or in conjunction with others, in connection with the Company's management of the P.C. or, during the course of the P.C.'s employment or engagement of Providers (or, if based on or related to any Confidential Information, made by P.C. and/or any Provider during or after such management by the Company or employment or engagement by the P.C.) and all concepts and ideas known to P.C. or any Provider at any time during the Company's management of the P.C. which relate to the Company's present, past or prospective activities, services and products ("Concepts and Ideas") or any modifications thereof held by or known to P.C. and/or any Provider on the date of this Agreement or acquired by P.C: and/or any Provider during the term of this Agreement shall be the property of the Company, free of any reserved or other rights of any kind on P.C. and/or 'any Provider's part in respect thereof, and P.C. and/or any such Provider hereby assign all rights therein to the Company.

(c) P.C. and/or its Providers shall promptly make full disclosure of any such Inventions, Concepts and Ideas or modifications thereof to the Company. Further, P.C. and/or its Providers shall, at the Company's cost and expense, promptly execute formal applications for copyrights and also do all other acts and things (including, among others, executing and delivering instruments of further assurance or confirmation) deemed by the Company to be necessary or desirable at any time or times in order to effect the full assignment to the Company of P.C. and/or its Providers' rights and title to such Inventions, Concepts and Ideas or modifications, without payment therefor and without further compensation. In order to confirm the Company's rights, P.C. and/or its Providers will also assign to the Company any and all copyrights and reproduction rights to any written material prepared by P.C. and/or its Providers in connection with the Company's management of the P.C. or the Providers' employment or engagement by the P.C. P.C. and/or its Providers further understand that the absence of a request by the Company for information, or for the making of an oath, or for the execution of any document, shall in no way be construed to constitute a waiver of the rights of the Company under this Agreement. This Agreement shall not be construed to limit in any way any "shop rights" or other common law or contractual rights of the P.C. or the Company in or to any Inventions, Concepts and Ideas or modifications which the Company has or may have by virtue of the Company's management activities hereunder or the P.C.'s engagement of its Providers.

13. **Employment Agreements**. The P.C. agrees that it shall impose by contract on each of its Providers the obligation to abide by the applicable terms and conditions of this Agreement, including the restrictive covenants specified above. The Company and its affiliates are intended to be third-party beneficiaries of such contracts and the Company may, in its sole discretion, be a signatory to such contracts for purposes of enforcing against Providers the terms and conditions of this Agreement.

14. **Term and Termination**.

(a) The term of this Agreement shall be for [**coterminous with franchise agreement]** years commencing on the date first written above, unless sooner terminated as set forth herein, and shall automatically renew for successive one (1) year terms unless either party gives the other at least ninety (90) days prior written notice of its intention not to renew prior to the expiration of then current term.

(b) Either party may terminate this Agreement immediately upon the occurrence of any of the following events with regard to the other party: (i) the making of a general assignment for the benefit of creditors; (ii) the filing of a voluntary petition or the commencement of any proceeding by either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustments of indebtedness, reorganization, composition or extension; (iii) the filing of any involuntary petition or the commencement of any proceeding by or against either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness,

reorganization, composition or extension, which such petition or proceeding is not dismissed within ninety (90) days of the date on which it is filed or commenced; or (iv) suspension of the transaction of the usual business of either party for a period in excess of fourteen (14) days.

(c) The Company may terminate this Agreement immediately upon any of the following events:

(i) The date of death of **[Name of sole shareholder];**

(ii) The date **[Name of sole shareholder] is** determined by a court of competent jurisdiction to be incompetent, or permanently disabled so as to be unable to render any professional services

(iii) The date **[Name of sole shareholder]** becomes disqualified under the bylaws of the P.C. or applicable law to be a shareholder of the P.C.;

(iv) The date upon which any of the shares of stock in the P.C. held by **[Name of sole shareholder]** are transferred or attempted to be transferred voluntarily, by operation of law or otherwise to any person;

(v) The date upon which **[Name of sole shareholder]** ceases to provide chiropractic services in connection with the P.C.; or

(vi) The merger, consolidation, reorganization, sale, liquidation, dissolution, or other disposition of all or substantially all of the stock or assets of the P.C.

(d) The Company may terminate this Agreement immediately upon written notice to the P.C. in the event of termination for any reason of any of the following agreements: the Shareholder and Stock Transfer Restriction Agreement, the Company's operating agreement and/or the employment agreement between the P.C. and _____ **[Doctor's Name].**

(e) The Company may terminate this Agreement at any time with or without cause, by giving the P.C. forty-five (45) days' prior written notice.

(f) Either party may terminate this Agreement upon thirty (30) days' prior written notice to the other party in the event of a material breach by the other party of any material term or condition hereof, if such breach is not cured to the reasonable satisfaction of the non-breaching party within thirty (30) days after the non-breaching party has given notice thereof to the other party.

(g) Upon termination or expiration of this agreement by either party, the P.C. shall pay the Company any amounts owed to the Company under paragraph 5 hereof as of the date of termination or expiration.

(h) Upon termination or expiration of this Agreement, the P.C. shall return to the Company any and all property of the Company which may be in the P.C.'s possession or under the P.C.'s control.

(i) If, in the opinion (the "Opinion") of nationally recognized health care counsel selected by the Company, it is determined that it is more likely than not that applicable Laws in effect or to become effective as of a date certain, or if the Company or the P.C. receives notice (the "Notice") of an actual or threatened decision, finding or action by any governmental or private agency or court (collectively referred to herein as "Action"), which Laws or Action, if or when implemented, would have the effect of

subjecting either party to civil or criminal prosecution under state and/or federal laws, or other material adverse proceeding on the basis of their participation herein, then the Company or the P.C. shall provide such Opinion or Notice to the other party. The parties shall attempt in good faith to amend this Agreement to the minimum extent necessary in order to comply with such Laws or to avoid the Action, as applicable, and shall utilize mutually agreed upon joint legal counsel to the extent practicable. If, within ninety (90) days of providing written notice of such Opinion or such Notice to the other party, the parties hereto acting in good faith are unable to mutually agree upon and make amendments or alterations to this Agreement to meet the requirements in question, or alternatively, the parties mutually determine in good faith that compliance with such requirements is impossible or unfeasible, then this Agreement shall be terminated without penalty, charge or continuing liability upon the earlier of the following: the date one hundred and eight (180) days subsequent to the date upon which any party gives written notice to the other party, or the effective date upon which the Law or Action prohibits the relationship of the parties pursuant to this Agreement. In the event of a termination of this Agreement in accordance with this Section 15(j), then the restrictions contained in 10 and 11 of this Agreement shall be waived and shall be of no further effect.

15. Obligations After Termination. Except as otherwise provided herein or in any amendment hereto, following the effective date of termination of this Agreement:

(a) The Company shall continue to permit the P.C. or its authorized representatives to conduct financial audits relating to the period this Agreement was in effect;

(b) The P.C. shall cooperate with the Company to assure the appropriate transfer of patient cases and patient records;

(c) Both the Company and the P.C. shall cooperate in connection with the termination or assignment of provider contracts and other contractual arrangements; and

(d) Both the Company and the P.C. shall cooperate in the preparation of final financial statements and the final reconciliation of fees paid hereunder, which shall be calculated by the Company six (6) months after termination of this agreement; provided that in the event of a termination of this Agreement by the Company pursuant to Section 15(b), (c), or (d), the P.C. and any such Provider shall forfeit its (or his/her) rights to any future payment from the Company under this or any other agreement between the parties, except as may otherwise be agreed to by the Company in its discretion.

16. Return of Proprietary Property and Confidential Information. All documents, procedural manuals, guides, specifications, plans, drawings, designs, copyrights, service marks and trademark rights, computer programs, program descriptions and similar materials, lists of present, past or prospective patients, proposals, marketing and public relations materials, invitations to submit proposals, fee schedules and data relating to patients and the pricing of the Company's products and services, records, notebooks and similar repositories of or containing Confidential Information and Inventions (including all copies thereof) that come into P.C. and/or its Providers possession or control, whether prepared by P.C., its Providers, or others: (a) are the property of the Company, (b) will not be used by P.C. or its Providers in any way adverse to the Company or to the benefit of P.C. and/or its Providers, (c) will not be removed from the Company's premises (except as P.C. and/or its Providers' duties hereunder require) and (d) at the termination of this Agreement or engagement of such Providers, will be left with, or forthwith returned and/or restored to the Company, and P.C. and such Providers shall discontinue use of such materials.

17. Status of Parties. In the performance of the work duties and obligations under this Agreement, it is mutually understood and agreed that each party is at all times acting and performing as an independent contractor with respect to the other and that no relationship of partnership, joint venture or employment is created by this Agreement.

18. **Force Majeure**. Neither party shall be deemed to be in default of this Agreement if prevented from performing any obligation hereunder for any reason beyond its control, including but not limited to, Acts of God, war, civil commotion, fire, flood or casualty, labor difficulties, shortages of or inability to obtain labor, materials or equipment, governmental regulations or restrictions, or unusually severe weather. In any such case, the parties agree to negotiate in good faith with the goal of preserving this Agreement and the respective rights and obligations of the parties hereunder, to the extent reasonably practicable. It is agreed that financial inability shall not be a matter beyond a party's reasonable control.

19. **Notices**. Any notices to be given hereunder by either party to the other shall be deemed to be received by the intended recipient (a) when delivered personally, (b) the first business day following delivery to a nationally recognized overnight courier service with proof of delivery, or (c) three (3) days after mailing by certified mail, postage prepaid with return receipt requested, in each case addressed to the parties at the addresses set forth on page 1 above or at any other address designated by the parties in writing.

20. **Entire Agreement**. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter of this Agreement. This Agreement may not be changed orally, and may only be amended by an agreement in writing signed by both parties.

21. **No Rights in Third Parties**. Except as provided in Section 13, hereof, this Agreement is not intended to, nor shall it be construed to, create any rights in any third parties, including, without limitation, in any Providers employed or engaged by the P.C. in connection with the Clinic.

22. **Governing Law**. This Agreement shall be construed and enforced under and in accordance with the laws of the State of _____, and venue for the commencement of any action or proceeding brought in connection with this agreement shall be exclusively in the federal or state court in the State of _____, County of _____. **[Insert State where franchisee and P.C. are located.]**

23. **Severability**. If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, that provision will be enforced to the maximum extent permissible, and the remaining provisions of this Agreement will remain in full force and effect, unless to do so would result in either party not receiving the benefit of its bargain.

24. **Waiver**. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to that term or any other term of this Agreement.

25. **Rights Unaffected**. No amendment, supplement or termination of this Agreement shall affect or impair any right or obligations which shall have theretofore matured hereunder.

26. **Interpretation of Syntax**. All references made and pronouns used herein shall be construed in the singular or plural, and in such gender, as the sense and circumstances require.

27. **Successors**. This Agreement shall be binding upon and shall inure to the benefit of the parties, their respective heirs, executors, administrators and assigns.

28. **Further Actions**. Each of the parties agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

29. **Non-Assignment**. The P.C. may not assign this Agreement except with the prior written approval of the Company. The Company may assign this Agreement.

30. **Access of the Government to Records**. To the extent that the provisions of Section 1861(v)(1)(I) of the Social Security Action [42 U.S.C. § 1395x(v)(1)(I)] are applicable to this Agreement, the parties agree to make available, upon the written request of the Secretary of the Department of Health and Human Services or upon the request of the Comptroller General, or any of their duly authorized representatives, this Agreement, and other books, records and documents that are necessary to certify the nature and extent of costs incurred by them for services furnished under this Agreement. The obligations hereunder shall extent for four (4) years after furnishing of such services. The parties shall notify each other of any such request for records.

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto affix their signatures below and execute this Agreement under seal.

[P.C.]	**[JOINT FRANCHISEE/ "Company"]**
By:_____	**By:_____**
Its: President	**Its:_____**

EXHIBIT A

TO JOINT MANAGEMENT AGREEMENT

EQUIPMENT/FURNISHINGS

[Insert "Supply List" for each Clinic]

EXHIBIT B

TO JOINT MANAGEMENT AGREEMENT

BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum (the "Addendum") to the Management Agreement (the "Agreement") dated _____, by and between the P.C. and the Company (for purposes of this addendum, the "Business Associate"), is entered into for the purpose of complying with the Health Insurance Portability and Accessibility Act of 1996, as amended by the Health Information Technology Act of 2009 (the "HITECH Act"), and the regulations promulgated under HIPAA and the HITECH Act (all of the foregoing collectively referred to as "HIPAA").

I. Definitions. For purposes of this addendum, the following capitalized terms shall have the meanings ascribed to them below:

A. "Protected Health Information" shall mean Individually Identifiable Health Information (as defined below) that is (a) transmitted by electronic media; (b) maintained in any electronic medium; or (c) transmitted or maintained in any other form or medium. "Protected Health Information" does not include Individually Identifiable health information in (x) education records covered by the Family Educational Right and Privacy Act, as amended (20 USC §1232(g) or (y) records described in 20 USC §1231g(a)(4)(B)(iv). For purposes of this definition, Individually Identifiable Health Information shall mean health information, including demographic information collected from an individual, that: (aa) is created or received by a health care provider (including the P.C.), health plan, employer or health care clearing house; and (bb) relates to the past. present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual and that (1) identifies the individual or (2) with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

B. "Required by Law" shall mean a mandate contained in law that compels the use or disclosure of Protected Health Information and that is enforceable in a court of law. "Required by Law" includes, but is not limited to, court orders and court-ordered warrants; subpoenas or summons issued by a court, grand jury, a governmental or tribal inspector general, or an administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions or participation with respect to health care providers participating in the program; and statutes or regulations that require such information if payment is sought under a government program providing public benefits.

Any terms used but not otherwise defined in this Addendum shall have the same meaning as the meaning ascribed to those terms in HIPAA.

II. Permitted Uses and Disclosures. Business Associate may use or disclose Protected Health Information received or created by Business Associate pursuant to the Agreement solely for the following purposes:

A. Business Associate may use or disclose Protected Health Information as necessary to carry out Business Associate's responsibilities and duties under the Agreement.

B. Business Associate may use or disclose Protected Health Information for Business Associate's proper management and administration ore to fulfill any present or future legal responsibilities of Business Associate; provided, however, that if Business Associate discloses Protected Health Information to a third party under this Section II(b), Business Associate shall Ii) obtain reasonable assurances from the person to whom the Protected Health Information is disclosed that it will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed and (ii) obligate such person to notify Business Associate of any instances of which it is aware in which the confidentiality of the Protected Health Information has been breached.

C. Business Associate may use or disclose protected Information as Required by Law.

D. Any use or disclosure of Protected Health Information permitted hereunder shall be limited to the minimum amount necessary to accomplish the intended purpose of the use, disclosure or request and shall otherwise be accordance with HIPAA.

III. Disclosure to Agent. In the event Business Associate disclosed to any agent, including a subcontractor, Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C., Business Associate shall obligate each such agent to agree to the same restrictions and conditions regarding the use and disclosure of Protected Health Information as are applicable to Business Associate under this Addendum.

IV. Safeguards. Business Associate shall employ appropriate administrative, technical and physical safeguards, consistent with the size and complexity of Business Associate's operations, to prevent the use or disclosure of Protected Health Information in any manner inconsistent with the terms of this Addendum. Business Associate shall maintain a written security program describing such safeguards, a copy of which shall be available to the P.C. upon request.

V. Reporting of Improper Disclosures. Business Associate shall report to the P.C. any unauthorized or improper use or disclosure of Protected Health Information within one (1) business day of the date on which Business Associate becomes aware of such use or disclosure.

VI. Reporting of Disclosures of Security Incidents. Business Associate shall report to the P.C. any Security Incident of which it becomes aware. For purposes of this Addendum, "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system; provided, however, that Business Associate shall not have any obligation to notify P.C. of any unsuccessful attempts to (i) obtain unauthorized access to P.C.'s information in Business Associate's possession, or (ii) interfere with Business Associate's system operations in an information system, where such unsuccessful attempts are extremely numerous and common to all users of electronic information systems (e.g., attempted unauthorized access to information systems, attempted modification or destruction of data files and software, attempted transmission of a computer virus).

VII. Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Addendum.

VIII. Access to protected health information by the P.C.

A. Within (10) days of a request by the P.C., Business Associate shall provide to the P.C. all Protected Health Information in Business Associate's possession necessary for the P.C. to provide patients or their representatives with access to or copies thereof in accordance with 45 CFR §§ 164.524.

B. Within ten (10) days of a request by the P.C., Business Associate shall provide to the P.C. all information and records in Business Associate's possession necessary for the P. C. to provide patients or their representatives with an accounting of disclosures thereof in accordance with 45 C.F.R § 164.528.

C. Within ten (10) days of a request by the P.C. Business Associate shall provide to the P.C. all protected Health Information in Business Associate's possession necessary for the P.C. to respond to a request by a patient to amend such Protected Health Information in accordance with 45 C.F.R. § 164.526. At the P.C.'s direction, Business Associate shall incorporate any amendments to a patient's Protected Health Information made by the P.C. into the copies of such information maintained by Business Associate.

IX. Access of HHS. Business Associate shall make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from the P.C., or created or received by Business Associate on behalf of the P.C., to HHS in accordance with HIPAA and the regulations promulgated thereunder.

X. Return of Protected Health Information Upon Termination. Upon termination of the Agreement, Business Associate shall: (a) if feasible, return or destroy all Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C. that Business Associate still maintains in any form, and Business Associate shall retain no copies of such information; or (b) if Business Associate reasonably determines that such return or destruction is not feasible, extend the protections of this Addendum to such information and limit further uses and disclosures to those purposes that make the return or destruction of the Protected Health Information infeasible.

XI. Obligations of P.C.

A. Upon request of Business Associate, P.C. shall provide Business Associate with the notice of privacy practices that P.C. produces in accordance with 45 CFR §164.520.

B. P.C. shall provide Business Associate with any changes in, or revocation of, permission by an individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses and disclosures.

C. P.C. shall notify Business Associate of any restriction on the use or disclosure of Protected Health Information to which P.C. has agreed in accordance with 45 CFR §164.522 to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

XII. Amendment. If any of the regulations promulgated under HIPAA are amended or interpreted in a manner that renders this Addendum inconsistent therewith, the P.C. may, on thirty (30) days written notice to Business Associate, amend this Addendum to the extent necessary to comply with such amendments or interpretations.

XIII. Indemnification. Each of the parties shall indemnify, defend and hold harmless the other and its directors, officers, employees and agents from and against any and all third party liabilities, costs, claims and losses including, without limitation, the imposition of civil penalties by HHS under HIPAA, arising from or relating to the breach by either party or any of its directors, officers, employees or agents (including subcontractors) of the terms of this Addendum.

XIV. Conflicting Terms. In the event of any terms of this Addendum conflict with any terms of the Agreement, the terms of this Addendum shall govern and control.

MANAGEMENT AGREEMENT

(Kansas)

THIS MANAGEMENT AGREEMENT ("Agreement") is made effective as of _____, 20__ by and between _____, a Kansas [corporation/limited liability company], having its principal place of business at _____ ("the Manager"), and _____, a Kansas professional service corporation, having its principal place of business at _____ (the "P.C.") **[This defined term may be adapted to correspond to the applicable business form (*i.e.*, P.L.L.C.).]** (individually, a "Party," and collectively, "Parties").

WHEREAS, the P.C. has been incorporated under the laws of the State of Kansas to render chiropractic services to patients of the P.C.; and

WHEREAS, the Manager is in the business of providing administrative, consulting, and other support services to chiropractic practices; and

WHEREAS, the P.C. desires to establish and operate a chiropractic clinic and provide chiropractic services (the "Clinic") at _____ (the "Premises") and to obtain certain equipment, furnishings, office space and management services for the P.C. from the Manager; and

WHEREAS, the Manager is ready, willing, and able to provide, to the extent permitted by applicable law, furnishings, equipment, office space and management services to the P.C. in connection with the Clinic; and

WHEREAS, the Manager and P.C. intend for this Agreement to comply with the Kansas Healing Arts Act in all respects.

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

31. Representations and Warranties.

1.1 Representations and Warranties of the Manager. The Manager represents and warrants to the P.C. that at all times during the term of this Agreement, the Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Kansas.

1.2 Representations and Warranties of the P.C. The P.C. hereby represents and warrants to the Manager that at all times during the term of this Agreement:

(d) The P.C. is a professional service corporation duly organized, validly existing and in good standing under the laws of the State of Kansas and is duly licensed and qualified under all applicable laws and regulations to engage in the practice of chiropractic medicine in the State of Kansas.

(e) Each of the professionals employed or engaged by the P.C. to render services at the Clinic is duly licensed, certified, or registered, to render the professional services for which he or she has been employed or engaged by the P.C.

32. Furnishings and Equipment, Use of Premises, Trade Name

2.1 Title and Maintenance. During the term of this Agreement, the Manager grants to the P.C. the exclusive right to use the Equipment and Furnishings specified in Exhibit A hereto, and as may be amended from time to time, on the terms and conditions hereinafter set forth. The P.C. shall use, and shall cause its Providers (as defined in Section 4.2, below) to use, the Equipment and Furnishings only in connection with the Clinic. Title to the Equipment and Furnishings, including any improvements thereto, shall be and remain in the Manager at all times. The P.C. agrees to take no action that would adversely affect the Manager's title to or interest in the Equipment and Furnishings. During the term of this Agreement, the P.C. shall be responsible for maintaining the Equipment and Furnishings in good condition and repair, reasonable wear and tear from normal use excepted, including, where necessary, the replacement or substitution of parts. All maintenance, repair and replacement, if necessary, of the Equipment and Furnishings shall be performed by the Manager on behalf of the P.C., in accordance with Section 3.1 of this Agreement. The P.C. agrees to assume the cost and expense of all supplies used in connection with the Equipment and Furnishings, and the P.C. agrees to make the Equipment and furnishings available for inspection by the Manager or its designee at any reasonable time.

2.2 Liens, Encumbrances, Etc. The P.C. shall not directly or indirectly create or suffer to exist any mortgage, security interest, attachment, writ or other lien or encumbrance on the Furnishings or Equipment, and will promptly and at its own expense, discharge any such lien or encumbrance which shall arise, unless the same shall have been created or approved by the Manager.

2.3 Use of Premises, Furnishings, and Equipment. The Manager shall lease or sublease office space, Equipment, and Furnishings to P.C. pursuant to a separate real estate and equipment sublease agreement in the form attached as Exhibit B, which, upon execution by both Parties, shall be considered incorporated by reference in this Agreement.

2.4 Return of Equipment and Furnishings. Upon the termination or expiration, as applicable of this Agreement, the Manager shall retain all Furnishings and Equipment and the P.C. will relinquish control thereof free and clear of all liens, encumbrances, and right of others (save those created or approved by the Manager).

2.5 Assignment. The P.C. shall not assign any of its rights hereunder to the use of the Premises, Furnishings, and Equipment to any third party, without the prior written consent of the Manager.

2.6 Reporting. The P.C. shall advise the Manager with respect to the selection of additional and replacement equipment or furnishings for the Clinic, and with respect to any proposed additions or improvements to the Equipment or Furnishings. The P.C. will ensure that all Equipment and Furnishings are used in a safe and appropriate manner. The P.C. shall promptly notify the Manager of any defective Equipment or Furnishings.

2.7 Use of Trade Name. The Manager shall provide P.C. with a revocable license to use the name "The Joint…the chiropractic place" for the Clinic (the "Name") and the Name shall be used by the P.C. in conformity with all applicable Laws. Nothing herein shall be interpreted as prohibiting P.C. from marketing, advertising, or otherwise holding itself and its Providers out to the public as affiliated with **[insert name of P.C.]**

33. General Responsibilities of the Manager. Except as otherwise provided in this Agreement, the Manager shall have responsibility for general management and administration of the day-to-day business operations of the P.C., exclusive of chiropractic, professional and ethical aspects of the P.C.'s chiropractic Clinic, in all respects subject to applicable Laws. Notwithstanding any other provision in this Agreement to the contrary, the P.C. and the Manager hereby covenant and agree that the relationship

between the P.C. and the Manager is not intended to, shall not, and does not, affect or limit in any way the exercise of the independent professional judgment of any professionals employed or engaged by the P.C. regarding the diagnosis or treatment of any disease, disorder, or physician condition.

3.1 Maintenance, Repair and Servicing of Furnishings and Equipment. During the term of this Agreement, the P.C. engages the Manager and the Manager agrees to perform, or subcontract for the performance of, all maintenance, repair, and servicing as may be necessary for the Equipment and Furnishings to be maintained in good working condition, reasonable wear and tear excepted.

3.3 Administrative and Management Services

(a) The Manager shall provide, or arrange for the provision of, certain business, management and administrative services of a non-clinical nature necessary or appropriate for the proper operation of the P.C. ("the Management Services"), as described below. The Manager shall be the exclusive provider to the P.C. of such Management Services. The P.C. shall not obtain any Management Services from any source other than the Manager, except with the prior written consent of the Manager. Subject to the terms of this Agreement and to applicable Laws, the Manager is authorized to perform its services in whatever manner it deems necessary to meet the day-to-day requirements of the P.C., including, without limitation, performance of some business office functions at locations other than the premises of the P.C. and by person other than employees of the Manager. The Manager is authorized to contract with third parties, including one or more of its affiliates, for the provision of services, equipment and personnel needed to perform its obligations under this Agreement. Any contracts with such affiliates shall be arms' length agreements on terms reasonably available from reasonably efficient competing vendors.

(b) The Management Services to be provided by the Manager for the Clinic shall include, but not be limited to, the following:

(i) business planning;

(ii) financial management, including causing annual financial statements to be prepared for the P.C., providing to the P.C. the data necessary for the P.C. to prepare and file its tax returns and make any other necessary governmental filings, paying on behalf of the P.C., the P.C.'s Monthly Obligations (as defined in Section 4.4(d) hereof);

(iii) bookkeeping, accounting, and data processing services;

(iv) materials management, including purchase and stock of office supplies and maintenance of equipment and facilities, subject to the P.C.'s approval of the selection of chiropractic equipment for the Clinic;

(v) administering or causing to be administered any welfare, benefit or insurance plan or arrangement of the P.C.;

(vi) human resources management, including primary direction and control of recruitment, training, and management of all Administrative Staff (defined in Section 3.3 below);

(vii) billing to and collection from all payors, accounts receivable and accounts payable processing, all in accordance with the P.C.'s decisions made in consultation with the Company;

(viii) administering utilization, cost and quality management systems that are established in accordance with Section 4.3;

(ix) developing a marketing program which includes the design, procurement, and monitoring of electronic and print advertising of the Clinic, in conformity with the requirements of applicable Laws;

(x) arrange for the P.C. to obtain and maintain malpractice and other agreed upon insurance coverages;

(xi) providing administrative services in connection with the P.C.'s advertising, marketing and promotional activities of the Clinic, in accordance with applicable laws;

(xii) arranging for necessary legal services except with respect to any legal dispute between the P.C. and the Manager;

(xiii) performing credentialing support services such as application processing and information verification;

(xiv) developing and providing OSHA compliance programs and consulting;

(xv) developing and providing P.C. with consulting services regarding pricing and membership plan strategies to be followed by the Clinic, subject to the requirements of applicable provisions of Law. Notwithstanding the foregoing, the parties expressly acknowledge and agree that all policies and decisions relating to pricing, credit, refunds and warranties shall be established in compliance with applicable Laws; and

(xvi) to the extent not included in any of the services listed in Section 3.2(b)(i) – (xv) providing and/or facilitating:

(p) relationship development with Chiropractic schools;

(q) personnel training and orientation in non-Chiropractic areas;

(r) monitoring of industry developments and strategic planning;

(s) payroll processing;

(t) public relations;

(u) facilities management;

(v) coordination and negotiation of clinic financing efforts;

(w) clinic remodels;

(x) continuing education programs;

(y) client scheduling protocol design;

(z) client service and complaint handling;

(aa) clinic management analysis;

(bb) internal publications development and distribution;

(cc) conference and travel coordination; and

(dd) administration of committees.

(c) The Manager shall not provide any of the following services to the Clinic:

(v) the assignment of Providers to treat patients;

(vi) assumption of responsibility for the care of patients;

(vii) serving as the party to whom bills and charges are made payable;

(viii) any activity that involves the practice of chiropractic medicine and the provision of chiropractic services or that would cause the Clinic to be subject to licensure under applicable laws and regulations in Kansas.

3.3 Administrative Staff. Subject to the requirements of applicable Laws, the Manager shall, on the terms and conditions specified in this Agreement, employ or engage and make available to the Clinic, on a non-exclusive basis, sufficient non-clinical personnel and administrative staff (herein referred to collective as "Administrative Staff"). The hiring, firing, disciplining and determination of compensation and benefits of the Administrative Staff shall be within the sole discretion of the Manager; provided, however, that the Company may, at the P.C.'s written request, remove from the Clinic any Administrative Staff member who does not perform to the reasonable satisfaction of P.C.

3.4 Patient Records. The Manager shall use its reasonable efforts to preserve the confidentiality of patient records and use information contained in such records only to the extent permitted by applicable Laws.

3.5 Performance Standards. All Management Services provided hereunder shall be subject to commercially reasonable performance standards agreed to by the parties from time to time.

3.6 Reservation of Rights to P.C. No provision of this Agreement shall be construed to give the Manager the right or authority to control the following functions of P.C. and/or Clinic: (1) the provision of chiropractic services to patients; (2) the decision to accept individual patients for treatment; (3) the direction or delegation of professional services; (4) the ownership of patient records; and (5) the supervision of clinical staff. The Manager hereby affirms that P.C. and/or Clinic possesses complete and the sole right with respect to each of the foregoing functions.

4. Responsibilities of the P.C.

4.1 Professional Services. During the term of this Agreement, the P.C. shall be solely responsible for all aspects of the diagnostic, therapeutic and related professional services delivered by the Providers at the Clinic, and for the selection, training, professional direction, supervision, employment or engagement of all Providers. In addition, the P.C. shall be solely responsible for determining what diagnostic tests are appropriate for a particular condition; determining the need for referrals to or consultation with another chiropractor/specialist; and the overall care of the patient, including the treatment options available.

4.2 Time Commitment. The P.C. shall employ or engage and make available to the Clinic, sufficient chiropractors and other professionals, authorized to engage to the extent permitted by law in the chiropractic services provided by the Clinic (collectively referred to as "Providers") in adequate numbers to meet the chiropractic needs of the patients of the Clinic. The P.C. shall provide such services during normal business hours, as established in consultation with the Manager. The P.C. shall ensure that all work and coverage schedules meet the needs of patients of the P.C. in a competent, timely and responsive manner. The P.C. shall determine how many patients a chiropractor must see in a given period of time or how many hours a chiropractor must work. Notwithstanding the foregoing, no provision in this Section 4.2 is intended to suggest that the Manager has been given the right to direct or control P.C.'s determinations regarding patient volume, professional staffing, hours of work required of any particular Provider, scheduling or other matters related to patient treatment or a Provider's professional judgment.

4.3 Quality Assurance and Utilization Management. The Manager shall, as an Expense, assist the P.C. in the establishment and implementation of procedures and programs to assure the appropriateness, necessity, consistency, quality, cost effectiveness and efficacy of all chiropractic services provided to patients of the Clinic including utilization management, quality assurance, risk management, patient care assessment, continuous quality improvement, accreditation or other similar program or study to review the performance Clinic and its Providers as may be required by the P.C., governmental agencies, professional review organizations, accrediting bodies, or health care entities or other third parties with which the P.C. may contract or affiliate. Nothing herein is intended to or shall be interpreted as controlling, attempting to control, influencing, attempting to influence, or otherwise interfering with the exercise of the Clinic or a Provider's independent professional judgment regarding the provision of chiropractic services.

4.4 Billing and Collection.

(e) The Manager shall bill and use its best efforts to collect for all services rendered by the P.C. and its Providers hereunder and for all access and membership fees as agent for the P.C. in accordance with P.C.'s decisions made in consultation with the Manager regarding billing procedures for professional services provided by the P.C. Although the Manager shall supply information and advice to P.C. regarding fees generally charged within P.C.'s service area, P.C. as the provider of chiropractic services shall determine all fees charged for the provision of chiropractic services. All of the payments with respect to such services shall be made by cash or by check, electronic funds transfer, or credit card payable to the P.C. and shall be deposited into a bank account of the P.C. (the "Concentration Account") with a bank mutually agreed to by the Manager and the P.C. (the "Account Bank"). The Manager shall prepare and make available to the P.C. an accounting of receipts attributable to services provided by the P.C., and receipts attributable to services provided by the Manager.

(f) The P.C. shall, and shall cause its Providers to, promptly endorse and deliver to the Manager all payments, notes, checks, money orders, remittances and other evidences of indebtedness or payment received by the P.C. or its Providers, with respect to all accounts, contract rights, instruments, documents, or other rights to payment from time to time arising from the rendering of chiropractic services by the P.C. and its Providers, for access or membership fees, or otherwise relating to the business of the P.C., together with any guarantees thereof or securities therefore which are generated during the term of this Agreement. The Manager is hereby granted a special power of attorney with respect to the Concentration Account and shall have the power an authority to deposit into, and withdraw funds from, all such accounts as may be required to pay P.C.'s Expenses (as defined in Section 4.13 below). The P.C. shall notify the banking institution of the Concentration Account, and shall cause one or more employees or agents designated by the Manager to be listed as a signatory on that account.

(g) With respect to funds deposited in the Concentration Account (the "P.C.'s revenues"), the Manager shall direct the Account Bank to transfer all amounts in the Concentration

Account, at the end of each day, to an operating account maintained by and in the name of the Manager (the "Operating Account"). The Manager shall hold the P.C.'s Revenues in the Operating Account as the P.C.'s agent, and shall administer such Revenues on the P.C.'s behalf. The Manager shall separately and accurately account for the receipt, use, disposition, and interest gained on the P.C.'s Revenues.

(h) On at least a monthly basis, the Manager shall pay, from the P.C.'s Revenue in the Operating Account, all of the current month's P.C. Expenses, as defined in Section 4.13 hereof and the current month's Management Fee as defined in Section 5 hereof (collectively, the "P.C.'s Monthly Obligations"). In the event that the P.C.'s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the P.C.'s Monthly Obligations, the Manager may advance to the P.C. an amount equal to the deficit (the "Deficit Advance") by depositing such amount in the Concentration Account or the Operating Account. The amounts of the Deficit Advances shall accrue and the P.C. shall be obligated to pay such amounts upon the termination of this Agreement. In the event that there is a monthly profit that exceeds the P.C.'s Monthly Obligations (the "Monthly Profits"), then the Manager shall use such amount to repay any prior Deficit Advances made by the Manager (if any) together with interest accrued thereof.

4.5 Licensure. The P.C. shall ensure that each Provider associated with P.C. maintains, if applicable, an unrestricted license to practice chiropractic or other health care profession, or to be engaged in his or her particular field of expertise in the State of Kansas and, to the extent that Providers provide professional services in other states, that such individuals maintain comparable unrestricted licensure in such other jurisdictions. Each Provider shall have a level of competence, experience and skill comparable to that prevailing in the community where such Provider provides professional services.

4.6 Continuing Education. The P.C. shall ensure that each Provider shall obtain the required continuing professional education for his or her specialty in each state where such Provider provides professional services and shall provide documentation of the same to the Manager.

4.7 Disciplinary Actions. The P.C. shall, and shall cause each of its Providers to, disclose to the Manager during the term of this Agreement: (i) the existence of any proceeding against any Provider instituted by any plaintiff, governmental agency, health care facility, peer review organization or professional society which involves any allegation of substandard care or professional misconduct raised against any Provider, and (ii) any allegation of substandard care or professional misconduct raised against any Provider by any person or agency during the term of this Agreement.

4.8 Patient Records.

(d) The P.C. and its Providers shall maintain, in a timely manner, complete, accurate and legible records for all patients of the Clinic, and all such patient records shall be the property of the P.C. The P.C. and its Providers shall comply with all applicable laws, regulations and ethical principles concerning confidentiality of patient records.

(e) The P.C. shall own and control all patient chiropractic records, including determining the contents thereof. The P.C. shall grant the Manager access to the information contained in the patient records owned by the P.C. and completed by the Providers to the extent that access to such information is permitted by applicable Laws and is required in connection with the Manager's administrative responsibilities hereunder. The P.C. agrees that, upon the termination of this Management Agreement and any real estate and equipment sublease agreement between the Parties), the P.C.'s Providers will exercise their professional judgment with respect to patient record retention, transfer, or other appropriate disposition, and as permitted by applicable laws, the P.C. will make available complete copies of patient records to a successor P.C. or chiropractor as needed in the best interests of the P.C.'s patients for

purposes of the continuity of patient care. Notwithstanding the foregoing, P.C. shall at all times maintain ownership of all patient records and retain such records in accordance with applicable law.

(f) As required by the privacy regulations issue under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the parties shall comply with the terms of the Business Associate Addendum attached as Exhibit C of this Agreement.

4.9 Credentialing. The P.C. shall participate and cooperate in and comply with any credentialing program established from time to time by the Manager.

4.10 Fees for Professional Services. The P.C. shall be solely responsible for legal, accounting, and other professional service fees it incurs, except as otherwise provided herein.

4.11 Standards of Care. The P.C. and its Providers shall render services to patients hereunder in a competent and professional manner, in compliance with generally accepted and prevailing standards of care and in compliance with applicable statutes, regulations, rules, policies and directives of federal, state and local governmental, regulatory and accrediting agencies.

4.12 P.C. Expenses. The following expenses of the P.C. that are related to the Clinic ("P.C. Expenses") shall be paid by the Manager, on behalf of the P.C. and at the direction of the P.C.:

(a) Salaries, wages, benefits, (including health, life, and disability insurance coverage and all contributions under employee benefit plans), vacation and sick pay, employment and payroll taxes; and the cost of payroll administration and administration of benefits, for Providers employed by the P.C.;

(h) Cost of all new chiropractic and non-chiropractic equipment and supplies obtained for use in the operation of the Clinic, and depreciation cost of all capital equipment and items obtained for use in the operation of the Clinic in accordance with federal tax depreciation schedules for such equipment and items;

(i) Expenses of comprehensive professional liability insurance, professional liability insurance for each Provider of the P.C. to the extent the P.C. is required to pay for such insurance pursuant to the terms of the Provider's employment agreement, comprehensive general liability insurance and property insurance coverage for the P.C.'s facility and operations, and worker's compensation and unemployment insurance coverage for all P.C. employees;

(j) Interest expense on indebtedness (including capitalized leases) incurred with respect to debt obligations to fund the operation of, or the acquisition of capital assets for, the P.C.;

(k) State and local business license taxes, professional licensure and board certification fees, sales and use taxes, income, franchise and excise taxes and other similar taxes, fees and charges assessed against the P.C. or the Providers;

(l) Expenses incurred in the course of recruiting chiropractors, chiropractic receptionists and other professional staff to work for and/or join the P.C.; and

(m) Any federal income taxes, including the cost of preparation of the annual income tax returns of the P.C. and its Providers.

The P.C. shall promptly notify the Manager of all P.C. Expenses incurred, and shall provide the Manager with all invoices, bills, statements and other documents evidencing such P.C. Expenses.

5. Management Fee.

(d) In consideration of the Manager (i) licensing to the P.C. the use of Equipment, Furnishings and the Name; (ii) permitting the P.C. to operate the Clinic and perform professional chiropractic services at the Premises; (iii) granting to the P.C. the right to use the personal property and leasehold improvement at the Premises; and (iv) providing all other services described in this Agreement, the P.C. hereby agrees to pay to the Manager a monthly Management Fee that shall be equal to **[_____ Dollars ($_____)].** The Management Fee will be adjusted annually by the parties. The Management Fee shall be paid in accordance with Section 4.4(d). In the event that in any month the P.C.'s Revenue (including the current month's interest earned on the P.C.'s Revenue) is insufficient to pay fully the monthly Management Fee, the unpaid amount of the Management Fee shall accrue each month, and the P.C. shall be obligated to pay such amount until fully paid in accordance with Section 4.4(d). The parties agree that the Management Fee represents the fair market value of the items and services provided under this Agreement. Further, the parties acknowledge that the Management Fee is not based upon, or in no way take into account, the volume or value of referrals to the Clinic or is intended to constitute remuneration for referrals, or the influencing of such referrals, to the Clinic.

(e) The portion of the Management Fee (i) allocable to the P.C.'s use of the Equipment, Furnishings and Name has been determined by the parties to equal the fair market value of the use of the Equipment, Furnishings and name, respectively, and (ii) allocable to the provisions of all other services hereunder has been determined by the parties to equal the fair market value of such other services.

(f) The Management Fee paid by the P.C. to the Manager hereunder has been determined by the parties through good-faith and arm's length bargaining. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of, or recommending referral of, patients by the P.C. to the Manager (or its affiliates) or by the Manager (or its affiliates) to the P.C. In addition, the Management Fee charged hereunder does not include any discount, rebate, kickback, or other reduction in charge, and the Management Fee charged hereunder is not intended to be, nor shall it be construed to be, an inducement or payment for referral, or recommendation of referral, of patients by the P.C. to the Manager (or its affiliates) or by the Manager (or its affiliates) to the P.C.

6. Regulatory Matters.

(c) The P.C.'s Providers shall at all times be free, in their sole discretion, to exercise their professional judgment on behalf of patients of the P.C. No provision of this Agreement is intended, nor shall it be construed, to permit the Manager to affect or influence the professional judgment of any member of the P.C.'s Providers. To the extent that any act or service required or permitted of the Manager by any provision of this Agreement may be construed or deemed to constitute the practice of chiropractic, the ownership or control of a chiropractic practice, or the operation of a clinic, said provision of this Agreement shall be void ab initio and the performance of said act or service by the Manager shall be deemed waived by the P.C.

(d) The parties agree to cooperate with one another in the fulfillment of their respective obligations under this Agreement, and to comply with the requirements of applicable Laws and with all ordinances, statutes, regulations, directives, orders, or other lawful enactments or pronouncements of any federal, state, municipal, local or other lawful authority applicable to the Clinic, and of any insurance Manager insuring the Clinic or the parties against liability for accident or injury in or upon the premises of the Clinic.

7. Insurance.

7.1 General Comprehensive Liability Insurance. During the term of this agreement, the Manager shall make recommendations and obtain and maintain, at the P.C.'s expense, a comprehensive general liability insurance policy and such other insurances as may be required, in such amounts, with such coverages and with such companies as the Manager may reasonably determine to be necessary and appropriate, as required by law or as are usual and customary. The Parties acknowledge that in the event of a claim, incident, or other liability stemming from an incident on the Premises, the P.C., its Providers, the Manager, and The Joint Corp. may all be named as defendants in any ensuing litigation. To address this risk and if requested by the Manager, these insurance policies must include an endorsement naming The Joint Corp., the Manager, and any of their respective affiliates that the Manager or The Joint Corp. designates as additional named insureds thereunder, and provide for thirty (30) days' prior written notice to the P.C. from the insurer as to any material modification, cancellation or expiration. P.C. shall provide written notice to the Manager promptly upon receipt of notice given to P.C. of such material modification, cancellation or expiration.

7.2 Equipment Insurance. The Manager shall cause to be carried and maintained, at its own expense, insurance against all risks of physical loss or damage to the Equipment in an amount not less than the original purchase price or the replacement cost with like kind and quality at the time of loss, with such companies and as the Manager shall reasonably determine.

7.3 Malpractice Insurance. During the term of this Agreement, the Manager shall make recommendations and arrange for the P.C. to obtain and maintain, at the P.C.'s expense, professional liability insurance covering the P.C. and its Providers, with limits of not less than one million dollars ($1,000,000) per occurrence and three million dollars ($3,000,000) in the aggregate, which the parties hereby agree are adequate amounts of coverage, or such other amount as required by law. In the event the P.C. has a "claims made" form of insurance in effect at any time during the term of this Agreement, the Manager shall obtain, at P.C.'s expense, full "tail" coverage to cover any event that may have occurred during the term of this Agreement. The P.C. shall provide to the Manager any information with respect to the P.C. or the Providers necessary for the Manager to secure such professional liability insurance. The Parties acknowledge that in the event of a claim, incident, or other liability stemming from treatment provided by the P.C. and its Providers, the P.C., its Providers, the Manager, and The Joint Corp. may all be named as defendants in any ensuing litigation. To address this risk and if requested by the Manager, these insurance policies must name The Joint Corp., the Manager, and any of their respective affiliates that the Manager or The Joint Corp. designates as additional name insureds, and provide for thirty (30) days' prior written notice to the P.C. from the insurer as to any material modification, cancellation or expiration.

8. Indemnification by the P.C. The P.C. hereby agrees to indemnify, defend, and hold harmless the Manager, and each of the Manager's officers, directors, shareholders, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees), arising directly or indirectly, in whole or in part out of any breach by the P.C. of this Agreement or any acts or omissions by the P.C. or its Providers in their performance of this Agreement, including, but not limited to, negligence of the P.C. or its Providers arising form or related to any of their professional acts or omissions to the extent that such is not paid or covered by the proceeds of insurance. The P.C. shall immediately notify the Manager of any lawsuits or actions, or any threat thereof, against P.C. or any Provider, or the Manager, which may become known to the P.C.

9. Indemnification by the Manager. The Manager hereby agrees to indemnify, defend, and hold harmless the P.C., and each of its officers, managers, members, agents and employees, from and against any and all claims, demands, losses, liabilities, actions, lawsuits and other proceedings, judgments and awards, and costs and expenses (including court costs, and reasonable attorneys' and consultancy fees),

arising directly or indirectly, in whole or in part, out of any breach by the Manager of this Agreement or any willful or grossly negligent act or omission by the Manager in its performance of this Agreement, to the extent that such is not paid or covered by the proceeds of insurance. The Manager shall immediately notify the P.C. of any lawsuits or actions, or any threat thereof, against the Manager, P.C. or any Provider that may become known to the Manager.

10. Non-Solicitation.

(e) To the extent permitted by applicable Laws, the P.C. shall not, during the term of this Agreement and for a period of one (1) year from the date of termination or expiration of this Agreement, and shall ensure that its Providers shall not, during the term of their employment by the P.C. and for a period of one (1) year thereafter, solicit for employment, verbally or in writing, employ or offer employment to any employee or former employee of the Manager or its affiliates, including, but not limited to any personnel provided by the Manager to P.C. hereunder, without the prior written consent of the Manager.

(f) In the event that any of the P.C.'s Providers shall violate any provision of this Section 10, the P.C.'s President shall immediately notify the Manager of such activity and the P.C. shall immediately take all necessary and appropriate corrective action.

(g) Manager agrees to waive any outstanding Management Fees owed by the P.C. at termination of this Agreement, pursuant to Section 4.4(d), as consideration for the non-solicitation provisions set forth in Section 10(a) above.

11. Proprietary Rights; Confidential Information. The P.C. recognizes and acknowledges that all records, files, reports, protocols, policies, manuals, data bases, processes, procedures, computer systems, materials and other documents used by the Manager (or its affiliates) in rendering services hereunder, or relating to the operations of the Manager (or its affiliates), belong to and shall remain the property of the Manager, and constitute proprietary information and trade secrets that are valuable, special, and unique assets of the Manager's business ("Confidential Information"). The P.C. shall not, and shall assure that each of its Providers shall not, during or after the term of this Agreement, disclose any Confidential Information of the Manager (or its affiliates), or the terms and conditions of this Agreement to any other firm, person, corporation, association, or other entity for any reason or purpose whatsoever, without the written consent of the Manager or its respective affiliates. Confidential Information may be disclosed pursuant to a bona fide subpoena if the P.C. has given the Manager prompt written notice of receipt of the subpoena so that the Manager can object or otherwise intervene as it deems appropriate.

12. Enforcement.

(a) All works, discoveries and developments, whether or not copyrightable, relating to the Manager's present, past or prospective activities, services and products ("Inventions") which are at any time conceived or reduced to practice by P.C. and/or any of its Providers, acting alone or in conjunction with others, in connection with the Manager's management of the P.C. or, during the course of the P.C.'s employment or engagement of Providers (or, if based on or related to any Confidential Information, made by P.C. and/or any Provider during or after such management by the Manager or employment or engagement by the P.C.) and all concepts and ideas known to P.C. or any Provider at any time during the Manager's management of the P.C. which relate to the Manager's present, past or prospective activities, services and products ("Concepts and Ideas") or any modifications thereof held by or known to P.C. and/or any Provider on the date of this Agreement or acquired by P.C: and/or any Provider during the term of this Agreement shall be the property of the Manager, free of any reserved or other rights of any kind on P.C. and/or any Provider's part in respect thereof, and P.C. and/or any such Provider hereby assign all rights therein to the Manager.

(b) P.C. and/or its Providers shall promptly make full disclosure of any such Inventions, Concepts and Ideas or modifications thereof to the Manager. Further, P.C. and/or its Providers shall, at the Manager's cost and expense, promptly execute formal applications for copyrights and also do all other acts and things (including, among others, executing and delivering instruments of further assurance or confirmation) deemed by the Manager to be necessary or desirable at any time or times in order to effect the full assignment to the Manager of P.C. and/or its Providers' rights and title to such Inventions, Concepts and Ideas or modifications, without payment therefor and without further compensation. In order to confirm the Manager's rights, P.C. and/or its Providers will also assign to the Manager any and all copyrights and reproduction rights to any written material prepared by P.C. and/or its Providers in connection with the Manager's management of the P.C. or the Providers' employment or engagement by the P.C. P.C. and/or its Providers further understand that the absence of a request by the Manager for information, or for the making of an oath, or for the execution of any document, shall in no way be construed to constitute a waiver of the rights of the Manager under this Agreement. This Agreement shall not be construed to limit in any way any "shop rights" or other common law or contractual rights of the P.C. or the Manager in or to any Inventions, Concepts and Ideas or modifications which the Manager has or may have by virtue of the Manager's management activities hereunder or the P.C.'s engagement of its Providers.

13. <u>Term and Termination</u>.

(j) The term of this Agreement shall be for [**coterminous with franchise agreement]** years commencing on the date first written above, unless sooner terminated as set forth herein, and shall automatically renew for successive one (1) year terms unless either party gives the other at least ninety (90) days prior written notice of its intention not to renew prior to the expiration of then current term.

(k) Either party may terminate this Agreement immediately upon the occurrence of any of the following events with regard to the other party: (i) the making of a general assignment for the benefit of creditors; (ii) the filing of a voluntary petition or the commencement of any proceeding by either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustments of indebtedness, reorganization, composition or extension; (iii) the filing of any involuntary petition or the commencement of any proceeding by or against either party for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness, reorganization, composition or extension, which such petition or proceeding is not dismissed within ninety (90) days of the date on which it is filed or commenced; or (iv) suspension of the transaction of the usual business of either party for a period in excess of fourteen (14) days.

(l) The Manager may terminate this Agreement immediately upon any of the following events:

(i) The date of death of **[Name of sole shareholder];**

(ii) The date **[Name of sole shareholder] is** determined by a court of competent jurisdiction to be incompetent, or permanently disabled so as to be unable to render any professional services

(iii) The date **[Name of sole shareholder]** becomes disqualified under the bylaws of the P.C. or applicable law to be a shareholder of the P.C.**;**

(iv) The date upon which any of the shares of stock in the P.C. held by **[Name of sole shareholder]** are transferred or attempted to be transferred voluntarily, by operation of law or otherwise to any person;

(v) The date upon which **[Name of sole shareholder]** ceases to provide chiropractic services in connection with the P.C.;

(vi) The merger, consolidation, reorganization, sale, liquidation, dissolution, or other disposition of all or substantially all of the stock or assets of the P.C;

(vii) The revocation, suspension, cancellation, or restriction of any Provider's license to practice chiropractic in Kansas or any state where P.C. is providing services under this Agreement;

(viii) The revocation, suspension, cancellation, or restriction of any Provider's DEA registration; or

(ix) The inability to secure and/or maintain insurance coverage on behalf of Provider or Clinic in accordance with the provisions of Section 7.

(m) The Manager may terminate this Agreement immediately upon written notice to the P.C. in the event of termination for any reason of any of the following agreements: the Shareholder and Stock Transfer Restriction Agreement, the Manager's operating agreement and/or the employment agreement between the P.C. and _____ **[Doctor's Name].**

(n) The Manager may terminate this Agreement upon ten (10) days' written notice to the P.C. in the event P.C. fails to make any payment due the Manager in accordance with the terms and conditions of this Agreement and such breach is not cured within the 10-day notice period; provided however, that the Manager may terminate this Agreement immediately upon written notice if P.C. fails to make any payment due the Manager under this Agreement more than twice during any twelve (12) consecutive month period.

(o) The Manager may terminate this Agreement at any time with or without cause, by giving the P.C. forty-five (45) days' prior written notice.

(p) Either party may terminate this Agreement upon thirty (30) days' prior written notice to the other party in the event of a material breach by the other party of any material term or condition hereof, if such breach is not cured to the reasonable satisfaction of the non-breaching party within thirty (30) days after the non-breaching party has given notice thereof to the other party.

(q) Upon termination or expiration of this agreement by either party, the P.C. shall pay the Manager any amounts owed to the Manager under paragraph 5 hereof as of the date of termination or expiration.

(r) Upon termination or expiration of this Agreement, the P.C. shall return to the Manager any and all property of the Manager which may be in the P.C.'s possession or under the P.C.'s control.

(s) If, in the opinion (the "Opinion") of health care counsel selected by the Manager, it is determined that it is more likely than not that applicable Laws in effect or to become effective as of a date certain, or if the Manager or the P.C. receives notice (the "Notice") of an actual or threatened decision, finding or action by any governmental or private agency or court (collectively referred to herein as "Action"), which Laws or Action, if or when implemented, would have the effect of subjecting either party to civil or criminal prosecution under state and/or federal laws, or other material adverse proceeding on the basis of their participation herein, then the Manager or the P.C. shall provide such Opinion or Notice to the

other party. The parties shall attempt in good faith to amend this Agreement to the minimum extent necessary in order to comply with such Laws or to avoid the Action, as applicable, and shall utilize mutually agreed upon joint legal counsel to the extent practicable. If, within ninety (90) days of providing written notice of such Opinion or such Notice to the other party, the parties hereto acting in good faith are unable to mutually agree upon and make amendments or alterations to this Agreement to meet the requirements in question, or alternatively, the parties mutually determine in good faith that compliance with such requirements is impossible or unfeasible, then this Agreement shall be terminated without penalty, charge or continuing liability upon the earlier of the following: the date one hundred and eight (180) days subsequent to the date upon which any party gives written notice to the other party, or the effective date upon which the Law or Action prohibits the relationship of the parties pursuant to this Agreement. In the event of a termination of this Agreement in accordance with this Section 13(j), then the restrictions contained in 8 and 10 of this Agreement shall be waived and shall be of no further effect.

14. Obligations After Termination. Except as otherwise provided herein or in any amendment hereto, following the effective date of termination of this Agreement:

(e) The Manager shall continue to permit the P.C. or its authorized representatives to conduct financial audits relating to the period this Agreement was in effect;

(f) Both the Manager and the P.C. shall cooperate in connection with the termination or assignment of provider contracts and other contractual arrangements; and

(g) Both the Manager and the P.C. shall cooperate in the preparation of final financial statements and the final reconciliation of fees paid hereunder, which shall be calculated by the Manager six (6) months after termination of this agreement; provided that in the event of a termination of this Agreement by the Manager pursuant to Section 13(b), (c), (d), or (e) the P.C. and any such Provider shall forfeit its (or his/her) rights to any future payment from the Manager under this or any other agreement between the parties, except as may otherwise be agreed to by the Manager in its discretion.

15. Return of Proprietary Property and Confidential Information. All documents, procedural manuals, guides, specifications, plans, drawings, designs, copyrights, service marks and trademark rights, computer programs, program descriptions and similar materials, lists of present, past or prospective patients, proposals, marketing and public relations materials, invitations to submit proposals, fee schedules and data relating to patients and the pricing of the Manager's products and services, records, notebooks and similar repositories of or containing Confidential Information and Inventions (including all copies thereof) that come into P.C. and/or its Providers possession or control, whether prepared by P.C., its Providers, or others: (a) are the property of the Manager, (b) will not be used by P.C. or its Providers in any way adverse to the Manager or to the benefit of P.C. and/or its Providers, (c) will not be removed from the Manager's premises (except as P.C. and/or its Providers' duties hereunder require) and (d) at the termination of this Agreement or engagement of such Providers, will be left with, or forthwith returned and/or restored to the Manager, and P.C. and such Providers shall discontinue use of such materials.

16. Status of Parties. In the performance of the work duties and obligations under this Agreement, it is mutually understood and agreed that each party is at all times acting and performing as an independent contractor with respect to the other and that no relationship of partnership, joint venture or employment is created by this Agreement.

17. Force Majeure. Neither party shall be deemed to be in default of this Agreement if prevented from performing any obligation hereunder for any reason beyond its control, including but not limited to, Acts of God, war, civil commotion, fire, flood or casualty, labor difficulties, shortages of or inability to obtain labor, materials or equipment, governmental regulations or restrictions, or unusually severe weather. In any such case, the parties agree to negotiate in good faith with the goal of preserving

this Agreement and the respective rights and obligations of the parties hereunder, to the extent reasonably practicable. It is agreed that financial inability shall not be a matter beyond a party's reasonable control.

18. **Notices**. Any notices to be given hereunder by either party to the other shall be deemed to be received by the intended recipient (a) when delivered personally, (b) the first business day following delivery to a nationally recognized overnight courier service with proof of delivery, or (c) three (3) days after mailing by certified mail, postage prepaid with return receipt requested, in each case addressed to the parties at the addresses set forth on page 1 above or at any other address designated by the parties in writing.

19. **Entire Agreement**. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter of this Agreement. This Agreement may not be changed orally, and may only be amended by an agreement in writing signed by both parties.

20. **No Rights in Third Parties**. This Agreement is not intended to, nor shall it be construed to, create any rights in any third parties, including, without limitation, in any Providers employed or engaged by the P.C. in connection with the Clinic.

21. **Governing Law**. This Agreement shall be construed and enforced under and in accordance with the laws of the State of Kansas, and venue for the commencement of any action or proceeding brought in connection with this agreement shall be exclusively in the federal or state court in the State of Kansas, County of _____.

22. **Severability**. If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, that provision will be enforced to the maximum extent permissible, and the remaining provisions of this Agreement will remain in full force and effect, unless to do so would result in either party not receiving the benefit of its bargain.

23. **Waiver**. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to that term or any other term of this Agreement.

24. **Rights Unaffected**. No amendment, supplement or termination of this Agreement shall affect or impair any right or obligations which shall have theretofore matured hereunder.

25. **Interpretation of Syntax**. All references made and pronouns used herein shall be construed in the singular or plural, and in such gender, as the sense and circumstances require.

26. **Successors**. This Agreement shall be binding upon and shall inure to the benefit of the parties, their respective heirs, executors, administrators and assigns.

27. **Further Actions**. Each of the parties agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

28. **Non-Assignment**. The P.C. may not assign this Agreement except with the prior written approval of the Manager. The Manager may assign this Agreement.

29. **Access of the Government to Records**. To the extent that the provisions of Section 1861(v)(1)(I) of the Social Security Action [42 U.S.C. § 1395x(v)(1)(I)] are applicable to this Agreement, the parties agree to make available, upon the written request of the Secretary of the Department of Health and Human Services or upon the request of the Comptroller General, or any of their duly authorized representatives, this Agreement, and other books, records and documents that are necessary to certify the nature and extent of costs incurred by them for services furnished under this Agreement. The obligations hereunder shall extent for four (4) years after furnishing of such services. The parties shall notify each other of any such request for records.

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto affix their signatures below and execute this Agreement under seal.

[P.C.]	**[JOINT FRANCHISEE/ "Company"]**
By:_____	**By:_____**
Its: President	**Its:_____**

EXHIBIT A

TO JOINT MANAGEMENT AGREEMENT

EQUIPMENT/FURNISHINGS

[Insert "Supply List" for each Clinic]

EXHIBIT B

REAL ESTATE AND EQUIPMENT SUBLEASE

[Attach]

EXHIBIT C

TO JOINT MANAGEMENT AGREEMENT

BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum (the "Addendum") to the Management Agreement (the "Agreement") dated _____, by and between the P.C. and the Company (for purposes of this addendum, the "Business Associate"), is entered into for the purpose of complying with the Health Insurance Portability and Accessibility Act of 1996, as amended by the Health Information Technology Act of 2009 (the "HITECH Act"), and the regulations promulgated under HIPAA and the HITECH Act (all of the foregoing collectively referred to as "HIPAA").

I. Definitions. For purposes of this addendum, the following capitalized terms shall have the meanings ascribed to them below:

A. "Protected Health Information" shall mean Individually Identifiable Health Information (as defined below) that is (a) transmitted by electronic media; (b) maintained in any electronic medium; or (c) transmitted or maintained in any other form or medium. "Protected Health Information" does not include Individually Identifiable health information in (x) education records covered by the Family Educational Right and Privacy Act, as amended (20 USC §1232(g) or (y) records described in 20 USC §1231g(a)(4)(B)(iv). For purposes of this definition, Individually Identifiable Health Information shall mean health information, including demographic information collected from an individual, that: (aa) is created or received by a health care provider (including the P.C.), health plan, employer or health care clearing house; and (bb) relates to the past. present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual and that (1) identifies the individual or (2) with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

B. "Required by Law" shall mean a mandate contained in law that compels the use or disclosure of Protected Health Information and that is enforceable in a court of law. "Required by Law" includes, but is not limited to, court orders and court-ordered warrants; subpoenas or summons issued by a court, grand jury, a governmental or tribal inspector general, or an administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions or participation with respect to health care providers participating in the program; and statutes or regulations that require such information if payment is sought under a government program providing public benefits.

Any terms used but not otherwise defined in this Addendum shall have the same meaning as the meaning ascribed to those terms in HIPAA.

II. Permitted Uses and Disclosures. Business Associate may use or disclose Protected Health Information received or created by Business Associate pursuant to the Agreement solely for the following purposes:

A. Business Associate may use or disclose Protected Health Information as necessary to carry out Business Associate's responsibilities and duties under the Agreement.

B. Business Associate may use or disclose Protected Health Information for Business Associate's proper management and administration ore to fulfill any present or future legal responsibilities of Business Associate; provided, however, that if Business Associate discloses Protected Health Information to a third party under this Section II(b), Business Associate shall Ii) obtain reasonable assurances from the person to whom the Protected Health Information is disclosed that it will be held confidentially and used or further disclosed only as Required by Law or for the purpose for which it was disclosed and (ii) obligate such person to notify Business Associate of any instances of which it is aware in which the confidentiality of the Protected Health Information has been breached.

C. Business Associate may use or disclose protected Information as Required by Law.

D. Any use or disclosure of Protected Health Information permitted hereunder shall be limited to the minimum amount necessary to accomplish the intended purpose of the use, disclosure or request and shall otherwise be accordance with HIPAA.

III. Disclosure to Agent. In the event Business Associate disclosed to any agent, including a subcontractor, Protected Health Information received from, or created or received by Business Associate on behalf of, the P.C., Business Associate shall obligate each such agent to agree to the same restrictions and conditions regarding the use and disclosure of Protected Health Information as are applicable to Business Associate under this Addendum.

IV. Safeguards. Business Associate shall employ appropriate administrative, technical and physical safeguards, consistent with the size and complexity of Business Associate's operations, to prevent the use or disclosure of Protected Health Information in any manner inconsistent with the terms of this Addendum. Business Associate shall maintain a written security program describing such safeguards, a copy of which shall be available to the P.C. upon request.

V. Reporting of Improper Disclosures. Business Associate shall report to the P.C. any unauthorized or improper use or disclosure of Protected Health Information within one (1) business day of the date on which Business Associate becomes aware of such use or disclosure.

VI. Reporting of Disclosures of Security Incidents. Business Associate shall report to the P.C. any Security Incident of which it becomes aware. For purposes of this Addendum, "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system; provided, however, that Business Associate shall not have any obligation to notify P.C. of any unsuccessful attempts to (i) obtain unauthorized access to P.C.'s information in Business Associate's possession, or (ii) interfere with Business Associate's system operations in an information system, where such unsuccessful attempts are extremely numerous and common to all users of electronic information systems (e.g., attempted unauthorized access to information systems, attempted modification or destruction of data files and software, attempted transmission of a computer virus).

VII. Mitigation. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this Addendum.

VIII. Access to protected health information by the P.C.

A. Within (10) days of a request by the P.C., Business Associate shall provide to the P.C. all Protected Health Information in Business Associate's possession necessary for the P.C. to provide patients or their representatives with access to or copies thereof in accordance with 45 CFR §§ 164.524.

B. Within ten (10) days of a request by the P.C., Business Associate shall provide to the P.C. all information and records in Business Associate's possession necessary for the P. C. to provide patients or their representatives with an accounting of disclosures thereof in accordance with 45 C.F.R § 164.528.

C. Within ten (10) days of a request by the P.C. Business Associate shall provide to the P.C. all protected Health Information in Business Associate's possession necessary for the P.C. to respond to a request by a patient to amend such Protected Health Information in accordance with 45 C.F.R. § 164.526. At the P.C.'s direction, Business Associate shall incorporate any amendments to a patient's Protected Health Information made by the P.C. into the copies of such information maintained by Business Associate.

IX. Access of HHS. Business Associate shall make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from the P.C., or created or received by Business Associate on behalf of the P.C., to HHS in accordance with HIPAA and the regulations promulgated thereunder.

X. Return of Protected Health Information Upon Termination. Upon termination of the Agreement, Business Associate shall: (a) if feasible, return or destroy all Protected Health Information received from , or created or received by Business Associate on behalf of, the P.C. that Business Associate still maintains in any form, and Business Associate shall retain no copies of such information; or (b) if Business Associate reasonably determines that such return or destruction is not feasible, extend the protections of this Addendum to such information and limit further uses and disclosures to those purposes that make the return or destruction of the Protected Health Information infeasible.

XI. Obligations of P.C.

A. Upon request of Business Associate, P.C. shall provide Business Associate with the notice of privacy practices that P.C. produces in accordance with 45 CFR §164.520.

B. P.C. shall provide Business Associate with any changes in, or revocation of, permission by an individual to use or disclose Protected Health Information, if such changes affect Business Associate's permitted or required uses and disclosures.

C. P.C. shall notify Business Associate of any restriction on the use or disclosure of Protected Health Information to which P.C. has agreed in accordance with 45 CFR §164.522 to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

XII. Amendment. If any of the regulations promulgated under HIPAA are amended or interpreted in a manner that renders this Addendum inconsistent therewith, the P.C. may, on thirty (30) days written notice to Business Associate, amend this Addendum to the extent necessary to comply with such amendments or interpretations.

XIII. Indemnification. Each of the parties shall indemnify, defend and hold harmless the other and its directors, officers, employees and agents from and against any and all third party liabilities, costs, claims and losses including, without limitation, the imposition of civil penalties by HHS under HIPAA, arising from or relating to the breach by either party or any of its directors, officers, employees or agents (including subcontractors) of the terms of this Addendum.

XIV. Conflicting Terms. In the event of any terms of this Addendum conflict with any terms of the Agreement, the terms of this Addendum shall govern and control.

EXHIBIT I

AMENDMENT TO
WAIVE MANAGEMENT AGREEMENT

AMENDMENT TO
FRANCHISE AGREEMENT
WAIVER OF MANAGEMENT AGREEMENT

THIS AMENDMENT ("Amendment") is made and entered into on this __ day of _____, 20_ by and between The Joint Corp., a Delaware corporation ("Franchisor" or "we" or "us"), and _____, a _____("Franchisee" or "you").

RECITALS

A. We and you are parties to a The Joint Corp. Franchise Agreement dated as of the same date as this Amendment (the "Franchise Agreement"), which pertains to the management and operation of a "The Joint" business at a facility operating under the name "The Joint" (which is referred to as a "Clinic") (together the management and operation of a Clinic will be referred to as the "Franchised Business") with the "Territory" as described in the Franchise Agreement. Your Clinic will be located and operated in the state of

B. We and you wish to amend the terms of the Franchise Agreement as described below.

C. All capitalized terms not defined in this Amendment will have the meaning set forth in the Franchise Agreement, or the Management Agreement (as defined below).

AGREEMENT

NOW THEREFORE, we and you, in consideration of the undertakings and commitments of each party to the other party set forth herein and in the Franchise Agreement, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, mutually agree as follows:

I. Franchisee's Representations and Warranties:

a. You understand and agree that you are solely responsible for operating in full compliance with all laws that apply to your Franchised Business. The laws regulating the chiropractic medical industry include without limitation, federal, state and local regulations relating to: the practice of chiropractic medicine and the operation and licensing of chiropractic services; the relationship of providers and suppliers of health care services, on the one hand, and physicians and clinicians, on the other, including anti-kick back laws; restrictions or prohibition on fee splitting; physician self-referral restrictions; payment systems for medical benefits available to individuals through insurance and government resources; privacy of patient records; use of medical devices; and advertising of medical services (together such are, "Medical Regulations").

b. You represent and warrant to us that: (1) you have conducted independent research regarding the Medical Regulations that are applicable to chiropractic services generally, and the Franchised Business specifically in the Territory, including retaining the services of qualified professional advisers as necessary; (ii) you have verified that under the Medical Regulations applicable to your Franchised Business, you are permitted to both manage the Clinic and operate the Clinic, including hiring any chiropractic and other personnel and providing chiropractic services to patients at the Clinic.

c. You have requested that, based on your representations and warranties to us as to the Medical Regulations applicable to your Franchised Business, we waive the requirements of the Franchise Agreement that you (i) enter into a management agreement with a PC, which as a separate entity would operate the Clinic and provide all chiropractic services, and (ii) you refrain from providing any chiropractic services to patients or hiring and supervising medical providers, subject to all applicable Medical Regulations.

d. You acknowledge and agree that we are entering into this Amendment in reliance your representations and warranties. You understand and agree that your obligations to operate in compliance with Medical Regulations will continue throughout the term of the Franchise Agreement, and if there are any changes in Medical Regulations that would render your operation of the Clinic in violation of any Medical Regulation, you will immediately advise of such change and of the your proposed corrective action to comply with Medical Regulations, including (if applicable) entering into a management agreement with a PC.

e. You acknowledge and agree that by requesting us to permit you to perform all of the activities and obligations of the PC (rather than signing a management agreement with a PC that would operate the Clinic), you will incur all costs of both managing and operating the Clinic, including those costs that would otherwise be borne by the PC (such as obtaining all necessary licensing and certification for practicing chiropractic medicine and compensation of chiropractic professionals). You have researched the costs associated with both managing and operating the Clinic.

2. Based on your representations and warranties to us above, you and we agree as follows:

a. Notwithstanding anything to the contrary in the Franchise Agreement, including Section 1.2, you are not required by the Franchise Agreement to enter into a Management Agreement with a PC, provided that you comply with applicable Medical Regulations.

b. Notwithstanding anything to the contrary in the Franchise Agreement, including Section 1.2, you are not restricted from providing chiropractic services to the Clinic's patients, or from hiring and supervising the chiropractors and employees who are legally authorized to provide chiropractic services to patients of the Clinic.

c. Instead of entering into the Management Agreement with a separate PC, you agree to be solely responsible for operating the Clinic and providing, or arranging for and supervising the provision of, chiropractic services to the patients of the Clinic. You, therefore, agree that you will perform all responsibilities and obligations of the "PC" as set forth in the form of Management Agreement attached to this Amendment as Exhibit A (the "Management Agreement"), which are hereby incorporated into this Amendment. Without limiting the foregoing, you acknowledge and agree that these obligations include:

(i) satisfying the representations and warranties of Section 1.2 of the Management Agreement;
(ii) selecting, maintaining, and using the Equipment and Furnishings in good condition and repair and in a safe and appropriate manner as described in Section 2 of the Management Agreement;
(iii) being responsible for all aspects of the diagnostic, therapeutic and related professional services delivered by the Providers at the Clinic; selecting, training, supervising and employing (or otherwise engaging) all Providers; ensuring that the Clinic and all Providers maintain all necessary licenses and credentials; establishing and maintaining quality and standards of patient care, as described in Section 4 of the Management Agreement;
(iv) maintaining malpractice and other insurance as described in Section 7 of the Management Agreement;
(v) indemnifying us as described in Sections 8 and 9 of the Management Agreement; and
(vi) complying with the non-solicitation requirements of Section 10 of the Management Agreement.

d. Instead of entering into the Management Agreement with a separate PC, you agree to be solely responsible for providing the management and support services necessary for operating the Clinic.

You, therefore, agree that you will perform all responsibilities and obligations of the "Company" as set forth in the Management Agreement, which are hereby incorporated into this Amendment. Without limiting the foregoing, you acknowledge and agree that these obligations include:

(i) providing the use of the Premises and Equipment and Furnishings as described in Section 2 of the Management Agreement;
(ii) providing the management and administrative services described in Sections 3 and 4 of the Management Agreement; and
(iii) ensuring that all insurance required by Section 7 of the Management Agreement is maintained.

e. Any reference in the Franchise Agreement to an obligation of, or requirement applicable to, the PC will be your obligation.

f. Any reference in the Franchise Agreement to the "Franchised Business" will include your activities in both managing and operating the Clinic.

3. Except as otherwise amended above, the Franchise Agreement is otherwise in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment in duplicate on the day and year first above written.

FRANCHISOR	FRANCHISEE
THE JOINT CORP., a Delaware corporation	_____
By: _____	By: _____
Name: _____s	Name: _____
Title: _____	Title: _____

EXHIBIT A TO AMENDMENT

MANAGEMENT AGREEMENT

EXHIBIT J

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.

The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination and non-renewal of a franchise. If the Franchise Agreement contains a provision that in inconsistent with the law, the law will control. We may not terminate your 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 franchise at least 180 days before expiration of the Franchise Agreement.

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).

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

THE FRANCHISE 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 Franchise 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 Franchise Agreement requires mediation. The mediation will occur at the office of the American Arbitration Association 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) 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 BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.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:

As of the dates listed in Attachment 1, this franchise offering is or will be effective in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin and exempt from registration in Arizona and Utah. 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 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 Franchise Agreement if it applies to a subfranchise located in Illinois.

Any condition in the Franchise 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 Franchise Agreement may provide for mediation in a forum outside of Illinois.

REQUIRED BY THE STATE OF INDIANA

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of your franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of your franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

If Indiana law requires the Franchise Agreement and all related documents to be governed by Indiana law, then nothing in the Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise 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.

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 in advance of termination (with 60 days to cure) and 180 days' notice in advance of nonrenewal of the Franchise 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 Franchise 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. Under Minnesota law, we cannot require you to consent to inunction relief; however, we may seek injunctive relief from the Court.

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

Registration of this franchise by New York State does not mean that New York State recommends it or has verified the information in the Disclosure Document.

We may, if we choose, negotiate with you about items covered in the Offering Prospectus. However, we cannot use the negotiating process to prevail upon a prospective franchisee to accept terms which are less favorable than those set forth in the Offering Prospectus.

All references to "Disclosure Document" will be deemed to include the term "Offering Prospectus" as used under the General Business Law of New York.

Item 3 of the Offering Prospectus is supplemented with the following:

> Except as provided in Item 3 of the Offering Prospectus, neither we nor any person identified in Item 2 of the Offering Prospectus, or an affiliate offering franchises under our principal trademark:
>
> A. 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. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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.

C. 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 or 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.

Item 4 of this Offering Prospectus is supplemented with the following:

Except as provided in Item 4 of the Offering Prospectus, neither we, our affiliates, nor any officer or general partner has at any time during the ten year period immediately before the date of the Offering Prospectus: (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 one year after our officer or general partner held this position in the company or partnership.

Under the Franchise Agreement, the Manuals we issue may be modified and you are bound by such modifications. However, no such modifications may impose an unreasonable economic burden on you.

Provisions of general releases are mentioned in the Offering Prospectus and specified in the Franchise Agreement. These releases are limited by the following: all rights enjoyed by you 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 under this law will remain in force, it being the intent that the non-waiver proviso of the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

We will not make any assignment of 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.

The choice of law of the Franchise Agreement should not be considered a waiver of any right conferred upon either you or us by the General Business Law of the State of New York, Article 33.

Item 17 of the Offering Prospectus, the summary column of part (d), is modified to include the following sentence:

You can also terminate the Franchise Agreement on any grounds available by law.

REQUIRED BY THE STATE OF NORTH DAKOTA

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of your franchise. This provision may not be enforceable under North Dakota law.

Although the Franchise 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 Franchised Business.

The Franchise 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 Franchise 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 Franchise Agreement.

A contractual requirement that you sign a general release may be unenforceable under the laws of North Dakota.

Although the Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise 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 Franchise Agreement you sign for the State of Washington.

EXHIBIT K

REQUIRED VENDOR AGREEMENTS

MERCHANTS' CHOICE PAYMENT SOLUTIONS/
WOODFOREST NATIONAL BANK
CREDIT CARD APPLICATION/AGREEMENT

MERCHANT PAYMENT CARD APPLICATION/AGREEMENT

MERCHANTS' CHOICE PAYMENT SOLUTIONS
P.O. Box 8339,
The Woodlands, TX 77387-8339
Ph: (800) 327-0093

WOODFOREST NATIONAL BANK
Woodforest National Bank
P.O. Box 9243
The Woodlands, TX 77387-8339
Ph: (877)-525-5113

☒ New Account ☐ Additional Location Main Location MID: ☐ Ownership Change Previous Owner's MID:

Independent Agent# / Bank ID#: 7150 Rep #: HT22 Rep Name: Mark Elias

I. Business Information (All fields in this section are mandatory)

Type of Ownership: ☐ Sole Proprietor ☐ Partnership ☐ Corporation ☐ LLC / LLP ☐ Non-Profit	Product / Service Sold:
Legal Business Name:	DBA:
CORPORATE/BILLING INFORMATION	**LOCATION/SHIPPING INFORMATION**
Address 1:	Address 1: (No P.O. Box!)
Address 2:	Address 2:
City:	City:
State: Zip:	State: Zip:
Phone: Fax:	Phone: Fax:
Email:	Customer Service Phone:
Bank Account # (DDA) : (attach copy of voided check)	Web site:
Bank Routing # (ABA):	Do you currently accept Visa/MC/Discover® Network? ☐ Yes ☐ No (if yes, attach 3 months statements)
Financial Institution Name:	Date Business Formed (Mo/Yr):
Indicate if Classified as: ☐ Small Business ☐ Disadvantaged Business	Number of Locations:

II. Processing Volume

Average Ticket	Typical High-End Ticket	Monthly Bank Card Volume	Annual Volume
$ 50.00	$ 350.00	$ 30k-70k	$ 750k

Percent of Business (MUST = 100%)		Sales Method (MUST = 100%)		
90 %	Card Swiped	100 %	Store Front	% Internet Services
%	Keyed with Imprint	%	Trade Show	% Mail / Phone Order
10 %	Keyed without Imprint	%	Off Premise	% Other, specify:

List all 3rd-party agents that have access to cardholder data:

III. Owners/Officers (Must reflect ownership of 50% or more)

Name	Title	Ownership %	Date of Birth	Social Security #
Residence Address, City, State, Zip				
Driver's License # / State	Residence Phone #	Cell Phone Number	Email Address	
Name	Title	Ownership %	Date of Birth	Social Security #
Residence Address, City, State, Zip				
Driver's License # / State	Residence Phone #	Cell Phone Number	Email Address	

IV. Association Disclosure (Member Bank: Woodforest National Bank, P.O. Box 8339, The Woodlands, TX 77380, (877) 525-5113)

Member Bank Responsibilities: (1) A VISA member is the only entity approved to extended acceptance of VISA products directly to a merchant. (2) A VISA member must be a principal (signer) to the Merchant Agreement. (3) Woodforest National Bank is responsible for and must provide settlement funds to the merchant. (4) Woodforest National Bank is responsible for all funds held in reserve that are derived from settlement. (5) Woodforest National Bank is responsible for educating merchants on pertinent VISA International Operating Regulations with which merchants must comply.

Merchant Responsibilities: (1) Ensure compliance with cardholder data security and storage requirements. (2) Maintain fraud and chargebacks below thresholds. (3) Review and understand the terms of the Merchant Agreement. (4) Comply with VISA International Operating Regulations.

The responsibilities listed above do not supersede the terms of the Merchant Agreement and are provided to ensure the merchant understands some of the important obligations of each party and that the VISA Member – Woodforest National Bank – is the ultimate authority should the Merchant have any problems.

Merchant Name	Merchant Title	Merchant Signature	Date:
		X	

Merchants' Choice Payment Solutions is a registered ISO/MSP of Woodforest National Bank, Houston, Texas

MCPS TK 04/13

Legal Business Name: _____ ZERO DAY HOLD

V. Rates & Fees (For Visa, MasterCard, Discover and American Express unless otherwise noted)

DISCOUNT : ☐ Daily ☒ Monthly DEPOSIT TIME FRAME: ☐ Standard ☒ Alternate Funding – Subject to approval

☒ Interchange, Dues, Fees & Assessments plus Monthly Customer Service plus $0.07

MONTH	FLAT FIXED FEE
1 to 6	+$ 25.00
7 to 12	+$ 70.00
13 to Beyond	+$ 130.00

☐	Pin Debit Rate & Transaction Fee(plus Network Fees):	N/A% + $	N/A
	Annual Fee	$	79.00
	Monthly eMerchant Support Fee:	$	8.00
	AMEX/T&E Draft Capture Transaction Fee:	$	0.07
	Monthly Minimum Discount Fee:	$	N/A
	Voice Authorization Fee:	$	1.00
☐	Wireless Wireless Setup Fee: Monthly Wireless Network Access Fee: Wireless Transaction Fee:	 $_____ $_____ +$_____	

	Monthly Service Fee	$	0.00
	Monthly PCI Protection Plan:	$	6.95
	Monthly Pin Debit Access Fee:	$	0.00
	Address Verification Fee:	$	0.10
	Chargeback Fee:	$	25.00
	Retrieval/Representment Fee:	$	10.00
☒	Batch Header Fee:	$	0.07
	Annual Customer Service Fee:	$	_____
☐	Touch Tone Transaction Fee:	$	_____
	Card Association Dues, Fees & Assessments:	Pass thru	
☐	Merchant Club – Equipment Warranty Units: _____ Monthly Fee per Unit:	$	N/A
☐	Gateway Gateway Setup Fee: Monthly Gateway Access Fee: Gateway Transaction Fee:	 $ $ +$	 0.00 45.00 0.00

AMERICAN EXPRESS

Apply for American Express: ☒ American Express One Point or ☐ American Express ESA *(Franchise Only)* American Express Rate**: % + $

American Express Rate: _____% + Flat Per Transaction Fee $_____ American Express Prepaid Discount Rate: _____% + Flat Per Transaction Fee $_____

POS FEES

POS Monthly Software Fee: $ Monthly Rental Fee: $

ELECTRONIC CHECK FEES & RATES — REQUIRED CHECK INFORMATION

☐ Apply for Electronic Check ☐ Guarantee ☐ Non- Guarantee ☐ ACH

Base Discount Rate	Transaction Fee	Monthly Service Fee	Monthly Minimum Fee	Merchant Club Fee	Return Item Fee	Check Monthly Dollar Volume	Average Check Size
%	$	$	$	$	$	$	$

VI. Processing Equipment (See www.mcpscorp.com/terminals for list of accepted terminals)

FRONT END: ☐ FDR Omaha ☐ FDR Nashville ☐ FDR North ☐ TSYS ☐ Buypass

COMMUNICATION TYPE: ☐ Dial ☐ Wireless ☐ IP - Serial #: _____

☐ Retail ☐ Dial Out Prefix: _____ ☐ V/WEX ☐ Rev PIP ☐ Wireless SIM Chip #:
☐ MOTO/Full AVS ☐ Restaurant ☐ Hotel Check-In/Out ☐ Virtual Terminal (email required) ESN#: _____
☐ QSR/Small Ticket ☐ Tip ☐ EBT Terminal Serial #: _____

☐ Auto Settle _____ ☐ A.M. ☐ P.M. Time Zone: ☐ EST ☐ CST ☐ MST ☐ PST

Ship Equipment : ☐ No ☐ Yes - If Yes, ship to ☐ Sales Office or ☐ Business Location

Equipment Type	Quantity	Manufacturer (Vendor)	Model #
Terminal:			
Printer:			
PIN Pad:			
Check Reader: Acct #			
Other:			

Software	
Product Name:	Zoomgate
Product Version #:	
Vendor Name:	
Vendor Contact:	
Vendor Phone:	
PCI DSS Audit	
Completion Date:	
Assessor Name:	

☐ Quick Stop	Contact Name: Contact Phone:	Contact Email:

☐ Imprinter plus one package of sales slips : $25.00

FIRST DATA GLOBAL LEASING INFORMATION: (This is a non-cancelable lease for the full term indicated. See Lease Terms & Conditions for details.)

Lease Term: _____Mos.	Annual Tax Handling Fee: $ 30.20* *Applicable only in states with Property Tax	Total Monthly Lease Charge: $ _____w/o taxes, late fees, or other charges that apply

Legal Business Name:

VII. Merchant Site Survey (To be completed by sales representative)

Merchant Location:	Area Zoned:	Permanent Signage?	Inventory Consistent with Business?
☒ Store Front ☐ Warehouse ☐ Office Building ☐ Website ☐ Residence ☐ Other	☒ Commercial ☐ Industrial ☐ Residential	☒ Yes ☐ No Is Business Legitimate? ☒ Yes ☐ No	☒ Yes ☐ No

Business Location: ☐ Owned ☐ Leased If leased, Landlord Name Landlord Phone:

☐ I hereby certify that I have conducted my review of this merchant to the best of my ability and that, to the best of my knowledge and belief, the information set forth in this Application is true and accurate.

Inspected By (Print name) Signature X Date

VIII. Trade References

Name	Company	Phone Number
Address		

IX. Product Advertising, Sales, and Delivery -- REQUIRED QUESTIONS 1-9 MUST BE ANSWERED – MOTO QUESTIONS – 1-17 MUST BE ANSWERED

1. Description of product sold: Chiropractic Services
(Sample(s) of product brochure(s)/catalog(s), price list(s), advertisement(s), yellow pages, etc. must be submitted.)

2. How does the customer purchase/order the product?
☒ In Person ☐ By Mail ☐ By Phone ☐ By Fax ☐ Internet

3. What is the delivery time frame to the consumer?
☒ 0-7 days ☐ 8-14 days ☐ 15-30 days ☐ 30+ days

4. What is your return, cancellation, or refund policy?
See The Joint Member Contract

5. What percentage of your business is:
_____% Deposits / Future Services? ____100_% Cash & Carry?

6. In what geographic areas will the product be marketed and sold?

7. What percentage of sales transactions are with international cards? _____%

8. Who owns product? ☒ Merchant ☐ Vendor (Drop Ship Required)

9. Are consumers required to provide a deposit?
☒ No ☐ Yes (Percentage: _____%) ☐ Incremental Payments (Percentages_____%,_____%,_____%,_____%)

10. Name of fulfillment house, if any:
N/A

11. At what point is consumer paid in full?
☒ 100% Paid in Advance ☐ 100% Paid Upon Delivery / Completion

12. When you receive an authorization, how long before the merchandise is shipped?
N/A

13. List the name(s) and address(es) of vendor(s) from whom the product is purchased: N/A

14. What shipping service do you use to deliver products to consumers?
☐ Fed Ex ☐ UPS ☐ Airborne ☐ USPS Express

15. How do you advertise?
☐ Catalog ☐ TV or Radio ☐ Direct Mail/Flyers ☐ Internet

16. What is your warranty/guaranty? ☐ By Merchant
☐ By Manufacturer Provide description:

17. Is your business seasonal? Months: N/A _____to _____

X. IRS Reporting – Backup Withholding Certifications

LEGAL NAME: *(as it appears on your income tax return)*

FEDERAL TAX ID#: *(as it appears on your income tax return)*

1. TAXPAYER I.D. NUMBER - The Tax Payer Identification Number shown above (TIN) is my correct taxpayer identification number.
2. BACKUP WITHHOLDING - I am not subject to backup withholding, either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding.

☐ Exempt Recipients - I am an exempt recipient under the Internal Revenue Service Regulations.

SIGNATURE: By signing this section, I certify under penalties of perjury the statements in this section are true and accurate and that I am a U.S. citizen or other U.S. person.

Principle #1 Signature X	Date

XI. Merchant Acceptance

I. By signing below, I represent that I have read and am authorized to sign and submit this application for the above entity which agrees to be bound by the American Express® Card Acceptance Agreement ("Agreement"), and that all information provided herein is true, complete, and accurate. I authorize Merchants' Choice Payment Solutions and American Express Travel Related Services Company, Inc. ("AXP") and AXP's agents and Affiliates to verify the information in this application and receive and exchange information about me personally, including by requesting reports from consumer reporting agencies, and disclose such information to their agent, subcontractors, Affiliates and other parties for any purpose permitted by law. I authorize and direct Merchants' Choice Payment Solutions and AXP and AXP agents and Affiliates to inform me directly, or through the entity above, of reports about me that they have requested from consumer reporting agencies. Such information will include the name and address of the agency furnishing the report. I also authorize AXP to use the reports from consumer reporting agencies for marketing and administrative purposes. I understand that upon AXP's approval of the application, the entity will be provided with the Agreement and materials welcoming it either to AXP's program for Merchants' Choice Payment Solutions to perform services for AXP or to AXP's standard Card acceptance program which has different servicing terms (e.g. different speeds of pay). I understand that if the entity does not qualify for the Merchants' Choice Payment Solutions servicing program that the entity may be enrolled in AXP's standard Card acceptance program, and the entity may terminate the Agreement. By accepting the American Express Card for the purchase of goods and/or services, or otherwise indicating its intention to be bound, the entity agrees to be bound by the Agreement."

II. Electronic Check Disclosure: I understand that upon approval of the business entity indicated above to accept Electronic Check services, the Terms and Conditions acceptance will be sent to such business entity along with a Welcome Letter. By signing below, I agree to be bound by these Terms and Conditions which are also available at www.eschk.com.

III. This Merchant Payment Card Agreement contains seven (7) pages including detailed Terms and Conditions ("Terms and Conditions"), one (1) additional page for Lease Terms and Conditions (on page 8) when leasing equipment through FDGL,and two (2) additional pages for Electronic Check Terms and Conditions (on page 9 and 10) when applying for Electronic Check services. Each person signing below certifies that all information provided in this application is true, correct, and complete, and each person agrees to be bound by all provisions set forth in this seven (7) page document (and any additional pages when Leasing through FDGL or when applying for Electronic Check services, including but not limited to the Terms and Conditions stated in the front and back of this Agreement. Each person authorizes the Bank or any credit reporting agency employed by the Bank or any agent of the Bank, to make whatever inquiries the Bank deems appropriate to investigate, verify or research references, statements or data obtained from Merchant for the purpose of this application or any application for accompanying POS terminal(s) or equipment financing. An additional copy of the Terms and Conditions will be sent to the business entity indicated above along with the welcome letter upon approval of such business entity to accept payment cards by Woodforest National Bank. Monthly statements shall also be sent to the address provided. MERCHANT agrees to promptly notify BANK in the event the Terms and Conditions, the Welcome Letter or any monthly statement is not received. For detailed information related to the termination rights and obligations set forth in this Agreement, see Sections 2.14, 2.15, 2.17, 2.24, 2.27, 2.30, 2.35, 7.2, 7.3, Section 8 in its entirety, 10.12, and 10.16. The Terms and Conditions are also available online at http://www.mcpscorp.com/MerchantBankcard/.

Print Principle #1 Name	Title	Principle #1 Signature X	Date
Print Principle #2 Name	Title	Principle #2 Signature X	Date

IV. Personal Guaranty. The undersigned Guarantor(s) hereby, individually, agree to the terms set forth in section 2.35 of this Agreement. The undersigned Guarantors further agree to pay to the BANK all expenses (including attorney fees and court costs) paid or incurred by the BANK in collecting such obligations and in enforcing this Guaranty.

Guarantor Name	Guarantor Signature X	Date

XII. Bank Acceptance – INTERNAL USE ONLY : Woodforest National Bank Principal Signature: X **Date**

MERCHANT PAYMENT CARD APPLICATION - TERMS & CONDITIONS

THIS AGREEMENT is made by and between WOODFOREST NATIONAL BANK ("BANK"), a National Banking Association, and the undersigned "MERCHANT" and is subject to the approval of BANK. The parties hereto agree as follows:

1.0 AGREEMENT:

1.1 This document, as well as other documents executed by MERCHANT, pursuant to the acceptance of BANK, shall be incorporated herein and made a part hereof and shall constitute the entire agreement between BANK and MERCHANT.

1.2 MERCHANT agrees that throughout the term of this Agreement, it will not use the services of any bank, corporation, entity or any person other than BANK for the processing of payment card transactions with the following exception:

1.3 MERCHANT may designate a third party that does not have a direct agreement with BANK as its agent for the direct delivery of data-captured Visa transactions to VisaNet for clearing and settlement. MERCHANT must:

a) Advise BANK that it will use a third party agent.

b) Agree that BANK must reimburse MERCHANT only for the amount of Visa transactions delivered by BANK to VisaNet, less the appropriate discount fee.

c) Assume responsibility for any failure by its agent to comply with the Visa International Operating Regulations, including but not limited to, any violation resulting in a chargeback.

1.4 MERCHANT acknowledges that BANK may provide financial transaction processing hereunder through contracts or subcontracts with third parties engaged in the business of transaction processing and authorization.

1.5 BANK hereby notifies MERCHANT that the following options are available hereunder: (i) MERCHANT may elect to accept ONLY consumer credit and commercial cards; (ii) MERCHANT may elect to accept ONLY consumer debit cards; OR (iii) MERCHANT may elect to accept consumer credit and commercial cards and consumer debit cards.

2.0 Rights, Duties, and Responsibilities of Merchant:

2.1 MERCHANT shall honor all cards provided:

(a) The card is valid and is presented to MERCHANT at the time of the sale by the authorized cardholder or an authorized user of the card account. A card is valid only if it is presented on or after the valid date, if any, and before the expiration date shown on its face.

(b) The card is used as payment for products which are sold or rendered by MERCHANT under this Agreement.

(c) The MERCHANT has followed procedures as established by BANK for completion of sales drafts.

2.2 MERCHANT agrees to complete sales drafts in conformity with the terms of this Agreement, non-payment card's Rules and Regulations, the Card Association's Rules and Regulations, Discover® Network Operating Regulations, and additionally must comply with the following:

(a) For transactions that are not mail, phone orders or internet orders, unless electronically swiped, the imprint of the card, including the name of the cardholder, the cardholder account number and the card's expiration date;

(b) MERCHANT is not authorized to accept mail or phone order transactions unless specifically authorized by BANK and that acceptance of such transactions without written authorization from BANK will constitute a breach of the Agreement. If MERCHANT is authorized to accept mail or phone order transactions, the name of the cardholder, the cardholder account number and the expiration date;

(c) The signature of the cardholder or authorized card user. In the case of mail or phone orders, the letters MO or TO, as the case may be, shall be clearly indicated on the sales draft;

(d) The date of the sale;

(e) A short description of the products sold or rendered;

(f) The total cash price of the sale or the words "deposit" or "balance" if full payment is to be made in this manner at different times on different sales drafts; and

(g) The city and state wherein such transaction occurred.

(h) Type of fuel sold and odometer reading (if permitted by POS device) in the case of fleet card transactions

(i) MERCHANT shall deliver a completed copy of the sales draft to the cardholder.

2.3 MERCHANT'S policy for the exchange or return of goods sold and the adjustment for services rendered shall be established and posted in accordance with operating regulations of the applicable Card Associations' or non-payment card's Rules and Regulations, and/or Discover Network Operating Regulations. MERCHANT agrees to disclose, if applicable, to a cardholder before a card sale is made, that if merchandise is returned:

(a) No refund, or less than full refund, will be given;

(b) Returned merchandise will only be exchanged for similar merchandise of comparable value;

(c) Only a credit toward purchases will be given; or

(d) Special conditions or circumstances apply to the sale (e.g. late delivery, delivery charges, or other noncredit terms). If MERCHANT does not make these disclosures, a full refund in the form of a credit to the cardholder's card account must be given. MERCHANT shall under no circumstances issue cash for returns of products where products were originally purchased in a card transaction. Disclosures must be made on all copies of sales drafts or invoices in letters approximately 1/4 inch high in close proximity to the space provided for the cardholder's signature or on an invoice issued at the time of the sale or on an invoice being presented for the cardholder's signature.

2.4 MERCHANT may not process for payment any transaction(s) representing the refinancing of an existing obligation of a cardholder including, but not limited to, obligations (i) previously owed to MERCHANT, (ii) arising from the dishonor of a cardholder's personal check, and/or (iii) representing the collection of any other pre-existing indebtedness.

2.5 MERCHANT must not disclose a cardholder account number, personal information, or other transaction information to third parties other than to MERCHANT'S agent, BANK, or BANK'S agent for the sole purpose of assisting MERCHANT in completing the transaction or as required by law. MERCHANT must store all material containing cardholder account numbers or imprints in an area limited to selected personnel and render all data unreadable prior to discarding. MERCHANT must not retain or store magnetic-stripe data verification data subsequent to authorization of a transaction.

2.6 MERCHANT shall not require any cardholder to pay any part of any discount or charge imposed upon MERCHANT by this Agreement, whether through any increase in price or otherwise. MERCHANT shall not require a customer presenting a card for payment to pay any charge not also required from a person paying cash. These terms shall not, however, be construed as prohibiting discounts to customers for payments in cash.

2.7 MERCHANT agrees to obtain an authorization on all transactions. Any transaction which cannot be authorized electronically through a terminal is subject to a voice authorization charge. MERCHANT will obtain an authorization prior to completing a keyed transaction. Any transaction which is not properly authorized is made with full recourse and may be charged back to MERCHANT; furthermore, any keyed transaction will be subject to additional charges for a non-qualifying transaction. MERCHANT understands that an authorization does not constitute a guarantee of payment, only available credit and may be subject to dispute or chargeback. By signing this Agreement, Merchant agrees that the use of a "store & forward" terminal means that Merchant has the ability to store a swiped transaction at the terminal level when there is no phone line available. When a phone line becomes available, Merchant would then upload the transaction for a possible approval. Merchant understands and agrees that if Merchant uses this type of terminal, there is no guaranty whatsoever that once the transactions are uploaded Merchant will receive an approval. If Merchant allows the release of merchandise/service to the cardholder before receiving approval, Merchant agrees that this is to be done at Merchant's sole risk.

2.8 MERCHANT shall not complete any card sale for which an authorization has been declined. Any unauthorized card transaction is made with full recourse to MERCHANT, and BANK may charge back the amount of such card sale to MERCHANT.

2.9 MERCHANT acknowledges that BANK shall have full recourse to charge back the amount of a card sale for which (i) the imprint of the card is not obtained or (ii) the signature of the cardholder is not obtained and the cardholder disputes that he/she authorized the charge.

2.10 MERCHANT agrees to electronically deposit sales drafts and credit vouchers no later than the business day following the transaction date.

2.11 (a) MERCHANT shall, at all times, maintain an account at a bank that is a member of the Federal Reserve ACH System ("the Account"). All credits for collected funds and debits for fees, payments and chargebacks under the terms of this Agreement shall be made to the Account. MERCHANT may not close or change the Account without written notice to BANK. MERCHANT will be solely liable for all fees and costs associated with the Account and for all overdrafts. MERCHANT will maintain sufficient funds in the Account to accommodate all transactions, including fees, contemplated by this Agreement.

(b) MERCHANT shall promptly upon receipt, examine, balance, and reconcile all statements relating to the Account. Additionally, MERCHANT shall daily balance and reconcile all DAILY deposit and debit totals to confirm accuracy. MERCHANT is required to notify BANK IN WRITING of any and all errors on MERCHANT'S statements and/or DAILY totals. Each such written notice shall contain the following information: (i) MERCHANT name and account number, (ii) the specific dollar amount of the asserted error, (iii) a detailed description of the asserted error, and (iv) a detailed explanation of why MERCHANT believes an error exists and the cause of the error, if known. The written notice MUST be RECEIVED by BANK within thirty (30) days after MERCHANT receives the statement (regarding an asserted error on a statement) or within thirty (30) days from the date the alleged error on a DAILY total was made. Failure to timely send the notice referred to herein constitutes a waiver of any and all rights MERCHANT may have against BANK related to the asserted error.

(c) MERCHANT agrees to fees of up to $10 per occurrence for maintenance activities including but not limited to DDA changes and returned mail.

2.12 MERCHANT assumes the responsibility for storage of all sales drafts and credit vouchers. Failure to provide BANK with requested documentation within five (5) business days after receipt of such request may result in the transaction being charged back to MERCHANT, and BANK shall have the right to debit the Account for full amount of the transaction in question.

2.13 MERCHANT shall pay any fees charged to MERCHANT by the telephone company for the preparation of the site(s) prior to installation of electronic data capture terminals and/or peripheral equipment.

2.14 MERCHANT shall not deposit any transaction for the purpose of obtaining or providing a cash advance. MERCHANT agrees that any such deposit shall be grounds for immediate termination.

2.15 MERCHANT must notify BANK in writing of any changes to the information in this Application, including but not limited to:

(a) Transfer or sale of any substantial part of its total assets, or liquidate;

(b) Change the basic nature of its business, including selling any products or services not related to its current business;

(c) Change ownership or transfer control of its business; or

(d) Enter into any joint venture, partnership or similar business arrangement whereby any person or entity not a party to this Agreement assumes any interest in MERCHANT'S business. The notice must be received by BANK within ten (10) business days of the change. MERCHANT will provide updated information to BANK within a reasonable time upon request. Failure to provide notice as required above may be deemed as material breach and shall be sufficient grounds for immediate termination of MERCHANT. In the event any of the changes listed above should occur, BANK shall have the option to renegotiate the terms of this Agreement or provide thirty (30) days notice of termination. MERCHANT is liable to BANK for all losses and expenses incurred by BANK arising out of a failure to report changes to BANK.

2.16 MERCHANT is liable for repayment to BANK for all valid chargebacks. BANK will comply with non-payment card's, Card Associations' prevailing Rules and Regulations, and/or Discover Network Operating Regulations in processing any chargebacks which result from cardholder disputes. However, all disputes which are not or cannot be resolved through established chargeback procedures shall be settled between MERCHANT and the cardholder, and MERCHANT will indemnify BANK and will provide reimbursement for all expenses, including reasonable attorney's costs, which it may incur as the result of any cardholder claim which is pursued outside the non-payment card's or Card Association's Rules and Regulations and/or Discover Network Operating Regulations. In the event of a chargeback loss to BANK, MERCHANT hereby transfers and assigns to BANK any lien rights that it has or may have on the merchandise sold to the cardholder.

2.17 MERCHANT shall not accept or deposit any fraudulent transactions and may not under any circumstances present for processing or credit, directly or indirectly, a transaction which originated with any other merchant or any other source. MERCHANT shall be prohibited from making a deposit of a credit transaction without a preceding debit. MERCHANT shall not, under any circumstances, deposit telemarketing transactions under this Agreement unless authorized by BANK in advance of processing any telemarketing transactions. If MERCHANT deposits any such transaction, MERCHANT may be immediately terminated and BANK may hold funds and/or demand an escrow pursuant to Sections 4 and 8; further, MERCHANT may be subject to VISA, MasterCard, and Discover Network reporting requirements set forth in Section 8.8.

2.18 MERCHANT will not deposit duplicate transactions. MERCHANT shall be debited for any adjustments for duplicate transactions and shall be liable for any chargebacks which may result therefrom. Merchant will be liable for any fees assessed by the Card Associations' Rules and Regulations and/or Discover Network Operating Regulations to the BANK.

2.19 MERCHANT shall not initiate a sales transaction in an attempt to collect a chargeback.

2.20 Discount/Fee Schedule:

(a) MERCHANT'S Account will be debited daily, through ACH for amounts set forth in the pricing schedule which is part of this Agreement, and for any other fees or charges incurred by MERCHANT and associated with processing services. MERCHANT is obligated to pay all taxes and other charges imposed by any governmental authority on the services provided under this Agreement. BANK reserves the right, in its sole discretion, to change, amend, add, or adjust any discount rates or fees set forth herein, in accordance with Section 10.6 of this Agreement.

(b) The "Qualified Retail Discount Rate" will be charged on all swiped retail payment card transactions that are electronically authorized and closed in a daily batch. On VISA transactions only, all manually keyed transactions that are closed in a daily batch, have AVS (Address Verification Service), an Order Number and reply to the prompt with "Exact Match" will be charged the "Mid-Qualified Rate." Notwithstanding the foregoing, for any card type in which the interchange rates (charged by the Card Associations) are higher than the VISA CPS Retail Credit Rate, or the MasterCard Merit III Base Credit Rate, (or renamed versions of the same categories), BANK, in its sole discretion, has the option of charging the "Mid-Qualified Rate" or "Non-Qualified Rate" for that type of transaction. Examples of cards and transactions that would fall into that type of category include but are not limited to VISA Rewards Cards, MasterCard World Cards, VISA Signature Cards, foreign cards, corporate cards, purchase cards, mail/telephone, e-commerce, and T&E.

(c) Increase in long-distance communications costs and processing charges from third-party vendors may be reflected in increased discount rates.
(d) MERCHANT'S pricing is partially based upon the annual volume, average ticket and method of doing business stated in this MERCHANT Application. If the actual volume and average ticket are not as warranted or if MERCHANT significantly alters its method of doing business, BANK may adjust MERCHANT'S discount and/or transaction fees without prior notice. Merchants using AVS (Address Verification System) will be charged for each address verification request. This is in addition to the transaction fee. In the event of multiple locations, each location shall be considered to have a separate MERCHANT PAYMENT CARD AGREEMENT for all fee purposes. For the purposes of charging Transaction Fees under this Agreement, "transaction" is defined as any action by a merchant that results in activity to a cardholder or merchant account, including authorizations, batch closings, sales, or returns.

2.21 MERCHANT will be assessed a fee of $35.00 for each return ACH debit.
2.22 MERCHANT will be assessed a merchant investigation fee for suspicious activity and/or Agreement deviations up to a maximum of ten percent (10%) of the dollar amount investigated.
2.23 A divert fee of $25.00 per month will be charged for a special account maintained at BANK to house diverted funds for MERCHANT.
2.24 MERCHANT agrees that Excessive Activity during any monthly period will be a breach of this Agreement and cause of immediate termination. Excessive Activities include i) chargebacks in excess of one percent (1%) of the sales transactions processed, ii) sales activity that exceeds by 25% the dollar volume indicated on the Application, iii) the dollar amount of returns exceeds 20% of the average monthly dollar amount of MERCHANT's card transactions, iv) other ratios required by VISA, MasterCard, Discover Network, or BANK. BANK will provide MERCHANT with any information possessed by BANK which may enable MERCHANT to recover from others the amount of any sale charged back to MERCHANT. MERCHANT understands that BANK will assess a fee per chargeback per presentment and a fee for each retrieval and each representment request.
2.25 Any transaction that has not received an authorization, or that is deposited (transmitted) more than two (2), but not greater than thirty (30), business days following the transaction date, or that is made with a foreign card will be subject to a non-qualified increase. NOTE: Days allowed for settlements are calculated by excluding the transaction date, Sundays and holidays; and including the processing (settlement) date.
2.26 MERCHANT will use its reasonable, best efforts to recover any card: (i) on VISA cards, if the printed four digits above the embossed account number do not match the first four digits of the embossed account number, (ii) if MERCHANT is advised by BANK (or its designee), the issuer of the card or the designated voice authorization center to retain it, (iii) if MERCHANT has reasonable grounds to believe the card is counterfeit, fraudulent or stolen, or not authorized by the cardholder, (iv) on Discover Network cards, if the printed four digits on the signature panel do not match the last four digits of the embossed account number, or if the card does not have the Discover Network acceptance mark in the lower right corner on both sides of the card, or (v) for MasterCard, the embossed account number, indent printed account number and/or encoded account number do not agree, or the card does not have a MasterCard hologram on the lower right corner of the card face.
2.27 ELECTRONIC COMMERCE
(a) MERCHANT may process electronic commerce ("EC") transactions only if it has so indicated in this Agreement and only if MERCHANT has obtained BANK'S consent, and only if the transactions have been encrypted by a third party vendor acceptable to BANK. If MERCHANT submits EC transaction(s) without BANK'S consent, BANK may immediately terminate this Agreement. All transactions must comply with data security requirements as described in the Data Security Section of the Merchant Payment Card Application. MERCHANT understands that transactions processed via EC are high risk and subject to a higher incidence of chargebacks. MERCHANT is liable for all chargebacks and losses related to EC transactions, whether or not: i) EC transactions have been encrypted; and ii) MERCHANT has obtained BANK'S consent to engage in such transactions. Encryption is not a guarantee of payment and will not waive any provision of this Agreement or otherwise validate a fraudulent transaction. All communication costs related to EC transactions are MERCHANT'S responsibility. MERCHANT understands that BANK will not manage the EC telecommunications link and that it is MERCHANT'S responsibility to manage that link. All EC transactions will be settled by BANK into a depository institution in the United States in U.S. currency.
(b) Whereas, MERCHANT desires to honor at its business location(s) Card Numbers presented in connection with the Mail/Telephone/Internet sale of products/services to customers the parties hereto agree to the following: i) MERCHANT agrees to use and retain proof of a traceable delivery system as means of shipment of product to customer. ii) MERCHANT agrees that transactions will not be processed until products are shipped to the cardholder. For goods to be shipped on EC transactions, MERCHANT may obtain authorization up to seven (7) calendar days prior to shipment date. MERCHANT need not obtain a second authorization if the sales draft amount is within fifteen percent (15%) of the authorized amount, provided that the additional amount represents shipping costs. Further, MERCHANT'S website must contain all of the following information: i) complete description of the goods or services offered, ii) returned merchandise and refund policy, iii) customer service contact, including electronic mail address and/or telephone number, iv) transaction currency (such as U.S. or Canadian dollars), v) export or legal restrictions, if known, and vi) delivery policy.
(c) MERCHANTS engaging in EC agree to provide a detailed business description to BANK.
2.28 MERCHANT warrants and agrees that MERCHANT shall fully comply with all federal, state, and local laws, rules and regulations, as amended from time to time, including the Federal Truth-in-Lending Act, Regulation E, and Regulation Z of the Board of Governors of the Federal Reserve System.
2.29 This Agreement shall be effective only upon acceptance by BANK.
2.30 MERCHANT agrees to pay, in addition to any and all other fees referred to herein, a non-refundable annual customer service fee per year per location. This fee shall be generated and charged any time within one year from the date of this Agreement. The actual date of the initial charge (within said first year) shall be at the sole discretion of BANK. The fee shall be debited from the Account for the initial year and on the anniversary date (of the initial charge) for each year thereafter that the Account is in force. In the event this Agreement is terminated, for any reason, no portion of a charged annual customer service fee shall be rebated to MERCHANT.
2.31 MERCHANT agrees that in the event MERCHANT fails to pay BANK on a chargeback loss, MERCHANT hereby assigns any rights it may have against the cardholder (related to said chargeback loss) to BANK.
2.32 MERCHANT must not deposit a transaction receipt until it does one of the following:

a) Completes the transaction,
b) Ships or provides the goods, except as specified in the Delayed Delivery Transactions section of the Visa International Operating Regulations,
c) Performs the purchase service, or obtains the cardholder's consent for a recurring transaction.

2.33 MERCHANT will not present any sales draft or other memorandum to BANK for processing (whether by electronic means or otherwise) which relate to the sale of goods or services for future delivery without BANK'S prior written authorization. If BANK has previously given such consent, MERCHANT represents and warrants to BANK that you will not rely on any proceeds or credit resulting from such transactions to purchase or furnish goods or services. MERCHANT will maintain sufficient working capital to provide for the delivery of goods or services at the agreed upon future date, independent of any credit or proceeds resulting from sales drafts or other memoranda taken in connection with future delivery transactions.
2.34 All disputes between MERCHANT and any cardholder relating to any card transaction will be settled between MERCHANT and the cardholder. BANK bears no responsibility for such transactions.
2.35 As a primary inducement to BANK to enter into this Agreement, the Guarantor(s) indicated on this Application, by signing this Application, jointly and severally, unconditionally and irrevocably, guarantee the continuing full and faithful performance and payment by MERCHANT of each of its duties and obligations to BANK pursuant to this Agreement, as it now exists or amended from time to time, with or without notice. Guarantor(s) understands further that BANK may proceed directly against Guarantor(s) without first exhausting its remedies against any other person or entity responsible therefore to it or any security held by BANK or MERCHANT. Guarantor(s) authorizes BANK to debit via ACH from any account singly or jointly held by Guarantor(s) at any financial institution in the amount of any amount owed by Guarantor(s) under this Agreement. This ACH authorization will remain in effect after termination of this Agreement, and until BANK has received written notice terminating this authorization and all Guarantor(s) obligations to BANK have been paid in full. Guarantor(s) will indemnify and hold BANK harmless for any action they take pursuant to this Section. Guarantor(s) will also indemnify and hold harmless any other financial institution for acting in accordance with any instructions from BANK pursuant to this Section. This guarantee will not be discharged or affected by the death of the Guarantors, will bind all heirs, administrators, representatives and assigns and may be enforced by or for the benefit of any successor of BANK. Guarantor(s) understand that the inducement to BANK to enter into this Agreement is consideration for the guaranty, and that this guaranty remains in full force and effect even if the Guarantor(s) receives no additional benefit from the guaranty.
2.36 MERCHANT must not establish a minimum or maximum dollar amount as a condition of honoring a VISA, MasterCard, or Discover Network transaction.
2.37 Legislation has passed ("Truncation Laws") requiring terminals to suppress all but the last few digits from the cardholder's account number, as well as the expiration date. MERCHANT is responsible for compliance. Although federal law is in place regarding this issue, specific state laws may have more strict deadlines and requirements. MERCHANT is required to check its specific state law to be sure that MERCHANT is in compliance.
2.38 In accordance with the requirements of the Unlawful Internet Gambling Enforcement Act of 2006 and Regulation GG, MERCHANT understands that restricted transactions are prohibited from being processed through the Merchant Account or relationship with BANK. Restricted transactions are transactions in which a person accepts credits, funds, instruments, or other proceeds from another person in connection with unlawful internet gambling. By signing this agreement, MERCHANT certifies that its business does not engage in internet gambling. MERCHANT agrees that it will notify BANK in the event of any change in circumstance.

2.39 MERCHANT agrees to identify all third party agents involved in the payment process that may have access to cardholder data.
2.40 MERCHANT agrees to provide BANK with previous processor statements as requested.
2.41 MERCHANT agrees not to deposit a transaction receipt that it knows or should have known to be either fraudulent or not authorized by the cardholder.
2.42 MERCHANT agrees that MERCHANT shall be solely responsible for its employees' actions while in MERCHANT'S employ.
2.43 MERCHANT agrees that it shall not require a cardholder to complete a postcard or similar device that includes the cardholder's account number, card expiration date, signature, or any other card account data in plain view when mailed.
2.44 MERCHANT agrees that it shall not request or use an account number for any purpose other than as payment for its goods or services.
2.45 MERCHANT agrees that it shall not add any tax to transactions, unless applicable law expressly requires that a MERCHANT be permitted to impose a tax.
2.46 MERCHANT agrees that it shall not disbursing funds in the form of travelers cheques if the sole purpose is to allow the cardholder to make a cash purchase of goods or services from MERCHANT.
2.47 MERCHANT agrees that it shall not disburse funds in the form of cash, unless:
MERCHANT is a Lodging or Cruise Line merchant disbursing cash to a Premium Visa Product cardholder, as specified in Visa International Operating Regulations
MERCHANT is dispensing funds in the form of travelers cheques, Visa TravelMoney Cards, or foreign currency. In this case, the transaction amount is limited to the values of the travelers cheques, Visa Travel Money Card, or foreign currency, plus any commission or fee charged by the merchant, or
MERCHANT is participating in the Visa Cash Back Service, as specified in Visa International Operating Regulations
2.48 MERCHANT agrees that it shall not accept a range of Visa cards for various purposes (e.g.,Scrip, Manual Cash Disbursement).
2.49 Any MERCHANT who relies on fulfillment houses must submit information to BANK about the fulfillment house, and steps for the underwriter to contact the fulfillment house to determine its financial capacity to support the MERCHANT.
2.50 BANK may immediately terminate MERCHANT for any significant circumstances that create harm or loss to the goodwill of the Visa system.
2.51 MERCHANT agrees, if undergoing a forensic investigation at the time the Merchant Agreement is signed, to fully cooperate with the investigation until completed.
2.52 MERCHANT agrees to abide by transaction deposit restrictions, as specified in the Visa International Operating Regulations.
2.53 MERCHANT agrees to abide by transaction processing prohibitions, as specified in the Merchant Prohibitions section of the Visa International Operating Regulations.
2.54 MERCHANT agrees that it shall not deposit a transaction receipt that does not result from an act between the cardholder and the merchant or the cardholder and its sponsored merchant (laundering).
2.55 MERCHANT agrees that it shall not violate disclosure of account and Visa transaction information prohibitions, as specified in the Visa International Operating Regulations.
2.56 MERCHANT agrees that it shall be liable for a PCI Compliance Non-Validation Fee in the amount of $16.95 per month if it fails to complete the PCI Protection Plan Self Assessment Questionnaire (SAQ) according to required timelines.
3.0 Rights, Duties and Responsibilities of BANK.
3.1 BANK will accept for purchase all sales drafts deposited by MERCHANT that comply with the terms of this Agreement. The electronic submission of sales transactions to BANK through services provided by BANK shall constitute an endorsement by MERCHANT to BANK of the sales drafts representing such transactions. Unless otherwise informed by BANK and provided MERCHANT completes batch operation prior to 5:59pm CST, BANK will pay MERCHANT up to three (3) business days after the date the BANK receives the transaction, the total face amount of each sales draft, less any credit vouchers, discounts, fees or adjustments determined daily or monthly. All payments, credits and charges are subject to audit and final checking by BANK, and prompt adjustments shall be made for inaccuracies discovered.
3.2 Notwithstanding any other provisions of this Agreement, BANK may refuse to accept any sales draft, or revoke its prior acceptance, in any of the following circumstances:
(a) the sale giving rise to such sales draft was not made in compliance with all the terms and conditions of this Agreement including Card Associations' Rules and Regulations, Discover Network Operating Regulations, as well as applicable laws and regulations of any governmental authority; or
(b) The cardholder disputes his/her liability on any of the following grounds: (i) that the products covered by such sales drafts were returned, rejected or defective in some respect or MERCHANT failed to perform any obligation on its part in connection with such products, and MERCHANT has refused to issue a credit voucher in the proper amount; (ii) MERCHANT has failed to obtain a signature on the sales draft and the cardholder claims he/she did not authorize the transaction. In the event of a revocation of a prior acceptance of a sales draft, BANK may withdraw from the Account any amount previously paid to MERCHANT for such sales draft.
3.3 BANK will provide electronic data capture, monthly activity statement, and will assign customer service phone numbers which will accept all customer service calls and other communications from MERCHANT relating to the services provided under this Agreement including, but not limited to, disbursement of funds, account charges, monthly statements and chargebacks.
3.4 BANK will process all requests for drafts and chargebacks from card issuers and will provide MERCHANT with timely notice of requests and chargebacks for documentation.
3.5 BANK will provide, at MERCHANT'S option, a 24 hour toll-free help line for servicing of peripheral equipment which shall include repair and reprogramming of equipment leased, rented or purchased from other vendors.
3.6 Use of Independent Sales Offices: MERCHANT acknowledges that BANK may have been referred to MERCHANT through an independent sales office operating under applicable VISA, MasterCard, and Discover Network rules and regulations. The independent sales office is an independent contractor and has no authority to alter the terms of this Agreement without BANK'S prior written approval.
3.7 MERCHANT authorizes BANK to control and disburse all appropriate settlement funds to the merchant.

4.0 Account Monitoring.

4.1 MERCHANT acknowledges that BANK will monitor MERCHANT'S daily deposit activity. MERCHANT agrees that BANK may, upon reasonable grounds, divert the disbursement of MERCHANT'S funds from any account MERCHANT has in ANY financial institution for any reasonable period of time required to investigate suspicious or unusual deposit activity. BANK will make good faith efforts to notify MERCHANT immediately. BANK shall have no liability for any losses, either direct or indirect, which MERCHANT may attribute to any diversion of funds disbursement. Any funds diverted shall be deposited immediately into a non-interest bearing account at BANK, and not be released until such time that questionable/suspect/fraudulent transactions have been resolved to the BANK'S satisfaction.

4.2 Agents of BANK are not permitted to directly access or hold merchant funds whether from settlement or reserves.

5.0 Warranties; Disclaimer of Warranties.

5.1 MERCHANT unconditionally represents and warrants to BANK that all sales drafts submitted to BANK hereunder will represent the indebtedness of cardholder with whom MERCHANT has completed a sales transaction in amounts set forth therein for products only, shall not involve any element of credit for any other purposes and shall not be subject to any defense, dispute, offset or counterclaim which may be raised by a cardholder under the Card Associations' Rules and Regulations, Discover Network Operating Regulations, or the Consumer Credit Protection Act (15 USC 1601) or other relevant state or federal statutes or regulations. Further, MERCHANT warrants that any credit voucher which it issues represents a bonafide refund or adjustment on a card sale by MERCHANT with respect to which a sales draft has been accepted by the BANK.

6.0 Limitations of Liability; Indemnification; Due Care.

6.1 BANK shall have no liability for any negligent design or manufacture of any point-of-sale terminal, printer, or other equipment used by MERCHANT for the acceptance of credit card transactions. BANK MAKES NO WARRANTIES WHATSOEVER, EXPRESSED OR IMPLIED, CONCERNING ANY EQUIPMENT, OR OTHER SERVICE PROVIDED BY OTHERS AND, IN PARTICULAR, MAKES NO WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURCHASE. Should MERCHANT fail to pay for any amounts due to their ISO/MSP, MERCHANT grants to BANK the right to set-off against MERCHANT'S deposit account in order to allow BANK to collect any and all equipment payments not made by MERCHANT.

6.2 MERCHANT shall indemnify and hold BANK harmless from all liability, loss and damage, including reasonable attorney's fee and costs which may arise as a result, whether direct or indirect, of any act or failure to act or the breach of any warranty by MERCHANT pursuant to the terms of this Agreement, the Card Associations' Rules and Regulations, and Discover Network Operating Regulations. In the event any Card Association, Discover Network, or other entity assesses a fine to BANK due to the direct or indirect actions of MERCHANT, MERCHANT shall reimburse BANK the amount of the fine.

6.3 BANK will use due care in providing services covered by this Agreement and the performance of all services called for in this Agreement shall be consistent with industry standards. The liability, if any, of BANK under this Agreement for any claims, costs, damages, losses and expenses for which it is or may be legally liable, whether arising in negligence or other tort, contract, or otherwise, will not exceed in the aggregate the amount of fees paid by MERCHANT, less interchange and assessments, over the previous twelve (12) month period, calculated from the date the liability accrued. In no event will BANK or its agents, officers, directors or employees be liable for indirect, special, or consequential damages.

7.0 Display of Materials; Trademarks.

7.1 MERCHANT agrees to prominently display the promotional materials provided by BANK in its place(s) of business. Use of promotional materials and use of any trade name, trademark, service mark or logo type ("Mark") associated with Card(s) shall be limited to informing the public that card(s) will be accepted at MERCHANT'S place(s) of business. MERCHANT'S use of promotional materials and marks is subject to the direction of BANK.

7.2 MERCHANT may use promotional materials and marks during the term of the Agreement and shall immediately cease use and return any inventory to BANK upon any termination thereof.

7.3 MERCHANT shall not use any promotional material or marks associated with VISA, MasterCard or Discover Network in any way which suggests or implies that either endorses any goods or services other than payment card services. Further, MERCHANT may be subject to immediate termination if deemed to be creating harm or loss to the goodwill of VISA, MasterCard, Discover Network, or BANK.

7.4 Discover Network Program Marks. MERCHANT is prohibited from using the Program Marks, as defined below, other than as expressly authorized in writing by BANK. Program Marks mean the brands, emblems, trademarks, and/or logos that identify the Discover Network Cards. Additionally, MERCHANT shall not use the Program Marks other than to display decals, signage, advertising, and other forms depicting the Program Marks that are provided to MERCHANT by BANK or otherwise approved in advance in writing by BANK. MERCHANT may use the Program Marks only to promote the services covered by the Program Marks by using them on decals, indoor and outdoor signs, websites, advertising materials and marketing materials; provided that all such uses by MERCHANT are approved in advance by BANK in writing. MERCHANT shall not use the Program Marks in such a way that customers could believe that the products or services offered by MERCHANT are sponsored or guaranteed by the owners of the Program Marks. MERCHANT recognizes that it has no ownership rights in the Program Marks. MERCHANT shall not assign to any third party any of the rights to use the Program Marks.

8.0 Term; Termination.

8.1 This Agreement shall become effective upon acceptance by BANK and shall continue in full force and effect for a term of five (5) years therefrom. At the end of the initial five (5) year term and at the end of every renewal term thereafter, the Agreement will automatically renew for additional five (5) year periods, unless terminated by any party upon written notice at least thirty (30) days prior to the end of the then existing term or twenty (20) days as per the Voyager Merchant Agreement. In the event MERCHANT terminates this Agreement prior to the maturity date of the then existing term, MERCHANT SHALL be liable to BANK for an early termination fee equal to the greater of (i) $495.00 per location; or (ii) an amount equal to the average monthly charges, including but not limited to all card and miscellaneous fees, on MERCHANT statements (for months during which MERCHANT processed any transactions) multiplied by the number of months remaining on the term thereof.

8.2 This Agreement may be immediately terminated by BANK for the following reasons:

(a) Reasonable belief that MERCHANT is employed in practices that involve elements of fraud or conduct deemed to be injurious to cardholders;

(b) Reasonable belief that MERCHANT will constitute a risk to BANK by failing to meet the terms of this Agreement;

(c) Issuing cash advances as set forth in Section 2.14; or

(d) MERCHANT appears on any Card Association's and/or Discover Network's security reporting.

(e) MERCHANT fails to comply with Payment Card Industry Security Standards as outlined in the Data Security Section of Merchant Payment Card Application.

8.3 In the event this Agreement is terminated prior to the expiration date for any of the reasons set forth in Section 8.2 and when permitted by state law, MERCHANT SHALL be liable to BANK for an early termination fee equal to the greater of (i) $495.00 per location; or (ii) an amount equal to the average monthly charges, including but not limited to all card and miscellaneous fees, on MERCHANT statements multiplied by the number of months remaining on the term thereof.

8.4 BANK may terminate this Agreement immediately and without cause upon providing MERCHANT with written notice of such termination.

8.5 In the event of termination whether with or without cause, MERCHANT expressly authorizes BANK to withhold and discontinue the disbursement of all cards and other payment transactions of MERCHANT in process of being collected and deposited. Collected funds may be placed in an escrow account at BANK until MERCHANT pays any outstanding charges or losses. Further, BANK reserves the right to require MERCHANT to deposit additional amounts, based upon MERCHANT'S processing history and /or anticipated risk of loss to BANK, into an escrow account. BANK shall be granted a continuing security interest in funds held pursuant to this Section. Said escrow account shall be maintained for a minimum of one hundred eighty (180) days after the termination date and for any reasonable period thereafter, during which cardholder disputes may remain valid under the card plans. Any balance remaining after chargeback rights have expired will be disbursed to MERCHANT.

8.6 Security Interests. This Agreement will constitute a Security Agreement under the Uniform Commercial Code. MERCHANT grants to BANK a security interest in and lien upon: (i) all funds at any time in the Account (ii) all funds in diverted account (see Section 4.0), (iii) the Reserve Account (as defined below), (iv) future sales drafts, (v) all rights relating to this Agreement including, without limitation, all rights to receive any payments or credits under this Agreement and (vi) any other account MERCHANT has in any financial institution, (collectively, the "Secured Assets"). Upon request of BANK, MERCHANT will execute one or more financing statements or other documents to evidence and perfect this security interest. MERCHANT represents and warrants that no other party has a security interest in the Secured Assets. These security interest and liens will secure all of MERCHANT'S obligations under this Agreement and any other agreements between MERCHANT and BANK including, but not limited to, MERCHANT'S obligation to pay any amounts due and owing to BANK. With respect to such security interests and liens, BANK will have all rights afforded under the Uniform Commercial Code, any other applicable law and in equity. MERCHANT will obtain from BANK written consent prior to granting a security interest of any kind in the Secured Assets to a third party. Merchant represents and warrants that no other person or entity has a security interest in any property in which you have granted BANK a security interest hereunder. MERCHANT agrees that this is a contract of recoupment and BANK is not required to file a motion for relief from a bankruptcy action automatic stay to realize on any of the Secured Assets. Nevertheless, MERCHANT agrees not to contest or object to any motion for relief from the automatic stay filed by BANK. MERCHANT hereby grants BANK the right to offset by ACH any account MERCHANT has in ANY financial institution in order to collect any amount due from MERCHANT to BANK pursuant to this Agreement.

8.7 Reserve Account. (i) Establishment: Upon termination of this Agreement or upon BANK'S request and within BANK'S sole discretion, MERCHANT will establish and maintain a deposit ("Reserve Account") at BANK in an amount reasonably determined by BANK necessary to protect BANK'S interests under this Agreement. (ii) Funding: BANK has the right to debit the Account to establish or maintain funds in the Reserve Account. BANK may deposit into the Reserve Account funds it would otherwise be obligated to pay MERCHANT, for the purpose of establishing or maintaining the Reserve Account in accordance with this Section, if it determines such action is reasonably necessary to protect its interests. (iii) Funds: In no event will MERCHANT be entitled to return of Reserve Account funds before two-hundred seventy (270) days following the effective date of termination of this Agreement, provided however, that MERCHANT will remain liable to BANK for all liabilities occurring beyond such two-hundred seventy (270) day period. BANK will have sole control of the Reserve Account. In the event of a bankruptcy proceeding and the determination by the court that this Agreement is assumable under Bankruptcy Code Section 365, as amended from time to time, MERCHANT must establish or maintain a Reserve Account in an amount satisfactory to BANK.

8.8 Recoupment and Set-Off. BANK has the right of recoupment and set-off from the Reserve Account or the Account. This means that it may offset any outstanding/uncollected amounts owed from: (i) any amounts it would otherwise be obligated to deposit into the MERCHANT Account, and (ii) any other amounts MERCHANT may owe BANK under this Agreement or any other agreement. MERCHANT acknowledges that in the event of a bankruptcy proceeding, in order for MERCHANT to provide adequate protection under Bankruptcy Code Section 362 to BANK, MERCHANT must create or maintain the Reserve Account as required by BANK, and BANK will have the right of offset against the Reserve Account for any and all obligations which MERCHANT may owe to BANK, without regard to whether the obligations relate to sales drafts initiated or created before or after the filing of the bankruptcy petition.

8.9 If MERCHANT is terminated for cause, MERCHANT acknowledges that BANK may be required to report MERCHANT'S business name and the names and other identification of its principals to the Combined Terminated Merchant File (MATCH) maintained by VISA, MasterCard, and Discover Network. MERCHANT expressly agrees and consents to such reporting in the event MERCHANT is terminated for any of the reasons specified as cause by VISA, MasterCard, and Discover Network. Furthermore, MERCHANT shall hold harmless BANK for claims which MERCHANT may raise as a result of such reporting.

8.10 Bankruptcy. MERCHANT will immediately notify BANK of any bankruptcy, receivership, insolvency or similar action or proceeding initiated by or against MERCHANT or any of its principals. MERCHANT will include BANK on the list and matrix of creditors as filed with the Bankruptcy Court, whether or not a claim may exist at the time of filing, and failure to do so will be cause for immediate termination or any other action available to BANK under applicable rules or law. MERCHANT acknowledges that this Agreement constitutes an executory contract to make a loan, or extend other debt financing or financial accommodations to or for the benefit of MERCHANT, and, as such, cannot be assumed or assigned in the event of MERCHANT'S bankruptcy.

8.11 In the event MERCHANT receives and accepts a rate reduction or a fee reduction on any rate or fee set forth herein and BANK agrees to said reduction, the Term of this Agreement shall automatically be extended for an additional three (3) years from the date said rate or fee reduction takes effect.

9.0 Notices.

9.1 All notices and other communications required or permitted under this Agreement shall be deemed delivered when mailed first class, postage prepaid, addressed as follows:

(a) Woodforest National Bank, P.O. Box 8339, The Woodlands, TX 77387-8339

(b) If to MERCHANT, to any owner or officer stated in this Agreement at the MERCHANT'S place of business as also stated on this Merchant Application.

10.0 Additional Terms.

10.1 Card Plans. This Agreement is subject to the bylaws and rules promulgated by VISA, MasterCard , Discover Network, or any other card plan. The parties hereto are bound by and shall fully comply with these bylaws and rules and by such amendments or additions as may be made hereto. The parties hereto shall further comply with all Debit/ATM Network rules and regulations.

10.2 Inspection of Books and Records. Representatives of BANK may, during normal business hours, inspect, audit and make records of MERCHANT'S books, accounts, records and files pertaining to any card transactions. During the term hereof, at the request of BANK, MERCHANT shall provide up to two (2) years of current financial statements and other related information that is requested by BANK. MERCHANT will preserve its records of any card sale and any refund or credit adjustment thereon for at least seven (7) years from the date of such sale, credit, refund or adjustment.

10.3 Confidentiality. MERCHANT will not use for its own purposes, will not disclose to any third party, and will retain in strictest confidence all information and data belonging to or relating to the business of BANK (including without limitation the terms of this Agreement), and will safeguard such information and data by using the same degree of care that MERCHANT uses to protect its own confidential information.

10.4 Privacy. Woodforest National Bank complies with the Bank Secrecy Act and the USA Patriot Act to help the government fight the funding of terrorism and money laundering activities. Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account or becomes a new customer of the financial institution. Our Customer Identification Program is designed to comply with all federal mandates. When MERCHANT opens an account or obtains a service from the bank, BANK will ask for owner/officer name, address, date of birth, and other information that will allow BANK to identify MERCHANT. BANK will also be asking MERCHANT to provide identifying documentation, such as driver's license or other forms of identification. BANK can and will refuse to open an account or provide services if adequate identification is not provided, or BANK is dissatisfied with the identification provided. BANK collects non-public personal information about MERCHANT from the following sources: Information received from on applications or other forms; Information about transactions with BANK, our affiliates, or others; and Information received from consumer reporting agencies. As required by the USA PATRIOT Act, BANK also collects information and takes actions necessary to verify MERCHANT identity. BANK may disclose all the information collected, as described above, to companies that perform marketing services on BANK's behalf or to other financial institutions with which BANK has joint marketing agreements. BANK does not disclose any non-public personal information about our MERCHANTS to anyone, including our affiliates, except as permitted by law. Internally, BANK restricts access to non-public personal information about MERCHANTS to associates who need to know that information to provide customer support and or to maintain records. BANK's internal conduct clearly defines the manner in which an associate may access, use, or disseminate non-public information. BANK maintains physical, electronic, and procedural safeguards that comply with federal standards to guard MERCHANT's non-public personal information. If MERCHANT decides to close account(s) or become an inactive merchant, BANK will adhere to the policies and practices as described in this notice.

10.5 Force Majeure. BANK shall not be liable for any damages resulting from any delay in performance or non-performance caused by circumstances beyond BANK'S control including, but not limited to acts of God, fire, flood, war, governmental action, accident, labor trouble or shortage, or other events of similar effect in connection with BANK's obligation herein.

10.6 Amendment. MERCHANT acknowledges that the terms set forth herein including but not limited to fees, rates, and charges may be changed by BANK. MERCHANT agrees that any such changes shall be considered accurate and final unless MERCHANT disputes them in writing within 30 days of receipt of documentation showing said changes.

10.7 Section Headings. All section headings contained herein are for descriptive purposes only, and the language of such section shall control.

10.8 Assignability. This Agreement may not be assigned, directly or by operation of law, without the prior written consent of BANK.

10.9 Attorney's Fees and Costs. MERCHANT shall be liable for and indemnify BANK for any and all attorney's fees and other costs and expenses paid or incurred by the BANK in the enforcement hereof, or in collecting any amounts due from MERCHANT to BANK hereunder or resulting from any breach by MERCHANT of any of the terms or conditions of this Agreement.

10.10 Binding Effect; Governing Law; Jurisdiction and Venue. Any action or proceeding on this Agreement by or against BANK shall be initiated and maintained under the jurisdiction of the State of Texas with venue in the courts of Harris County, in which case this Agreement shall be construed and governed by the laws of the State of Texas. If any provision of this Agreement shall be held to be invalid, illegal, or unenforceable, the remaining provisions shall remain in effect.

10.11 The rights conferred upon BANK in this Agreement are not intended to be exclusive of each other or of any other rights and remedies. Rather, each and every right of BANK at law or in equity will be cumulative and concurrent and in addition to every other right.

10.12 In the event MERCHANT chooses to participate in the Optional Merchant Club, the following Terms and Conditions shall apply: The term of enrollment is for one (1) year. The term shall be automatically and continually renewed for consecutive one-year terms unless the Merchant or Bank provides a written notice of non-renewal at least sixty (60) days prior to end of the then existing term. The fee for membership shall be charged per unit of equipment per month (terminal, printer, pinpad or any combination thereof). MERCHANT understands membership fee is in addition to fees charged by BANK in MERCHANT's Merchant Payment Card Agreement. In the event MERCHANT's Merchant Payment Card Agreement is terminated during the existence of any term of membership, the fee shall be paid for the remainder of the then existing term. Example: In the event a MERCHANT becomes a member and is terminated after seven (7) months, the remaining five (5) months of fees shall still be paid by MERCHANT to BANK. For all members in good standing, and subject to the terms herein, BANK shall provide equipment support or repair during the membership term. If the equipment cannot be repaired, it shall be replaced with refurbished equipment of comparable quality. MERCHANT agrees to pay any and all encryption fees. For any equipment shipped by BANK to MERCHANT hereunder, MERCHANT shall pay BANK the sum of $29.95 per item to cover shipping and handling. MERCHANT agrees to pay BANK additional fees for Saturday or priority delivery. In the event BANK replaces any item of equipment for MERCHANT's faulty equipment, MERCHANT is required to send BANK the faulty equipment within thirty (30) days from the date MERCHANT receives the replacement equipment. In the event MERCHANT fails to comply with this Section, MERCHANT shall be required to pay BANK the full retail price for the replacement equipment immediately upon the expiration of said thirty (30) day period. Full membership benefits do not take effect for thirty (30) days following the Date of Enrollment. In the event BANK provides replacement equipment during the first thirty (30) days of membership, MERCHANT shall pay BANK the sum of $75.00 per unit replaced. The following items are NOT covered under the membership and MERCHANT shall receive NO benefits for said items: wireless terminals, power packs, pin pad cables, check reader cables, printer cables, printer ribbons, or any other cable that would connect a peripheral device to the terminal, equipment which in the sole discretion of BANK has been subject to abuse, accidental damage, alteration, modification, tampering, negligence, misuse, faulty installation, lack of reasonable care, repair or service which in any way is not contemplated in the documentation for the equipment, equipment with alteration tampering or defacing of the serial number or model number, any damage that occurs in shipment due to an act of God, failures due to power surges, cosmetic damage.

10.13 MERCHANT is liable for repayment to BANK for all valid chargebacks related to Debit and/or ATM Transactions. BANK will comply with Debit/ATM Networks' prevailing Rules and Regulations in processing any chargebacks which result from cardholder disputes. However, all disputes which are not or cannot be resolved through established chargeback procedures shall be settled between MERCHANT and the cardholder, and MERCHANT will indemnify BANK and will provide reimbursement for all expenses, including reasonable attorney's costs, which it may incur as the result of any cardholder claim which is pursued outside the Debit/ATM Network Rules and Regulations.

10.14 MERCHANT agrees to $25 per hour, with one (1) hour minimum, research fee to be charged by BANK for research it performs at MERCHANT's request.

10.15 For purposes of compliance with Payment Card Industry Security Standards, MERCHANT is required to notify BANK in writing of any changes to the software type and version number from that originally stated within this Agreement. MERCHANT is liable to BANK for all losses and expenses incurred by BANK arising out of a failure to report changes to BANK.

10.16 MERCHANT must report to BANK its participation in any cash advance program outside of that offered by BANK. Failure to report participation in such a program shall result in immediate termination of MERCHANT account.

11.0 Fleet Card Acceptance.

11.1 If MERCHANT executes a Wright Express ("WEX") Merchant Agreement, MERCHANT understands that BANK will provide such agreement to WEX, but that neither BANK nor WEX shall have any obligation whatsoever to MERCHANT with respect to processing WEX Cards unless and until WEX executes WEX Merchant Agreement. If WEX executes WEX Merchant Agreement and MERCHANT accepts WEX cards, MERCHANT understands that WEX transactions are processed, authorized, and funded by WEX. MERCHANT understands that WEX is solely responsible for all agreements that govern WEX transactions and that BANK is not responsible and assumes absolutely no liability with regard to any such agreement or WEX transactions, including, but not limited to, the funding and settlement of WEX transactions. MERCHANT understands that WEX will charge additional fees for the services that it provides.

11.2 If MERCHANT accepts Voyager Cards, MERCHANT should adhere to the following Voyager Regulations:

(a) MERCHANT should check Fleet Cards for any printer restrictions at the point of sale,

(b) If an increase in the number of Voyager transaction authorization calls from MERCHANT, not due to Voyager system outages, are in excess of 15% for a given month as compared to the previous month, Voyager may, in their sole discretion, deduct telephone charges not to exceed $.25 per call for the increased calls from MERCHANT settlement of MERCHANT's Voyager transactions,

(c) Settlement of Voyager transactions will generally occur by the fourth banking day after the applicable card transaction is processed. Voyager shall reimburse MERCHANT for the dollar amount of sales submitted for a given day by MERCHANT, reduced by the amount of chargebacks, tax exemptions, discounts, credits, and other fees,

(d) For daily transmission of data, MERCHANT shall maintain true and complete records for not less than thirty-six (36) months from the date of generation of the data, and MERCHANT is responsible for the expense of retaining such sales data records and sales drafts,

(e) In addition to the information provided in Section 6.3, in no event shall BANK's cumulative liability to MERCHANT for losses, claims, suits, controversies, breaches or damages for any cause whatsoever in connection with Voyager transactions, exceed the lesser of $10,000.00 or the Voyager transaction fees paid by MERCHANT for the two months prior to the action giving arise to the claim.

12.0 Data Security.

12.1 MERCHANT hereby warrants and represents that the POS Software, as listed on this Agreement is 100% accurate and that it is PCI DSS Compliant as listed at https://www.pcisecuritystandards.org/security_standards/vpa/. If MERCHANT conducts any business over the Internet or over a VOIP terminal, MERCHANT must: install and maintain a working network firewall to protect data accessible via the Internet; keep security patches up-to-date; encrypt stored data sent over open networks; use and update anti-virus software; restrict access to data by business "need-to-know"; assign a unique ID to each person with computer access to data by unique ID; regularly test security systems and processes; maintain a policy that addresses information security for employees and contractors; and restrict physical access to cardholder information. When outsourcing administration of information assets, networks, or data, MERCHANT must retain legal control of proprietary information and use limited "need-to-know" access to such assets, network, or data. Further, MERCHANT must reference the protection of cardholder information and compliance with the PCI Security Standards Council in contract with other service providers. If MERCHANT stores cardholder account numbers, expiration dates, and other personal cardholder data in a database, MERCHANT must follow VISA, MasterCard, and Discover Network guidelines on securing such data as outlined by the Visa Cardholder Information Security Procedures (CISP), MasterCard Site Data Protection (SDP), and Discover Information Security and Compliance Program (DISC). MERCHANT understands that failure to comply with this Section may result in fines by VISA, MasterCard, and/or Discover Network, and MERCHANT agrees to indemnify and reimburse BANK immediately for any fine imposed due to MERCHANT'S breach of this Section. For more information on the Payment Card Industry Security Standards, including each of the specific security programs, see www.pcisecuritystandards.org.

LEASE TERMS & CONDITIONS

13.0 Equipment. BANK agrees to lease to MERCHANT and MERCHANT agrees to lease from BANK the equipment identified in Section VI of this Agreement or such other comparable equipment BANK provides MERCHANT (the "Equipment"), according to the terms and conditions of this Agreement. BANK is providing the Equipment to MERCHANT "as is" and makes no representations or warranties of any kind as to the suitability of the Equipment for any particular purpose.

13.1 Effective Date and Term of Agreement.

(a) The Lease Agreement becomes effective on the earlier of the date BANK delivers any piece of Equipment to MERCHANT (the "Delivery Date") or acceptance by BANK. This Lease Agreement remains in effect until all of MERCHANT'S obligations and all of BANK'S obligations under it have been satisfied. BANK will deliver the Equipment to the site designated by MERCHANT.

(b) The term of this Lease Agreement begins on a date designated by BANK after receipt of all required documentation and acceptance by BANK ("the Commencement Date"), and continues for the number of months indicated on the Equipment Lease Agreement. THIS IS A NON-CANCELABLE LEASE FOR THE TERM INDICATED.

(c) MERCHANT agrees to pay an Interim Lease Payment in the amount of one-thirtieth (1/30th) of the monthly lease charge for each day from and including the Delivery Date until the date preceding the Commencement Date.

(d) MERCHANT ACKNOWLEDGES THAT THE EQUIPMENT AND/OR SOFTWARE LEASED UNDER THIS LEASE AGREEMENT MAY NOT BE COMPATIBLE WITH ANOTHER PROCESSOR'S SYSTEMS AND THAT BANK DOES NOT HAVE ANY OBLIGATION TO MAKE SUCH SOFTWARE AND/OR AND OR EQUIPMENT COMPATIBLE IN THE EVENT THAT MERCHANT ELECTS TO USE ANOTHER SERVICE PROVIDER. UPON TERMINATION OF THIS MERCHANT PROCESSING AGREEMENT MERCHANT ACKNOWLEDGES THAT EQUIPMENT AND/OR SOFTWARE LEASED UNDER THIS AGREEMENT MAY NOT BE ABLE TO BE USED WITH SAID SERVICE PROVIDER.

13.2 Site Preparation. MERCHANT will prepare the installation site(s) for the Equipment, including but not limited to the power supply circuits and phone lines, in conformance with the manufacturer's and BANK'S specifications and will make the site(s) available to BANK by the confirmed shipping date.

13.3 Payment of Amounts Due.

(a) The monthly lease charge is due and payable on the same day of each successive month thereafter of the lease period for each piece of lease equipment, except that the first payment of the monthly lease charge for each piece of Equipment is due and payable upon acceptance of the Equipment by MERCHANT. MERCHANT agrees to pay all assessed costs for delivery and installation of Equipment.

(b) In addition to the monthly lease charge, MERCHANT shall pay, or reimburse BANK for, amounts equal to any taxes or assessments on or arising out of this Agreement or the Equipment, and related supplies or any services, use or activities hereunder, including without limitation, state and local sales, use, property, privilege and excise tax, exclusive, however, of taxes based on BANK'S net income. Reimbursement of property tax calculation is based on an average tax rate.

(c) MERCHANT'S lease payments will be due despite dissatisfaction with the Equipment for any reason.

(d) Whenever any payment is not made by MERCHANT in full when due, MERCHANT shall pay BANK as a late charge, an amount equal to ten percent of the amount due but no less than $5.00 for each month during which it remains unpaid (prorated for any partial month), but in no event more than the maximum amount permitted by law. MERCHANT shall also pay to BANK an administrative charge of $10.00 for any debit we attempt to make against MERCHANT'S bank account that is rejected.

(e) In the event MERCHANT'S account is placed into collections for past due lease amounts, MERCHANT agrees that BANK can recover a collection expense charge of $50 for each aggregate payment requiring a collection effort.

13.4 Use and Return of Equipment; Insurance

(a) MERCHANT shall cause the Equipment to be operated by competent and qualified personnel in accordance with any operating instructions furnished by BANK or the manufacturer. MERCHANT shall maintain the Equipment in good operating condition and protect it from deterioration, normal wear and tear excepted.

(b) MERCHANT shall not permit any physical alteration or modification of the Equipment, or change the installation site of the Equipment, without BANK'S prior written consent.

(c) MERCHANT shall not create, incur, assume or allow to exist any consensually or judicially imposed liens or encumbrances on, or part with possession of, or sublease the Equipment without BANK'S prior written consent.

(d) MERCHANT shall comply with all governmental laws, rules and regulations relating to the use of the Equipment. MERCHANT is also responsible for obtaining all permits required to operate the Equipment at MERCHANT'S facility.

(e) BANK or its representatives may, at any time, enter MERCHANT'S premises for purposes of inspecting, examining or repairing the Equipment.

(f) The Equipment shall remain BANK'S personal property and shall not under any circumstances be considered to be a fixture affixed to MERCHANT'S real estate. MERCHANT shall permit BANK to affix suitable labels or stencils to the Equipment evidencing BANK'S ownership.

(g) MERCHANT shall keep the Equipment adequately insured against loss by fire, theft, and all other hazards and MERCHANT shall provide proof of insurance. The loss, destruction, theft, or damage of or to the Equipment shall not relieve MERCHANT from MERCHANT'S obligation to pay the full purchase price or total monthly lease charges hereunder.

(h) MERCHANT may choose not to insure the Equipment and participate in the Equipment Service Program. The Equipment Service Program provides a replacement of the Equipment for as long as MERCHANT participates in the Program during the Lease Term. The Equipment Service Program includes (i) free comparable replacement terminal (new or refurbished) in the event of a defect or malfunction (terminal defects or malfunctions caused by acts of God are not covered by this Program), (ii) free shipping and handling on both the replacement terminal and return of the defective terminal, (iii) free overnight shipping and handling on replacement terminal if requested to 3:00pm ET (Monday-Thursday). If MERCHANT doesn't return damaged equipment, MERCHANT will be charged the full purchase price of the replacement equipment sent to MERCHANT. The monthly fee of $9.95 for the optional Equipment Service Program is a per terminal fee. MERCHANT can choose to insure the Equipment and terminate MERCHANT'S participation in the program at any time by calling the Customer Service department.

13.5 Title to Equipment. BANK at all time retains title to the Equipment unless BANK agrees otherwise in writing. MERCHANT agrees to execute and deliver to BANK any statement or instrument that BANK may request to confirm or evidence BANK'S ownership of the Equipment, and MERCHANT irrevocably appoints BANK as MERCHANT'S attorney-in-fact to execute and file the same in MERCHANT'S name and on MERCHANT'S behalf. If a court determines that the leasing transaction contemplated by this Agreement does not constitute a financing and is not a lease of the Equipment, then BANK shall be deemed to have a first lien security interest on the Equipment as of the date of this Agreement, and MERCHANT will execute such documentation as BANK may request to evidence such security interest.

13.6 Return or Purchase of Equipment at End of Lease Period. Upon the completion of MERCHANT'S lease term or any extension thereof, MERCHANT will have the option to (a) return the Equipment to BANK, or (b) purchase the Equipment from BANK for its then fair market value, calculated as a percentage of the aggregate lease payments in accordance with the following: if the term of this Lease is forty- eight (48) months or more , the buyout option as a percentage of the aggregate lease payments shall be ten percent (10%). If the term of this lease is thirty-six (36) to forty-seven (47) months, the buyout option as a percentage of the aggregate lease payments shall be fifteen percent (15%). If the term of this lease is twenty-four (24) to thirty-five (35) months, the buyout option as a percentage of the aggregate lease payments shall be twenty percent (20%) or (c) after the final lease payment has been received by BANK, the Agreement will revert to a month by month rental at the existing monthly lease payment. If MERCHANT does not want to continue to rent the Equipment, then MERCHANT will be obligated to provide BANK with 30-day written notice to terminate and return the equipment to BANK. If BANK terminates the lease pursuant to Section 11(b) due to a default by MERCHANT, then MERCHANT shall immediately return the Equipment to BANK no later than the tenth business day after termination, or remit to BANK the fair market value of the Equipment as determined in good faith by BANK. BANK may collect any amounts due to BANK under this Section 7 by debiting MERCHANT'S bank account, and to the extent BANK is unable to obtain full satisfaction in this manner, MERCHANT agrees to pay the amounts owed to BANK promptly upon BANK'S request.

13.7 Software License. BANK retains all ownership and copyright interest in and to all computer software, related documentation, technology, know-how and processes embodied in or provided in connection with the Equipment other than those owned or licensed by the manufacturer of the Equipment (collectively "Software"), and MERCHANT shall have only a nonexclusive license to use the Software in MERCHANT'S operation of the Equipment.

13.8 Limitation on Liability. BANK is not liable for any loss, damage or expense of any kind or nature caused directly or indirectly by the Equipment, including any damage or injury to persons or property caused by the Equipment. BANK is not liable for the use or maintenance of the Equipment, its failure to operate, any repairs or service to it, or by any interruption of service or loss of use of the Equipment or resulting loss of business. Our liability arising out of or in any way connected with this Agreement shall not exceed the aggregate lease amount paid to BANK for the particular Equipment involved. In no event shall BANK be liable for any indirect, incidental, special or consequential damages. The remedies available to MERCHANT under this Agreement are MERCHANT'S sole and exclusive remedies.

13.9 Warranties.

(a) All warranties express or implied, made to MERCHANT or any other person are hereby disclaimed including without limitation, any warranties regarding quality, suitability, merchantability, fitness for a particular use, quiet enjoyment or infringement.

(b) MERCHANT warrants that MERCHANT will only use the Equipment for commercial purposes and will not use the Equipment for any household or personal purposes.

13.10 Indemnification. MERCHANT shall indemnify and hold BANK harmless from and against any and all losses, liabilities, damages and expenses, (including attorneys' fees) resulting from (a) the operation, use, condition, liens against, or return of the Equipment or (b) any breach by MERCHANT of any of MERCHANT'S obligations hereunder, except to the extent any losses, liabilities, damages or expenses result from our gross negligence or willful misconduct.

13.11 Default; Remedies.

(a) If any debit of MERCHANT'S bank account initiated by BANK is rejected when due, or if MERCHANT otherwise fails to pay BANK any amounts due hereunder when due, or if MERCHANT defaults in any material respect in the performance or observance of any obligation or provision of this Agreement or any agreement with any of BANK'S affiliates, alliances or joint ventures, any such event shall be a default hereunder. Without limiting the foregoing, any default by MERCHANT under a Merchant Processing Agreement ("MPA") with BANK or with an Alliance or joint venture to which BANK is a party will be treated as a default under this agreement. Such a default would include a default resulting from early termination of the MPA, if applicable.

(b) Upon the occurrence of any default, BANK may at our option, effective immediately without notice, either (i) terminate this lease and BANK'S future obligations under this Agreement, repossess the Equipment and proceed in any lawful manner against MERCHANT for collection of all charges that have accrued and are due and payable, or (ii) accelerate and declare immediately due and payable all monthly lease charges for the remainder of the applicable lease period together with the fair market value of the Equipment (as determined by BANK), not as a penalty but as liquidated damages for BANK'S loss of the bargain. Upon any such termination for default, BANK may proceed in any lawful manner to obtain satisfaction of the amounts owed to BANK and, if applicable, BANK'S recovery of the Equipment, including entering onto MERCHANT'S premises to recover the Equipment. In any case, MERCHANT shall also be responsible for BANK'S costs of collection, court costs and reasonable attorneys' fees, as well as applicable shipping, repair and refurbishing costs of recovered Equipment. MERCHANT agrees that BANK shall be entitled to recover any amounts due to BANK under this Agreement by charging MERCHANT'S bank account or any other funds of MERCHANT'S that come into our possession or control, or within the possession or control of BANK'S affiliates, alliances or joint ventures, or by setting off amounts that MERCHANT owes to BANK against any amounts BANK may owe to MERCHANT, in any case without notifying you prior to doing so. Without limiting the foregoing, MERCHANT agrees that BANK is entitled to recover amounts owed to BANK under this Agreement by obtaining directly from an alliance or joint venture to which BANK is a party and with which MERCHANT has entered into an MPA any funds held or available as security for payment under the terms of the MPA, including funds available under the "Reserve Account; Security Interest" section of the MPA, if applicable.

13.12 Assignment. MERCHANT may not assign or transfer this Agreement, by operation of law or otherwise, without BANK'S prior written consent. For purposes of this Agreement, any transfer of voting control of MERCHANT or MERCHANT'S parent shall be considered an assignment or transfer hereof. BANK will assign this Lease Agreement after it's execution to First Data Global Leasing (FDGL), a business unit of First Data Merchant Services. After such assignment, BANK shall have no further obligation under the Lease Agreement.

13.13 Lease Guaranty. No guarantor shall have any right of subrogation to any of BANK'S rights in the Equipment or this Lease or against MERCHANT, and any such right of subrogation is hereby waived and released. All indebtedness that exists now or arises after the execution of this Agreement between MERCHANT and any guarantor is hereby subordinated to all of MERCHANT'S present and future obligations, and those of MERCHANT'S guarantor, to BANK, and no payment shall be made or accepted on such indebtedness due to MERCHANT from a guarantor until the obligations due to BANK are paid and satisfied in full.

13.14 Governing Law; Miscellaneous. This Agreement shall be governed by and will be construed in accordance with the laws of the State of New York (without applying its conflicts of laws principles). If any part of this Agreement is not enforceable, the remaining provisions will remain valid and enforceable.

13.15 Dispute Resolution and Arbitration. If the parties disagree as to any matter governed by this Agreement, the parties shall promptly consult with one another in an effort to resolve the disagreement. If such effort is unsuccessful, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that equitable relief may also be sought in any court of competent jurisdiction.

13.16 Notices. All notices must be in writing, and shall be given (a) if sent by mail, when received, and (b) if sent by courier, when delivered; if to MERCHANT at the address appearing on the cover page of this Agreement, and if to BANK at 4000 Coral Ridge Drive, Coral Springs, Florida 33065 Attn: Lease Department. Toll free customer service: 1 (877) 257-2094.

13.17 Entire Agreement. This Agreement constitutes the entire Agreement between the parties with respect to its subject matter, supersedes any previous agreements and understandings and can be changed only by a written agreement signed by all parties. This Agreement may be executed in any umber of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

ELECTRONIC CHECK TERMS & CONDITIONS

1. Term, Termination and Amendments. This Agreement shall have a term of one (1) year from the date of acceptance by an authorized representative of EZCheck. This Agreement will renew for successive one year terms unless terminated by either party with written notice to the other at least thirty (30) days prior to the termination of the then existing term. In the event EZCheck changes the Fees, Rates or Check Limits, Merchant may terminate this Agreement upon thirty (30) days written notice to EZCheck. EZCheck may terminate this Agreement at any time upon written notice to Merchant. This Agreement, plus any addenda, including Fees, Rates and Check Limit, may be changed or amended from time to time by EZCheck by providing Merchant with written notice. Amendments to Fees, Rates and Check Limit shall take effect immediately. Other such amendments shall be effective thirty (30) days from mailing. If Merchant terminates this Agreement prior to the termination date of the then existing term, for any reason except as expressly set forth above, Merchant shall be subject to pay EZCheck an amount equal to the greater of (a) $125, or (b) six (6) months of the current Monthly Minimum and Merchant Club fees for each Merchant location. Except as specifically provided herein, this Agreement may not be altered, amended, or otherwise varied except by written mutual agreement of the parties.
2. Service Type. Merchant agrees to utilize EZCheck's Electronic Check Transfer (ECT) Service as indicated by the Merchant's initials, (initial only one) and solely for point of sale transactions at the location(s) listed in this Agreement.

Guarantee. EZCheck shall purchase 100% of the face amount of the check, up to the Check Limit, for any approved ECT transaction that meets all Warranty Requirements and Representations on the reverse side of this Agreement. Merchant acknowledges that EZCheck shall establish the Check Limit as part of the New Account information materials. EZCheck may, at its sole discretion, increase or decrease the Check Limit upon written notice.

Non-Guarantee. EZCheck shall have zero liability on any dishonored check accepted by Merchant. Merchant agrees that there will be no payment for any loss from check transactions processed by EZCheck that are returned unpaid by either the Checkwriter's bank or the ACH Network. Merchant agrees to be liable for all ECT transactions that are returned, dishonored, reversed or that cannot be collected through Checkwriter's account and that are not subsequently covered by debit against Merchant Account.

MERCHANT ACCEPTANCE

This Agreement includes all of the terms and conditions contained on the front and back of this Agreement. This Agreement is not valid and binding until signed by an authorized manager of EZCheck. Merchant authorizes EZCheck or agent of EZCheck, or any credit reporting agency used by EZCheck, to make whatever inquiries that EZCheck deems appropriate to investigate, verify or research references, statements or data obtained from Merchant for the purpose of this application or any application for accompanying POS terminal(s) or equipment financing.

Personal Guarantee. To induce and in consideration of EZCheck acceptance of this Agreement, the undersigned (herein referred to as "Guarantor") unconditionally, personally, individually, jointly and severally guarantees performance of the Merchant's obligations under this Agreement and payment of all sums due hereunder and hereby continues to personally indemnify EZCheck for any and all funds due from Merchant under the terms of this Agreement.

ACH Debit/Credit Authorization: Merchant hereby authorizes EZCheck/Bank in accordance with this Agreement to initiate debit/credit entries to Merchant's Account, as indicated per the attached copy of a voided check from the Merchant. The authority is to remain in full force and effect until (a) EZCheck/Bank has received written notification from Merchant of its termination in such a manner as to afford EZCheck/Bank reasonable opportunity to act on it; and (b) all obligations of Merchant to EZCheck/Bank that have arisen under this Agreement have been paid in full.

3. Fees and Rates. Merchant shall pay EZCheck the Fees and Rates set forth in this Agreement plus all applicable taxes, as amended from time to time by EZCheck. The Transaction Fee is the charge per transaction for all transactions charged to EZCheck by reason of Merchant's use of the Service. The Base Discount Rate shall be applied to the face amount of all checks processed for authorization by EZCheck, and debited daily from Merchant's funding credit. The Merchant Club Fee is a monthly fee for services associated with POS equipment maintenance and customer support as outlined in Paragraph 21 below. EZCheck reserves the right to change at its discretion, any Fees, or Rates by giving written notice to Merchant. Such changes shall be effective as of the date of the notice. Merchant's failure to give EZCheck written notice of termination of this Agreement after such notice of changes shall be deemed to constitute acceptance of the changes.

4. Payment. All Fees and Rates are due and payable upon receipt. Unless otherwise agreed by EZCheck in writing, Merchant authorizes EZCheck to debit all payments owing to EZCheck under this Agreement (including all chargebacks) and to credit all amounts owing to Merchant under this Agreement to Merchant's Account. If there are insufficient funds in Merchant's Account to pay amounts owed to EZCheck, including delinquent fees, Merchant shall immediately reimburse EZCheck upon demand. EZCheck may, at its option, offset such amount against any amounts due Merchant from EZCheck, including funding of transactions, under this or any other agreement between Merchant and EZCheck. A delinquency charge of 1-1/2 percent per month or the highest amount permitted by law, whichever is lower, shall be added to the outstanding balance of any account 20 days delinquent. Without prejudice to its rights stated in paragraph 17, EZCheck reserves the right to suspend its services and obligations to Merchant, including the payment of ECT transactions due and all ECT transactions previously authorized, during any period which Merchant's account is delinquent. Continuance of service and payment during any period of delinquency shall not constitute a waiver of EZCheck rights of suspension or termination. For any check or ACH debit in payment of services or charges provided herein, Merchant agrees to pay EZCheck a Returned Item Fee of $25 for each such payment that is not paid by merchant's bank upon presentment. Merchant agrees that the Return Item Fee may be debited from its ACH account.

5. ECT Process. For each ECT transaction that EZCheck approves, EZCheck shall initiate via the Automated Clearing House (ACH) system an Electronic Funds Transfer (EFT) credit to Merchant's Account in the amount of such transaction as part of an ECT batch credit less applicable Rates and/or Fees. Such credit shall occur within three banking days following Merchant's regular transmission to EZCheck for processing the saved ECT transactions ("ECT batch"). Such credit shall occur regardless of whether or not customer's ECT transaction is paid by consumer's financial institution. EZCheck reserves the right to decline to process any transaction as an ECT transaction.

6. Transactions Qualifying For ECT. Only transactions (a) originally made payable to Merchant, (b) for which the MICR number imprinted on the check is read and approved by the check reader device working in conjunction with EZCheck's system are eligible for EFT credit to Merchant's Account. ECT transaction as used herein shall include only a transaction for the contemporaneous purchase of goods or services and shall not include transactions for cash or for payment on an account or a check already due Merchant.

7. Warranty Requirements. EZCheck will reimburse Merchant for one check per ECT transaction that is returned unpaid, up to the Check Limit, which meets all of the following requirements: (a) check must be a first party check drawn on a United States or Canadian financial institution and must be made payable to Merchant, (no credit card convenience checks, traveler's checks or third party checks); (b) the name of the individual or company must be imprinted on the check by the check manufacturer, (no starter or temporary checks); (c) if P.O. Box is used or address is not imprinted by the check manufacturer, a physical address must be written on the check; (d) Merchant shall have made an inquiry to EZCheck according to EZCheck's authorization procedures and received an approval code; (e) EZCheck Merchant Number, check writer's telephone number including area code and identification type and number used for authorization must be written on the face of the check; (f) the signature and physical description of check writer must reasonably correspond to any signature and description contained in the piece of identification used for authorization; (g) the signature on the signature block must not be substantially different from the name imprinted on the check; (h) the date of the check must be no more than one day from the actual inquiry date to EZCheck, (no Pre- or Post-Dated checks); (i) the amount authorized by EZCheck and the amount shown in words and figures on the check must all agree; (j) and the check, if processed as a paper item and manually deposited in Merchant's Account must be received by EZCheck for purchase within thirty (30) days of the date the check was authorized. Warranty does not apply to a check on which payment has been stopped or authorization revoked due to disputes over payment of goods and/or services between Merchant and Customer.

8. Representations. Merchant represents and warrants with respect to all ECT transactions submitted by Merchant to EZCheck under this Agreement that (a) the checkwriter has authorized the debiting of his/her account and that the ECT transaction is in all respects properly authorized and in an amount agreed to by the customer; (b) Merchant received a signed EFT receipt from the checkwriter and either the checkwriter or Merchant voided the paper check to which the ECT transaction relates; (c) the ECT transaction represents an obligation of the person who is tendering the check and the ECT transaction is for merchandise actually sold or rented or services actually rendered for the actual price of such merchandise or services (including tax) and does not involve any element of credit for other purposes; (d) the signature and physical description of the checkwriter reasonably correspond to any signature and description contained in the piece of identification and the signature on the ECT receipt is not substantially different from the name imprinted on the check to which the ECT transaction relates; (e) the amount of the ECT transaction and the amount on the ECT receipt all agree and are not the subject of any dispute, setoff or counterclaim and the date of the ECT transaction accurately coincides with the date the transaction actually occurred; (f) Merchant has no reason to believe or have notice of any fact, circumstance or defense which would impair the validity or collectibility of the checkwriter's obligation or relieve the checkwriter from liability for the ECT transaction; (g) the check to which the ECT transaction relates is a personal check and not a business check or payroll check; (h) the ECT transaction is not the result of a phone order, mail order or Internet order; (i) the checkwriter shall have signed a separate ECT receipt for each ECT transaction processed; (j) and Merchant may not split the sale among multiple payment authorizations to circumvent the established Check Limit. No split sales. Merchant agrees to indemnify and hold EZCheck harmless for any losses, liabilities, cost, expenses and/or consequential damages whatsoever incurred by EZCheck as a result of a breach by Merchant of any of these representations.

9. Assignment Of Checks/ECT Transactions. By the execution of this Agreement, Merchant ASSIGNS, TRANSFERS and CONVEYS to EZCheck all of Merchant's rights, title and interest in any check or ECT transaction submitted to or processed by EZCheck for reimbursement under this Agreement and agrees, at EZCheck's request, to endorse such checks and to take any further action reasonably deemed necessary by EZCheck to aid in the enforcement of such rights, including but not limited to providing a copy of the sales invoice, sales contract or work order for which the check was written or the ECT transaction was authorized.

10. Chargeback or Reassignment of ECT Transactions or Checks. EZCheck may chargeback to Merchant and debit Merchant's Account for any ECT transaction processed by EZCheck or any check reimbursed by EZCheck pursuant to this Agreement in any of the following circumstances; (a) the goods and/or services for which the check or ECT transaction was issued have been returned to Merchant, have not been delivered by Merchant, or are claimed by the purchaser to have been unsatisfactory; (b) Merchant has received full or partial payment or security in any form whatsoever for secure payment of the check or ECT transaction, or the goods or services for which the ECT transaction was issued were initially delivered on credit or under a lease; (c) the business transaction for which the ECT transaction or check was tendered is for any reason illegal, void, invalid or a court of law determines that the check in whole or in part is not due and payable by the checkwriter; (d) Merchant has failed to comply with the terms and conditions of this Agreement including, but not limited to, the Warranty Requirements ; (e) the ECT transaction was not a qualifying transaction as defined in paragraph 6; (f) Merchant failed to comply with any of the representations made in paragraph 8; (g) a duplicate ECT transaction was received and processed or the original paper check was deposited, thereby creating a duplicate entry against the checkwriter's financial institution account; (h) Merchant, or any of its owners, agents or employees intentionally altered the check to proceed the ECT transaction with reason to know that it was likely to be dishonored (including having received a non-Approval Code) or that the identification used was forged or did not belong to the customer; (i) the ECT receipt was incomplete or unsigned; (j) a legible copy of the ECT receipt is not received by EZCheck within 7 days of a request by EZCheck; or (k) the customer disputes authorizing the ECT transaction or the validity or accuracy of the ECT transaction debit to his account; or (l) if Merchant has any outstanding items with EZCheck or EZCheck affiliates, settlement banks or leasing companies. Merchant shall immediately notify EZCheck upon the happening of any of the above circumstances. EZCheck may also chargeback to Merchant any amount over the Check Limit where EZCheck has neither received payment for such ECT transactions from the checkwriter or checkwriter's financial institution. If a check is reassigned as provided herein, EZCheck may debit Merchant's Account in the amount reimbursed by EZCheck for the check, and upon request, Merchant shall remit the amount of the check to EZCheck. Upon chargeback or reassignment of a check, EZCheck shall have no further liability to Merchant. Following termination of this Agreement, Merchant shall continue to bear initial responsibility for any chargebacks and adjustments made under this paragraph.

11. Collection And Returned Check Fees. Merchant agrees that EZCheck shall be entitled to collect from the check writer and retain any fees of exemplary damages in addition to the check amount, which are allowed by law. Merchant agrees to follow procedures and post all notices that in EZCheck's opinion may be required for it to collect any such amounts arising from returned or dishonored checks or unpaid ECT transactions. For checks or ECT transactions that do not qualify for guarantee, (either the items do not meet the requirements under this Agreement or the Merchant utilizes the Non-Guarantee ECT service), the Merchant may elect to utilize EZCheck's collection services. Merchant will receive a reimbursement payment equal to 65% of the amount collected of the face value of the check. Should Merchant accept payment for items that have been reimbursed by EZCheck, or submitted to EZCheck for collection, Merchant shall notify EZCheck within 24 hours of collecting payment and Merchant shall be responsible for collecting all applicable check fees. EZCheck shall bill the Merchant for all applicable fees and have no further liability under this Agreement.

12. Deposit Of Paper Checks. Any transaction which: (a) does not qualify as an ECT transaction, as described in paragraph 6 above; or (b) does not meet all of the representations described in paragraph 8, must be physically deposited by Merchant to Merchant's Account. Merchant will forward or notify Merchant's depository bank to forward returned checks directly to EZCheck for collection efforts within 30 days of authorization.

13. Merchant Account. Merchant agrees to maintain a commercial demand deposit checking account designated by Merchant for use in conjunction with ECT services. Merchant agrees to immediately reimburse EZCheck and ODFI for any shortfalls that occur due to non-sufficient funds in Merchant Account that are covered by EZCheck. Merchant also agrees to authorize EZCheck to suspend crediting of ECT transactions to Merchant Account, without prior notice to Merchant, if Merchant should breach or fail to comply with any terms of this Agreement, or if either EZCheck or ODFI in its sole opinion deems itself at risk relative to any services performed under this Agreement.

14. Reporting and Reconciliation. For transactions provided for under this Agreement, EZCheck will provide Merchant with transaction volume reporting and transaction fee record keeping in a format and manner to be determined by EZCheck. Merchant agrees to notify EZCheck promptly of any discrepancies between Merchant's records or bank statements and the information in the reports provided by EZCheck. If Merchant fails to notify EZCheck within 60 days of the transaction of any such discrepancy or funding error, Merchant shall be precluded from asserting any losses, claims or liability against EZCheck arising from such discrepancies or errors.

15. Rules and Regulations. Merchant agrees to comply with current National Automated Clearing House Association (NACHA), rules and regulations ("Rules") regarding the processing of ECT transactions. EZCheck will make copies of all such Rules available to Merchant upon Merchant's request. Such Rules are hereby made part of this Agreement and incorporated herein by this reference. Merchant agrees to hold EZCheck harmless for any liability due to Merchant's non-compliance with NACHA rules.

16. EZCheck Procedures. EZCheck shall supply Merchant with its ECT Quick Reference Guide ("ECT Guide") as may be changed from time to time by EZCheck, the terms of which are incorporated into this Agreement. Merchant agrees to comply with and to be bound by additional items contained in the ECT Guide as amended from time to time. To the extent that there is any conflict between the ECT Guide and terms of this Agreement, the terms of this Agreement shall govern.

17. Settlement Advance. As a condition of providing services under this Agreement, or continued processing of ECT transactions, Merchant may be required, at the option of EZCheck, to fund and maintain an advance ("Settlement Advance") with ODFI in an amount to be determined by EZCheck in its sole discretion based on Merchant's processing history and potential risk of loss to EZCheck. Merchant hereby acknowledges and agrees that any Settlement Advance will be deposited in an EZCheck account for exclusive use by EZCheck or ODFI for purposes of offsetting any returns or other Merchant obligations under the Agreement not recoverable from Merchant Account. If Merchant's Settlement Advance falls below the required amount, Merchant hereby authorizes EZCheck to immediately replenish the Settlement Advance to an amount to be determined by EZCheck via an ACH debit to Merchant Account or by a direct deposit to the Settlement Advance account within twenty-four (24) hours after verbal or written notification from EZCheck of the replenishment requirement. In the event of fraud or breach of this Agreement by Merchant the Settlement Advance may be funded immediately at EZCheck's election via an ACH debit to Merchant's Account or applying funds from ECT transactions due Merchant. No interest will be paid on the Settlement Advance. In addition, Merchant hereby acknowledges and agrees that EZCheck may use the Settlement Advance in whatever manner it desires, i.e., commingling with other merchant funds, etc., subject to EZCheck's requirement, should this Agreement be terminated, to refund any remaining Settlement Advance balance ninety (90) days after the termination date ("Termination Period"). Merchant hereby grants EZCheck and ODFI a security interest in any Settlement Advance that EZCheck or ODFI may enforce for purposes of securing any obligation owed by Merchant under this Agreement without notice or demand to Merchant. Merchant's obligation to maintain a Settlement Advance shall survive the termination of this Agreement for the duration of the Termination Period during which time EZCheck's and ODFI's security interest shall continue.

18. Right of Setoff. Merchant hereby acknowledges and agrees that EZCheck shall have a right to setoff against any and all fees or other funds owed EZCheck by Merchant under this Agreement.

19. Retention Of EFT Receipts. Merchant agrees to have the checkwriter sign an EFT receipt in a form approved by EZCheck for each ECT transaction processed through EZCheck. Merchant agrees to maintain the signed EFT receipt for a minimum period of two years from the date of the transaction or for the period specified by the rules of the NACHA, whichever is longer. Upon request by EZCheck, Merchant shall promptly produce either the original or a legible copy of the EFT receipt to EZCheck within seven days of EZCheck's request. Merchant agrees upon reasonable notice and during normal business hours that EZCheck may audit Merchant for its compliance with this requirement.
20. Non-Guarantee . If Merchant utilizes EZCheck's Non-Guarantee services, information is given only to assist Merchant in deciding whether or not to accept a check. EZCheck does not guarantee the accuracy or completeness of the information and there will be no payments to Merchant by EZCheck for any loss from check transactions processed by EZCheck. Merchant assumes all risk on checks accepted by Merchant and processed by EZCheck and EZCheck's liability on any check processed through the Non-Guarantee service shall be zero.
21. Equipment. EZCheck will replace or repair equipment for Merchants that are members of the 'Merchants Club' upon Merchant's request. A swap fee of $29.95 will be charged per equipment item replaced. If replacement equipment is mailed to Merchant, it is Merchant's responsibility to return defective equipment to EZCheck's office within 7 business days or Merchant will be deemed to have purchased equipment and be billed for such equipment. A fee of $40.00 per hour plus the cost of parts will be charged for any repair of equipment beyond ordinary wear and tear. A reprogramming fee of $15.00 will be charged for each occasion that a piece of equipment is reprogrammed for additional features or different information. Merchant shall not permit persons other than authorized representatives of EZCheck to adjust, maintain, program or repair any equipment. Merchant shall bear the entire risk of loss, theft, or damage of or to equipment. There is a 90-day manufacturer's warranty on sold equipment.
22. Hold Harmless. Merchant agrees to promptly inform EZCheck of collection or dispute of any amounts recorded, or items submitted, to EZCheck and to hold EZCheck harmless for any liability arising from Merchant's failure to do so.
23. Credit Law Compliance. Merchant certifies that it has a legitimate business need, in connection with a business transaction involving the consumer, for the information provided by EZCheck under this Agreement. Merchant also certifies that the information provided by EZCheck will only be used for permissible purposes as defined in the Fair Credit Reporting Act, and applicable state laws, with the exception that the information will not be used for employment purposes, and will not be used by Merchant for any purpose other than one transaction between Merchant and customer. Merchant agrees that neither it nor its agents or employees will disclose the results of any inquiry made to EZCheck except to the person about whom such inquiry is made and in no case to any other person outside the Merchant's organization and that Merchant shall defend, and hold harmless, EZCheck for all liability resulting directly or indirectly from any disclosure forbidden herein. If Merchant decides to reject any transaction, either wholly or partly because of information obtained from EZCheck, Merchant agrees to provide the customer with all information required by law or EZCheck.
24. Use of EZCheck's Materials. Merchant shall have the use of decals, identification data and other material furnished by EZCheck during the term of this Agreement. Merchant shall not permit any person other than its own officers or employees at subscribing locations to use the EZCheck Merchant Number assigned by EZCheck. Merchant agrees that upon termination it will return or destroy all EZCheck materials and return, in good condition, all EZCheck's equipment. The monthly fees to Merchant will apply for all months or fractions of a month any materials or equipment remain in use.
25. Use of Merchant Information. Merchant agrees that EZCheck may use any credit information provided to EZCheck or an EZCheck affiliate for EZCheck's ECT credit review. Merchant also agrees that EZCheck may share any experiential information it has regarding Merchant with any EZCheck affiliate.
26. Assignment of Agreement. Merchant may assign this Agreement only with prior written consent of EZCheck. EZCheck may freely assign this Agreement, its rights, benefits of duties hereunder. This Agreement shall insure to the benefit of and be binding upon the successors and assigned of EZCheck and the heirs, executor, administrators, successors, and assigns of Merchant.
27. Application. In connection with this Agreement, Merchant has executed and delivered an Application containing, among other things, information describing Merchant's business and the individuals who are the principal owners of Merchant. Merchant warrants that all information and statements contained in such Application are true, correct and complete. Merchant further agrees to promptly notify EZCheck of any and all changes which may occur from time to time regarding any information contained in such Application, including but not limited to, the identity of principal owners and the type of goods and services provided. EZCheck reserves the right to immediately terminate this Agreement based upon the nature of changes reported by Merchant or discovered by EZCheck. Merchant and principal owner(s), identified on the Application shall be jointly and severally liable to EZCheck, and remain liable for any and all loss, costs and expense suffered or incurred by EZCheck, resulting from incorrect or incomplete information contained in Application or Merchant's failure to report all changes to EZCheck in accordance herewith. If, in EZCheck's sole judgment, a significant discrepancy exists between Merchant's actual processing activity and the activity described in Merchant's Application, EZCheck may immediately and without notice, suspend all processing and funding activity until EZCheck, in its sole opinion, feels confident in allowing subsequent processing activity.
28. Legal Responsibility. In the event of Merchant's violation of the terms of this Agreement, Merchant agrees to pay all cost, including reasonable attorneys' fees, for steps taken by EZCheck whether by suit or otherwise, to defend, preserve or enforce its rights under this Agreement and EZCheck shall have the right to immediately repossess all equipment owned by EZCheck. In the event of any legal action with third parties, customers, businesses, or regulatory agencies concerning any transaction or event arising under this Agreement, Merchant agrees to: (a) promptly notify EZCheck of the claim or legal action; (b) reasonably cooperate with EZCheck in the making of any claims or defenses and; (c) provide information, assist in the resolution of the claims and make available at least one employee or agent who can testify regarding said claims or defenses. EZCheck and Merchant shall each be responsible for its own attorneys' fees and court cost except as otherwise provided by this paragraph.
29. Warranty Limitations. Except as expressly set forth herein, EZCheck makes no warranty, express or implied, and it is agreed that no implied at law warranty shall arise from this Agreement or from performance by EZCheck. In no event shall EZCheck be liable to Merchant or to any other person for any loss or injury to earnings, profits or goodwill or for any incidental or consequential damages. Merchant agrees that a decision to reject any check or ECT transaction, driver's license or other forms of identification or payment for its products and/or services shall be made solely Merchant's own responsibility. Notwithstanding anything to the contrary in this Agreement, in no event shall EZCheck's liability under this Agreement exceed the total amount of fees paid to EZCheck by Merchant pursuant to this Agreement during the preceding 12-month period.
30. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be hand delivered or delivered by facsimile transmission or overnight courier or U.S. Postal Service addressed or transmitted to the party to be notified at such party's address or number as provided on the front of this Agreement or at such party's last known address or number. Any notice delivered hereunder shall be deemed effective upon delivery, if hand delivered or sent by overnight courier, or upon deposit with the U.S. Postal service, and upon receipt, as evidenced by the date of transmission indicated on the transmitted material if by facsimile transmission. Merchant's continued use of the affected service after receipt of such notice will evidence Merchant's continued use of the affected service after receipt of such notice. The parties addressed may be charged by written notice to the other party as provided herein.
31. Force Majeure. EZCheck shall not be held responsible for any delays in or failure of suspension of service caused by mechanical or power failure, strikes, labor difficulties, fire, earthquakes, inability to operate or obtain service for its equipment, unusual delay in transportation, act of God, or other causes reasonably beyond the control of EZCheck.
32. Covering Law and Jurisdiction. Merchant agrees to comply with all application laws, rules and regulations relating to the services provided hereunder. This Agreement plus any addenda attached herein is the entire Agreement between the parties concerning the processing of electronic and paper checks, and supersedes all previous understanding, representations and agreements in relation to its subject matter. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. Any suit brought relating to this Agreement MUST be brought in Houston, Harris County, Texas.
33. Severability. If any provision of this Agreement, or the application of such provisions to any person or circumstance, is declared by a court of competent jurisdiction to be invalid, illegal or unenforceable for any reason, such fact shall not affect the remaining provisions to persons or circumstances other than those to which it is held invalid, and in lieu of each such provision there shall be substituted a new provision as similar as possible to the provision declared invalid, illegal or unenforceable.
34. Waiver. All rights and duties within this Agreement are material and time is of the essence. No waiver of any right hereunder shall be deemed effective unless in writing executed by the waiving party. The parties agree that no failure to exercise and no delay in exercising, any right hereunder on the part of whether party shall operate as a waiver of any such right. The parties agree that no single or partial exercise of any right hereunder shall preclude its further exercise.
35. Survivability. All representations, warranties, indemnities and covenants made herein shall survive the termination of this Agreement and shall remain enforceable after such termination.
36. Entire Agreement. This Agreement together with any Addenda constitutes a fully integrated agreement and the entire Agreement between the parties with respect to its subject matter. All prior or contemporaneous agreements, understandings or representations in relation to the subject matter of this Agreement are merged herein.

Merchant Payment Card Agreement Addendum

This Addendum (the "Addendum") dated _____ is to the Merchant Payment Card Agreement dated on or about _____ (the "Agreement") is made and entered into by and between Woodforest National Bank ("WNB"), Merchants' Choice Payment Solutions ("MCPS") and _____ (the "Merchant"),

The parties hereto have agreed to the following terms in addition to all terms and conditions set forth in the Agreement. Any conflict between this Addendum and the Agreement shall be governed by this Addendum. All matters set forth in the Agreement not addressed in this Addendum shall remain in full force and effect.

NOW THEREFORE, the parties have agreed to the following amended terms:

1. The Special Pricing Addendum, attached as Exhibit "A" contains the pricing applicable to the Agreement. Any pricing terms set forth in the Agreement that are not amended in Exhibit "A" shall remain in full force and effect. WNB may amend the pricing to reflect any increase or decrease in the direct costs that it is charged by its vendors, Visa, MasterCard and other similar entities. In the event of such an increase or decrease, WNB shall provide 30 days prior notice to the Merchant.

2. In the event Merchant's relationship with The Joint franchise system is terminated or discontinued for any reason, Merchant acknowledges, understands and agrees that WNB shall follow the directions of the Merchant's management company _____ (known by Merchant to be a franchisee of The Joint Corp.), or the successor Merchant identified by Merchant's management company, regarding the deposit of funds from payment card transactions submitted by Merchant. Merchant agrees to indemnify and hold WNB, MCPS and MCPS Partners harmless for any action they take pursuant to this section. Merchant understands that this could result in funds from transactions processed by the Merchant being redirected to bank accounts that are not owned by the Merchant.

3. Except to the extent specifically referenced herein, the terms and conditions of the Agreement remain in full force and effect without modification.

WOODFOREST NATIONAL BANK	**MERCHANT CHOICE PAYMENT SOLUTIONS**
BY: _____	BY: _____
NAME: _____	NAME: _____
TITLE: _____	TITLE: _____
DATE: _____	DATE: _____

MERCHANT

BY: _____
NAME: _____
TITLE: _____

DATE:_____

RETAIL RADIO, INC
SERVICE SALES AGREEMENT

Retail Radio

RETAIL RADIO'S SERVICE SALES AGREEMENT ATTN: Franchisee Name

This is a (36) thirty six month service agreement and is entered on March 1st by and between RETAIL RADIO, LLC ("RR"), a California Limited Liability Company, and Franchisee #, company name or owner (referred to herein as "Client"). WHEREAS, the Client desires to hire RR to provide personalized radio services including, but not limited to, stylized music programming with customer targeted advertising determined and/or created by RR. NOW, THEREFORE, in consideration of the contained mutual covenants and agreements and for good, valuable consideration, the Client and RR agree as follows:

1. **TERMS**

(a) Client agrees to hire RR to provide personalized radio services for a period of (36) thirty six months (for all stores locations identified on **(Addendum A)**. This initial Agreement and its terms will renew after the initial (36) thirty six month period, if a cancellation is not received in writing by the later of (60) sixty days prior to the expiration of the current Agreement. Additional locations can be added to this master contract **(Addendum A)** however contract terms and conditions will be applied from the date the service is to commence at the additional locations. Should any location close or franchise agreement expire with The Joint Corp during the contract term with Retail Radio, the expressed franchisees specific clinic's contract with Retail Radio will be terminated without financial consequences for said franchisee or The Joint Corp.

(b) Client will select a music format from multiple stylized music formats, with each format consisting of professionally programmed, and required licensed music, as the content relates to their specific location to meet a particular Client's needs and targeted audience.

(c) Client's service comes with 12 produced pieces of messaging a year of up to 30 seconds each, including branding, thank you or up-selling messages. These spots will run at equal rotation unless otherwise expressed in writing. All copy points for the spots are to be provided by the Client. The included production is for uses within Your in-store music service solely and consists of single voice reads. Additional produced pieces of messaging can be produced for $45 per messaging.

(d) Client is required to use our Plug N Play media player box per location, to be provided by RR, with a (1) one time set-up fee as stated in Section 2. Compensation, of this Agreement. RR shall also provide the initial installed equipment more particularly described in Section 3 Terms of Service set forth hereinafter.

(e) Client, not RR, is fully responsible for establishing and maintaining a successful internet connection, being necessary to receive RR's continuing personalized radio services. RR agrees to provide instructions and customer service to assist Client. For music reliability our players will perform music for a short period of time without an internet connection but will eventually repeat content if it is unable to gain updates performed by RR.

(f) The terms and conditions set forth in the following pages consisting of 6 of 6 total pages (and/or list of locations provided by Client) are part of this Agreement.

2. **COMPENSATION**

(a) Client agrees to pay RR a monthly of $ 21 monthly subscription fee per location for a minimum of (36) thirty six months per location. Within the term of the initial Agreement the monthly subscription fee could increase no more than 5% only if written notice is provided to Client documenting such increase from BMI, SESAC, ASCAP, SOCAN, as it applies to your content.

i. No less than (90) ninety days prior to the end of the initial Term, RR may provide a written notice to Client (i) indicating that RR's costs related to RR's Products and/or Services as stated under Section 1. Terms, have increased and (ii) detailing RR's proposed new prices as a result of such increased costs.

(b) Client will pay RR a (1) one time fee of $ 199 (plus shipping) for the lease of a Plug N Play media player per location used to implement the agreed upon services.

(c) Client to pay an introductory (1) one time production fee of $ 0
Requested Billing Cycle:

☐ Monthly ☐ Quarterly ☐ Semi-Annually ☐ Annual

(d) RR to provide client separate content capabilities for on-hold services. Client understands that their phone system must have an audio input. A 6 foot audio cord will be provided along with a RCA to mono 3.5mm plug adapter. Client agrees to pay $ 0 per location per billing cycle.

☐ **ACH Payments**: To authorize automatic payments taken directly from Your bank account, please fill out the ACH payment authorization form. There is no billing fee associated to the ACH billing or payments and **initial here:** _____. Check this box if You want monthly invoices emailed to You. Otherwise, individual and summary of services are available upon requests.

☐ **Automatic Credit Card Payment**: To authorize payment by Visa or MasterCard send us a completed Payment Authorization Form (attached) or request one from Your RR account executive, and **initial here** _____. Check this box if You want monthly invoices emailed to You. Otherwise, individual and summary of services are available upon requests.

Automated Payment Terms: By selecting an automated payment method, You authorize us to automatically deduct from Your financial institution or post to Your credit card, all fees and charges payable under the Agreement as they become due. You agree to promptly notify us in writing if Your financial institution or credit card information changes. You can revoke this authorization at any time by giving us Notice. You agree that if we are unable on any occasion to receive automated payments for any reason, we may send a paper invoice to the Service Address for the charges then due, and You will pay such invoice within 10 days after the invoice date. There is a billing there is a $1.25 billing fee per invoice.

☐ Payment options: Invoice by mail. Send paper invoices to the attention of: _____ at this address:

There is a billing there is a $1.25 billing fee per invoice.

(d) Default: If Client fails to pay any amounts when due, and such non-payment continues for (30) thirty days after RR provides written notice by certified mail of the non-payment, Client agrees that the entire contract balance will become immediately due and payable to RR as liquidated damages. Payments that are more than (60) sixty days past due could assess late fees of 3% of delinquent balance every additional (30) thirty days. Client also agrees RR has the right to discontinue the Services and to remove RR's Equipment and any media at that time, together with any other remedies provided for herein.

Notes
notes about specific agreement, promotion, install or anything of that sort

THE UNDERSIGNED HAS READ THE FOREGOING CONTRACT AND FULLY UNDERSTANDS IT. IN WITNESS WHEHREOF, the Parties hereto have executed this Agreement as of the date and year first written above on page (1) one of this Agreement. This Agreement may be delivered electronically via, Facsimile, Email or other. The receipt of a Facsimile, Email or others copy of any party's signature shall be considered to be receipt of an original copy thereof, provided that any party executing this Agreement by facsimile shall, as soon as practicable following execution of this Agreement, provide an originally executed counterpart of this Agreement to the other parties.

CLIENT

_____ _____

[SIGNATURE] Date

By:

RETAIL RADIO, LLC

_____ _____

By: Bill Louie **Member of Retail Radio, LLC** Date

3. **TERMS OF SERVICE**

THIS LIMITED END USER AGREEMENT ("AGREEMENT") DESCRIBES YOUR RIGHTS TO USE THIS HARDWARE AND ALL ASSOCIATED SOFTWARE ("EQUIPMENT"). YOU SHOULD CAREFULLY READ THIS AGREEMENT BEFORE INSTALLING OR USING THE EQUIPMENT.

This End User Agreement ("Agreement") contains the terms and conditions under which Retail Radio, LLC, a California limited liability company ("RR") agrees to provide You, the Client, with a non-exclusive, limited license to use Retail Radio's Equipment for use as a customized in-store audio system.

This is a legal agreement between Client, the original End User licensee (End User, You or Your) and Retail Radio (RR). You are granted this limited license to use the Equipment only if You accept all of the terms contained in this Agreement. Before installation and use of the Equipment, please read all of the terms and conditions of this Agreement.

(a) License. RR grants to You a nonexclusive, nontransferable, limited license to use the Equipment in connection with retail store in-store audio systems as provided herein, and for no other purpose. You shall not transmit the program nor use the service outside the premises designated in this Agreement. You agree not to disclose or make the Equipment available to any third party and You shall protect the confidentiality of the Equipment with the degree of care which You use to protect the confidentiality of Your own proprietary information of like nature, but with no less than a reasonable degree of care. You may not lease, assign, sublicense or transfer this license and any attempt to lease, sublicense, assign or transfer all or any of Your rights hereunder is void and will result in an immediate termination of this Agreement. Client understands and agrees that RR's music service rights are licensed for background music only. Client further understands and agrees RR's music services do not license music for any other on-premises music uses, including, but not limited to, the following: live music, television use, D.J. performances or businesses charging admission. Such uses require additional licensing that is the responsibility of Client, not RR.

(b) Restrictions. The Equipment and the accompanying printed or written materials are protected by applicable national copyright laws and are also subject to trade secret laws. Unauthorized copying of the Equipment or any related materials, including those instances where any aspects of the Equipment or related material have been modified, merged, or included with other data, code or software for any reason, is expressly forbidden. You will be liable for copyright infringement and all damages that result from any such unauthorized copying. The Equipment contains trade secrets, and in order to protect them, You may not decompile, reverse engineer or disassemble the Equipment, or otherwise reduce the Equipment to a human perceivable form. You may not modify, adapt, translate, rent, lease, loan, resell for profit, distribute, network or create derivative works based on all or any part of the Equipment.

(c) Title. The original and any copies of the Equipment, its associated software, and all accompanying content and documentation, in whole and in part, including translations, compilations, partial copies, modifications, and updates are the property of RR. You have only the limited rights granted by this Agreement. You are not an owner of a copy of the Program, and therefore 17 U.S.C. Section 117 does not apply. Upon terminating RR service the leased Plug N Play media player unit must be returned. If RR does not receive the leased equipment within 60 days of discontinuing service or receiving a replacement unit Client will be billed at the rate of $199. R&R will pay for shipping if required upon request.

(d) Maintenance of Equipment. RR shall maintain and update, as necessary, the Plug N Play media player player at no additional charge, except as provided herein below. All maintenance shall be exclusively limited to that resulting from ordinary and proper use of the Equipment.

(e) Limited Warranty. RR warrants to Client that the Equipment as originally distributed to You (if any) is free from defects in materials and workmanship under normal use for a period equal to the length of the Initial first term of this agreement from the date of delivery to You ("Equipment Warranty"). Delivery shall be defined as the date You receive the Equipment from RR. RR does not warrant that the documentation or the functions contained in the Equipment will meet Your requirements or that the operation of the Equipment will be uninterrupted or error free.

No oral or written information or advice given by RR, its dealers, distributors, agents or employees will create a warranty or in any way increase the scope of the limited warranties set forth herein, and You may not rely on any such information or advice.

RR's entire liability and exclusive remedy with respect to breach of the Equipment Warranty will be, at RR's sole option and election, repair or replacement of any Equipment not meeting the Equipment Warranty, or refund of the price paid by You for the Equipment not meeting the Equipment Warranty; provided that the Equipment is returned to Your place of purchase within the Equipment Warranty period in accordance with the provisions set forth herein. You are responsible for any costs, expenses, customs, duties, taxes, and other similar charges relating to Your return shipment of the Equipment to Your place of purchase and RR's return of Equipment to You under the Equipment Warranty. You agree to pay all such costs upon invoice.

EXCEPT FOR THE LIMITED WARRANTY STATED ABOVE, THE EQUIPMENT IS PROVIDED "AS IS" WITHOUT WARRANTY OR CONDITION OF ANY KIND, EITHER EXPRESSED OR IMPLIED, AND THE IMPLIED WARRANTIES AND CONDITIONS OF MERCHANTABILITY, TITLE AND FITNESS FOR A PARTICULAR PURPOSE ARE SPECIFICALLY DISCLAIMED. IN ADDITION, SHOULD THE EQUIPMENT PROVE DEFECTIVE DUE TO MISUSE, ALTERATIONS OR MODIFICATIONS (INCLUDING MODIFICATIONS TO THE UNDERLYING SOFTWARE) BY YOU, OR SHOULD THE INSTALLED EQUIPMENT BE DAMAGED OR DESTROYED AS A RESULT OF RODENTS, ACTS OF NATURE, FIRE, WATER DAMAGE OR PROPERTY DAMAGE OR SHOULD THE EQUIPMENT BE STOLEN YOU (AND NOT RR OR ANY AUTHORIZED DEALER) ASSUME THE ENTIRE COST OF ALL NECESSARY SERVICING, REPAIR, REPLACEMENT OR CORRECTION.

As to any equipment previously installed in Client's store (pre-existing equipment), unless provided by RR according to this Agreement, including but not limited to speakers, amplifiers and tuners, said pre-existing equipment is the property and responsibility of the Client. RR shall not be responsible for removal of said pre-existing equipment and any resulting replacement costs, property damage or incidental damages/costs. Replacement of said equipment is the sole responsibility of Client. Furthermore, removal of said pre-existing equipment and any resulting damages or interference with RR's provided service shall in no way constitute a breach of this Agreement.

(f) Termination. RR may terminate this Agreement and the license granted to You hereunder, immediately and upon written notice by certified mail to You upon Your breach of any provision of this Agreement.

(g) Copyrights. Retail Radio takes a firm stance against copyright infringement and file sharing. The unauthorized, direct or indirect, copying of commercial music, voices and messaging including digitally stored music files and/or information, without the copyright holder's permission is strictly prohibited and subject to prosecution.

Client initials_____

4. **LIMITATION OF LIABILITY**

IN NO EVENT WILL RR OR ANYONE ELSE WHO HAS BEEN INVOLVED IN THE CREATION, PRODUCTION, USE, DELIVERY OR INSTALLATION OF THE EQUIPMENT AND INVOLVED IN PROVIDING RR'S AGREED TO SERVICES BE LIABLE TO YOU FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT OR SPECIAL DAMAGES, INCLUDING WITHOUT LIMITATION ANY LOST PROFITS, SAVINGS, LOST OR DAMAGED DATA OR OTHER EQUIPMENT ARISING OUT OF THE USE OR INABILITY TO USE THE EQUIPMENT, EVEN IF RR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE FOREGOING LIMITATIONS OF LIABILITY SHALL APPLY NOTWITHSTANDING ANY FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDY OR ANY CLAIM BY YOU OR ANY OTHER PARTY. RR'S SOLE LIABILITY TO YOU OR ANY THIRD PARTY AND YOUR SOLE REMEDY ARISING OUT OF OR RELATED TO THIS CONTRACT HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE WILL NOT EXCEED THE LICENSE FEE PAID BY YOU FOR THE EQUIPMENT. SOME STATES DO NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES SO ALL OR A PORTION OF THE ABOVE LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU. **YOU AGREE AND WE AGREE THAT THIS LIMITATION OF LIABILITY REFLECTS A NEGOTIATED ALLOCATION OF RISKS BETWEEN YOU AND US AND IS AN ESSENTIAL PART OF THE CONSIDERATION FOR OUR PERFORMANCE OF THE AGREEMENT.**

5. **CONFIDENTIAL INFORMATION/NON-COMPETITION**

Client agrees that it will not, during or after the term of this Contract with RR, disclose the specific contract terms of RR's relationships or agreements with its or their respective significant vendors or customers or any other significant and material trade secret of RR's whether in existence or proposed, to any person, firm, partnership, corporation, or business for any reason or purpose whatsoever.

6. **ENTIRE CONTRACT/AGREEMENT; MODIFICATION**

This Contract constitutes the full and complete understanding of the parties hereto and will supersede all prior contracts, agreements and understandings, oral or written, express or implied, with respect to the subject matter hereof. Each party to this Contract acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein and that no other contract, agreement, statement or promise not contained in this Contract shall be valid or binding. This Contract may not be modified or amended except by an instrument in writing signed by the party against whom or which enforcement may be sought.

7. **INDEMNIFICATION**

During the duration of the services sales contract and thereafter, the Client shall indemnify RR to the fullest extent permitted by law against any judgments, fines, amounts paid in settlement and reasonable expenses (including attorneys' fees), and advance amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted by law, in connection with any claim, action or proceeding (whether civil or criminal) against RR (other than a claim brought by RR) as a result of RR's services to the Client.

8. **SEVERABILITY**

Any term or provision of this Contract which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Contract or affecting the validity or enforceability of any of the terms or provisions of this Contract in any other jurisdiction.

9. **WAIVER OF BREACH**

The waiver by any party of a breach of any provision of this Contract, which waiver must be in writing to be effective, shall not operate as or be construed as a waiver of any subsequent breach.

10. **ASSIGNABILITY; BINDING EFFECT**

This Contract shall be binding upon and inure to the benefit of the Client, its successors and assigns and shall be binding upon and inure to the benefit of RR, its successors and assigns. This Contract may not be assigned by the Client. This Contract may not be assigned by RR except in connection with a merger or a sale by RR of its stock, interests or assets, and then only provided that the assignee specifically assumes in writing all of RR's obligations hereunder.

11. **ARBITRATION**

Any dispute or controversy arising under or in connection with this Contract, shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in California, in accordance with the rules of the American Arbitration Association then in effect, and judgment may be entered on the arbitrator's award in any court having jurisdiction. The decision of the arbitrator shall be final and binding on the parties. The parties shall equally divide all costs of the American Arbitration Association and the arbitrator, except that the arbitrator shall direct Retail to reimburse Client's portion of the cost on the same basis as set forth in the next sentence with regard to legal fees. Each party shall bear its own legal fees in any dispute except that, in the event the Client prevails on any material issue, the arbitrator shall award the Client his/her legal fees attributable to all matters other than frivolous positions taken by the Client (as determined by the arbitrator).

12. **GOVERNING LAW**

All issues pertaining to the validity, construction, execution and performance of this Contract shall be construed and governed with the laws of the State of California, without giving effect to the conflict or choice of law provisions thereof.

13. **HEADINGS**

The headings in this Contract are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Contract.

14. **COUNTERPARTS**

This Contract may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

15. **MULTIPLE LOCATIONS**

An additional page may be added to this Agreement for Client's additional locations for ease of business. Each additional location and its corresponding activation date will serve as a new Agreement reflecting the terms and conditions of this Agreement.

Client initials_____

RETAIL RADIO'S SERVICE SALES AGREEMENT
ADDENDUM A – LOCATION LIST

Locations: For ease of business, multiple locations can be added to the **Retail Radio's Service Sales Agreement** dated 3/1/13 (**Original Date**) ("Agreement") with the following Client: Franchisee #, company name or owner. Each new location will be subject to and governed by the terms of the Agreement, including but not limited to the fees specified therein. However, the duration or length of the contract is according to date that each new location commences Retail Radio service.

New additions to this page or additional pages will serve as an addendum to the Agreement. Each new location will require full signature & date in the "**Signature**" column by **Client** and written acceptance by **RR**.

For Businesses that require additional lines, a **signed** list of locations can be attached to this document and returned. The below spaces can be used for additions to the originally activated locations.

Location Address	Store #	Store Phone #	Start Date	Signature
Franchisee location address	franchised #			

Addendum: Added locations after the initial agreement will require a full signature & date in the signature column above.

Full Client Signature and date: ______________________________

Retail Radio

CREDIT CARD AUTHORIZATION FORM

(Retail Radio Executive: Fill in top portions before faxing to Client)

Date: _____

To: _____ Fax No: _____

Client Name: _____ (need before submitting)

Retail Radio Executive: _____

Phone No: _____ Return Fax No: _____

PLEASE FILL IN ALL INFORMATION REQUESTED BELOW, SIGN, DATE AND FAX TO THE NUMBER ABOVE. WE ALSO ACCEPT ACH OR BANK TO BANK PAYMENTS ASK YOUR ACCOUNT EXECUTIVE FOR DETAILS.

CARD TYPE: _____ EXPIRATION DATE: _____

ACCOUNT NO: _____ **(Please only provide the last 4 digits someone will contact you for the full number)**

CVC# (3 or 4 digit security number on back of card) _____

NAME ON CARD: _____

SIGNER'S NAME (if different from above): _____

BILLING ADDRESS (Billing address and phone number associated with this credit card is required.)

ADDRESS: _____

CITY/STATE/ZIP: _____

PHONE NUMBER: _____

AMOUNT TO BE CHARGED (START UP COST): $_____

IN PAYMENT OF THE FOLLOWING: _____

_____

APPROVED MONTHLY CHARGE: $_____

IN PAYMENT OF THE FOLLOWING: MONTHLY MUSIC SUBSCRIPTION

AUTHORIZED SIGNATURE: _____ DATE: _____

Cardholder acknowledges entering into music service contract in the amount shown here on and agrees to perform the obligations set forth in the Cardholder's agreement with the card issuer. This is a re-occurring charge according to Your contract. You will get a copy of the invoice e mailed to You for reference.

THANK YOU FOR UTILIZING RETAIL RADIO!

EXHIBIT L

RECEIPTS

RECEIPT

(YOUR COPY – RETAIN FOR YOUR FILES)

This Disclosure Document summarizes certain provisions of the Franchise 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) 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.

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.

New York and Rhode Island require 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 and Oregon require 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.

The following franchise seller(s) will represent us in connection with the sale of our franchises: Chad Everts, Brian Markus, and Carol Lee (Name) at 16767 N. Perimeter Dr., Suite 240, Scottsdale, Arizona 85260 (Principal Address) and (480) 245-5960 (Telephone Number).

Date of Issuance: April 22, 2016

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Franchise Disclosure Document dated April 22, 2016. This Disclosure Document included the following Exhibits:

A.	State Administrators/Agents for Service of Process	F.	List of Franchise Owners
B.	Franchise Agreement	G.	Form UCC-1 Financing Statement
C.	Operations Manual– Table of Contents	H.	Management Agreement
D.	Financial Statements	I.	Amendment to Waive Management Agreement
E.	Confidentiality/Nondisclosure Agreement	J.	State-Specific Disclosures
		K.	Required Vendor Agreements

_____
Signature of Potential Franchise Owner

_____ _____
Date Print Name of Potential Franchise Owner

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 240, Scottsdale, Arizona 85260, or by faxing a copy of the signed and dated receipt to us at (480) 513-7989.

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