

# FRANCHISE DISCLOSURE DOCUMENT



The Joint Corp.  
A Delaware corporation  
16767 N. Perimeter Dr., Suite 110  
Scottsdale, Arizona 85260  
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Email: [eric.simon@thejoint.com](mailto:eric.simon@thejoint.com)  
Website: [www.thejoint.com](http://www.thejoint.com)

The Joint Corp. offers franchises for a cash-basis, private-pay chiropractic clinic that offers chiropractic services to the public under a membership model.

The total investment necessary to begin operation of a THE JOINT® franchise ranges from \$254,250 to \$515,600 for a franchised clinic and \$259,450 to \$520,800 for a managed clinic. This includes \$40,900 that must be paid to us.

Area developers must commit to open a minimum of 2 clinics. If you purchase area development rights to open 2 to 5 franchised clinics, the total investment necessary to begin operation of a THE JOINT® franchise ranges from \$264,250 to \$555,600. If you purchase area development rights to open 2 to 5 managed clinics, the total investment necessary to begin operation of a THE JOINT® franchise ranges from \$269,450 to \$560,800. This includes \$50,900 to \$80,900 that must be paid to us.

This Disclosure Document summarizes certain provisions of your franchise agreement, area development agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 the franchisor at 16767 N. Perimeter Dr., Suite 110, Scottsdale, Arizona 85260 or by phone at (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 all of your 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 (the "FTC"). 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: May 1, 2024 (amended ~~May 15~~[October 24](#), 2024)

Management Agreement you sign complies with the laws of your state. You must send us a copy of the executed Management Agreement.

**C. States That May Require Use of Managed Clinic**

Based on our review of the laws of the various states, we believe the following states may require you to acquire a Managed Clinic if you are not a licensed chiropractor: 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, Washington, West Virginia, and Wyoming. There are additional states that may, depending on how those states interpret their own laws, also require you to acquire a Managed Clinic if you are not a licensed chiropractor. Some states have not explicitly stated whether an unlicensed person can own and/or operate a chiropractic Clinic in their state. In a few states, such as Alabama and Massachusetts, a person who is not a licensed chiropractor may own and operate a chiropractic clinic but only if the person first obtains a practice permit or similar license from the state.

Privacy and Security of Patient Records

Various state and federal laws regulate the privacy and security of patient health care information. The federal law, HIPAA, requires that healthcare providers protect the confidentiality of patient health care information and disclose that information to patients and third parties when requests are properly submitted. Clinics must ensure the privacy and security of patient health care information shared with “business associates” such as service providers, attorneys and third-party billing companies. Many states have also enacted Healthcare Laws regulating the privacy and security of patient health care information, some of which impose more stringent requirements than HIPAA.

Advertising and Trade Names

Some Healthcare Laws regulate the type of advertising and marketing conducted by a Clinic. For example, some of these laws restrict the representations a Clinic can make regarding the goods or services offered, the results a patient may or may not achieve, or whether devices or services have been authorized, cleared or approved by a governmental agency. These laws may also limit the trade names that a Clinic may use or require that chiropractic service providers use certain acronyms with their professional or trade names.

There may be other local, state and/or federal laws or regulations that apply to your Business. We strongly suggest that you investigate these laws before buying this franchise.

**ITEM 2 BUSINESS EXPERIENCE**

~~Peter D. Holt~~[Sanjiv Razdan](#) – President~~and~~, Chief Executive Officer~~and~~ Director

Mr. ~~Holt~~[Razdan](#) has held the following positions during the prior 5 years:

Employer	Location	Title	Period of Time
The Joint Corp.	Phoenix, AZ	President, <a href="#">CEO</a> and <del>CEO</del> <a href="#">Director</a>	<del>Aug 2016</del> <a href="#">Oct 2024</a> to present
International Coffee & Tea LLC	Los Angeles, CA	<del>Acting CEO</del> <a href="#">President CBTL Americas and India</a>	<del>Jun 2016</del> <a href="#">Mar 2021</a> to <del>Aug 2016</del> <a href="#">May 2024</a>
<a href="#">Unemployed</a>	<a href="#">Los Angeles, CA</a>	<a href="#">Not applicable</a>	<a href="#">Jul 2020 to Feb 2021</a>
Sweetgreen	Los Angeles, CA	<del>COO</del> <a href="#">Chief Operations Officer</a>	<del>May 2016</del> <a href="#">Apr 2018</a> to Jun 2016 <del>20</del>

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

#### ITEM 4 BANKRUPTCY

~~On May 31, 2014, Eric J. Simon, our Vice President of Franchise Development, filed as an individual for protection under Chapter 7 of the U.S. Bankruptcy Code (U.S. Bankruptcy Court, Eastern District of Virginia, Case No. 14-12082-RGM) due to the closing of a restaurant in San Diego, California and the resulting inability to make payments on an associated lease agreement. The case was discharged on September 15, 2014.~~

~~No other bankruptcy is required to be disclosed in this Item.~~ [No bankruptcy is required to be disclosed in this Item.](#)

#### ITEM 5 INITIAL FEES

##### Deposit

If you prefer to find an approved site before signing the Franchise Agreement, you have the option of entering into a Letter of Intent (“LOI”) in the form attached to this Disclosure Document as EXHIBIT "H"-7. At the time you sign the LOI, you pay us a nonrefundable deposit of (a) \$10,000 if you choose not to acquire a protected Site Selection Area) or (b) \$15,000 if you wish to acquire a protected Site Selection Area (in either case, the “Deposit”). The Deposit is fully credited towards your initial franchise fee. Under the terms of the LOI, you will identify and obtain our approval of the site for your Clinic within the Site Selection Area designated in the LOI. You must sign the Franchise Agreement before you sign a lease for your Clinic. You pay us the initial franchise fee, less the Deposit, at the time you sign the Franchise Agreement. The Deposit is uniformly imposed.

##### Initial Franchise Fee

You pay us a nonrefundable \$39,900 initial franchise fee, which is due in full at the time you sign the Franchise Agreement. If you sign an LOI, you pay the initial franchise fee, less the Deposit, when you sign the Franchise Agreement. The initial franchise fee is uniformly imposed except for the discounts listed below:

Type of Discount*	Discount	Qualifications for Discount
Veterans Discount	\$6,000 discount (\$33,900 initial franchise fee)	Person holding at least a 51% interest in the franchise is an honorably discharged veteran of any branch of the United States military and provides Form DD-214.
Multi-Clinic Discount (discount does not apply to 1 <sup>st</sup> Clinic purchased)	\$10,000 discount (\$29,900 initial franchise fee)	You must (a) purchase 2 or more Clinics from us at the same time, (b) sign Franchise Agreements for all Clinics at the same time, (c) pay us the \$39,900 initial franchise fee for the 1 <sup>st</sup> Clinic and a \$29,900 initial franchise fee for each additional Clinic at same time.
DC Path to Ownership Program	\$19,900 discount (\$20,000 initial franchise fee)	Under our current DC Path to Ownership Program, a participating DC who works in a Clinic for at least 1 year and is approved to open their own Clinic receives a \$19,900 discount. If the DC partners with an existing franchisee, the DC must have a 5% or greater ownership interest in the Clinic to qualify for the discount.

\* The discounts listed in the table above may not be combined for a single Clinic. If multiple discounts apply to the same Clinic being purchased, you receive the discount resulting in the lowest total initial franchise fee. If you are veteran purchasing 2 or more Clinics, you receive the \$6,000 Veterans Discount on the 1<sup>st</sup> Clinic and the \$10,000 Multi-Clinic Discount on the 2<sup>nd</sup> and additional Clinics.

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Wisconsin	2	1	0
Total	174	60	0

Notes to Tables:

1. In 2021, 16 Franchise Agreements we terminated before the Clinics opened. In 2023, 10 Franchise Agreements were terminated before the Clinics opened.
2. In 2021, 1 franchised Clinic in Colorado was transferred twice during the course of the year.
3. In 2021, 1 franchised Clinic opened in North Carolina and was reacquired by the franchisor before the end of the year.
4. The franchised Clinic in Texas that closed in 2021 was located in Austin International Airport, a Captive Venue.

A list of all current franchisees is attached to this Disclosure Document as EXHIBIT "F" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2023. In addition, EXHIBIT "F" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

In the last 3 fiscal years, some franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting 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 endorsed the National Franchise Advisory Board (NFAB), which is staffed by franchisees. You may contact the NFAB by emailing its President, LS Carper, at [ls.carper@thejoint.com](mailto:ls.carper@thejoint.com).

On April 28, 2023, we received notification regarding the creation of the Aligned Franchisee Association (AFA), which is an independent franchisee organization. The notification did not specify the number or identity of the constituent franchisees other than Board members Alexander Klaus, Philip Davis and Chris O'Neal. AFA does not have any operational or decision-making authority.

Except for the NFAB and AFA, there are no: (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

## ITEM 21 FINANCIAL STATEMENTS

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

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

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**PART I: FINANCIAL INFORMATION**

**ITEM 1. UNAUDITED FINANCIAL STATEMENTS**

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

	March 31, 2024	December 31, 2023
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 18,742,884	\$ 18,153,609
Restricted cash	923,958	1,060,683
Accounts receivable, net	3,265,800	3,718,924
Deferred franchise and regional development costs, current portion	1,046,156	1,047,430
Prepaid expenses and other current assets	2,926,719	2,439,837
Assets held for sale	17,726,238	17,915,055
Total current assets	44,631,755	44,335,538
Property and equipment, net	10,303,746	11,044,317
Operating lease right-of-use asset	12,214,619	12,413,221
Deferred franchise and regional development costs, net of current portion	5,016,644	5,203,936
Intangible assets, net	4,573,725	5,020,926
Goodwill	7,226,701	7,352,879
Deferred tax assets (\$1.1 million and \$1.1 million attributable to VIEs as of March 31, 2024 and December 31, 2023)	960,621	1,031,648
Deposits and other assets	755,743	748,394
Total assets	\$ 85,683,554	\$ 87,150,859
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,281,198	\$ 1,625,088
Accrued expenses	1,964,005	1,963,009
Co-op funds liability	923,958	1,060,683
Payroll liabilities (\$1.0 million and \$0.7 million attributable to VIEs as of March 31, 2024 and December 31, 2023)	4,511,015	3,485,744
Operating lease liability, current portion	3,750,477	3,756,328
Finance lease liability, current portion	25,763	25,491
Deferred franchise fee revenue, current portion	2,528,468	2,516,554
Deferred revenue from company clinics (\$1.6 million and \$1.6 million attributable to VIEs as of March 31, 2024 and December 31, 2023)	4,603,602	4,463,747
Upfront regional developer fees, current portion	340,040	362,326
Other current liabilities	585,110	483,249
Liabilities to be disposed of (\$3.7 million and \$3.6 million attributable to VIEs as of March 31, 2024 and December 31, 2023)	12,832,986	13,831,863
Total current liabilities	33,346,622	33,574,082
Operating lease liability, net of current portion	10,606,889	10,914,997
Finance lease liability, net of current portion	31,471	38,016
Debt under the Credit Agreement	—	2,000,000
Deferred franchise fee revenue, net of current portion	13,316,975	13,597,325
Upfront regional developer fees, net of current portion	940,662	1,019,316

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Other liabilities (\$1.2 million and \$1.2 million attributable to VIE as of March 31, 2024 and December 31, 2023)	1,235,241	1,235,241
Total liabilities	59,477,860	62,378,977
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Series A preferred stock, \$0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of March 31, 2024 and December 31, 2023	—	—
Common stock, \$0.001 par value; 20,000,000 shares authorized, 14,968,547 shares issued and 14,935,716 shares outstanding as of March 31, 2024 and 14,783,757 shares issued and 14,751,633 outstanding as of December 31, 2023	14,967	14,783
Additional paid-in capital	47,991,362	47,498,151
Treasury stock 32,831 shares as of March 31, 2024 and 32,124 shares as of December 31, 2023, at cost	(867,037)	(860,475)
Accumulated deficit	(20,958,598)	(21,905,577)
Total The Joint Corp. stockholders' equity	26,180,694	24,746,882
Non-controlling Interest	25,000	25,000
Total equity	26,205,694	24,771,882
Total liabilities and stockholders' equity	\$ 85,683,554	\$ 87,150,859

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

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

	Three Months Ended March 31,	
	2024	2023
Revenues:		
Revenues from company-owned or managed clinics	\$ 17,537,504	\$ 17,127,957
Royalty fees	7,587,547	6,866,023
Franchise fees	655,873	754,425
Advertising fund revenue	2,166,473	1,952,406
Software fees	1,386,776	1,210,005
Other revenues	387,993	390,004
Total revenues	29,722,166	28,300,820
Cost of revenues:		
Franchise and regional development cost of revenues	2,341,765	2,140,835
IT cost of revenues	374,311	333,850
Total cost of revenues	2,716,076	2,474,685
Selling and marketing expenses	3,886,113	4,160,244
Depreciation and amortization	1,403,906	2,215,055
General and administrative expenses	20,263,692	20,038,476
Total selling, general and administrative expenses	25,553,711	26,413,775
Net loss on disposition or impairment	362,103	65,469
Income (loss) from operations	1,090,276	(653,109)
Other income, net	35,630	3,821,162
Income before income tax expense	1,125,906	3,168,053
Income tax expense	178,927	841,889
Net income	\$ 946,979	\$ 2,326,164
Earnings per share:		
Basic earnings per share	\$ 0.06	\$ 0.16
Diluted earnings per share	\$ 0.06	\$ 0.16
Basic weighted average shares	14,801,354	14,566,185
Diluted weighted average shares	15,011,286	14,861,734

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



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

	Common Stock		Additional Paid In Capital	Treasury Stock		Accumulated Deficit	Total The Joint Corp. stockholders' equity	Non-controlling interest	Total
	Shares	Amount		Shares	Amount				
Balances, December 31, 2023	14,783,757	\$ 14,783	\$ 47,498,151	32,124	\$ (860,475)	\$ (21,905,577)	\$ 24,746,882	\$ 25,000	\$ 24,771,882
Stock-based compensation expense	—	—	493,395	—	—	—	493,395	—	493,395
Issuance of restricted stock	184,790	184	(184)	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	—	—	—
Purchases of treasury stock under employee stock plans	—	—	—	707	(6,562)	—	(6,562)	—	(6,562)
Net income	—	—	—	—	—	946,979	946,979	—	946,979
Balances, March 31, 2024 (unaudited)	14,968,547	\$ 14,967	\$ 47,991,362	32,831	\$ (867,037)	\$ (20,958,598)	\$ 26,180,694	\$ 25,000	\$ 26,205,694

	Common Stock		Additional Paid In Capital	Treasury Stock		Accumulated Deficit	Total The Joint Corp. stockholders' equity	Non-controlling interest	Total
	Shares	Amount		Shares	Amount				
Balances, December 31, 2022	14,560,353	\$ 14,560	\$ 45,558,305	31,866	\$ (856,642)	\$ (12,153,380)	\$ 32,562,843	\$ 25,000	\$ 32,587,843
Stock-based compensation expense	—	—	266,210	—	—	—	266,210	—	266,210
Issuance of restricted stock	95,386	95	(95)	—	—	—	—	—	—
Exercise of stock options	15,621	16	138,441	—	—	—	138,457	—	138,457
Purchases of treasury stock under employee stock plans	—	—	—	169	(2,637)	—	(2,637)	—	(2,637)
Net Income	—	—	—	—	—	2,326,164	2,326,164	—	2,326,164
Balances, March 31, 2023 (unaudited)	14,671,360	\$ 14,671	\$ 45,962,861	32,035	\$ (859,279)	\$ (9,827,216)	\$ 35,291,037	\$ 25,000	\$ 35,316,037

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



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

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash flows from operating activities:		
Net income	\$ 946,979	\$ 2,326,164
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,403,906	2,215,055
Net loss on disposition or impairment (non-cash portion)	362,103	65,469
Net franchise fees recognized upon termination of franchise agreements	(39,456)	(73,095)
Deferred income taxes	71,027	733,390
Stock based compensation expense	493,395	266,210
Changes in operating assets and liabilities:		
Accounts receivable	453,124	385,629
Prepaid expenses and other current assets	(487,954)	(1,370,390)
Deferred franchise costs	201,718	(27,255)
Deposits and other assets	(7,349)	801
Assets and liabilities held for sale, net	(911,166)	—
Accounts payable	(348,824)	(1,189,662)
Accrued expenses	996	818,784
Payroll liabilities	1,025,270	1,540,498
Deferred revenue	(102,277)	437,838
Upfront regional developer fees	(100,940)	(47,116)
Other liabilities	(150,222)	(57,727)
Net cash provided by operating activities	<u>2,810,330</u>	<u>6,024,593</u>
Cash flows from investing activities:		
Proceeds from sale of clinics	50,100	—
Purchase of property and equipment	(395,046)	(1,200,215)
Net cash used in investing activities	<u>(344,946)</u>	<u>(1,200,215)</u>
Cash flows from financing activities:		
Payments of finance lease obligation	(6,272)	(6,011)
Purchases of treasury stock under employee stock plans	(6,562)	(2,637)
Proceeds from exercise of stock options	—	138,457
Repayment of debt under the Credit Agreement	(2,000,000)	—
Net cash provided by (used in) financing activities	<u>(2,012,834)</u>	<u>129,809</u>
Increase in cash, cash equivalents and restricted cash	452,550	4,954,187
Cash, cash equivalents and restricted cash, beginning of period	19,214,292	10,550,417
Cash, cash equivalents and restricted cash, end of period	<u>\$ 19,666,842</u>	<u>\$ 15,504,604</u>
Reconciliation of cash, cash equivalents and restricted cash:	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Cash and cash equivalents	\$ 18,742,884	\$ 14,773,225
Restricted cash	923,958	731,379
	<u>\$ 19,666,842</u>	<u>\$ 15,504,604</u>

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**Supplemental cash flow disclosures:**

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

	Three Months Ended March 31,	
	2024	2023
Net cash paid for (refunded):		
Interest	\$ 19,098	\$ 81,651
Income taxes	\$ —	\$ (41,246)
Non-cash investing and financing activity:		
Unpaid purchases of property and equipment	\$ 4,934	\$ 167,959

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

**PART I: FINANCIAL INFORMATION**
**ITEM 1. UNAUDITED FINANCIAL STATEMENTS**
**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

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

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

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

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

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

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

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

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

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	Common Stock		Additional Paid In Capital	Treasury Stock		Accumulated Deficit	Total The Joint Corp. stockholders' equity	Non- controlling interest	Total
	Shares	Amount		Shares	Amount				
Balances, December 31, 2022	14,560,353	\$ 14,560	\$ 45,558,305	31,866	\$ (856,642)	\$ (12,153,380)	\$ 32,562,843	\$ 25,000	\$ 32,587,843
Stock-based compensation expense	—	—	266,210	—	—	—	266,210	—	266,210
Issuance of restricted stock, net of forfeitures	95,386	95	(95)	—	—	—	—	—	—
Exercise of stock options	15,621	16	138,441	—	—	—	138,457	—	138,457
Purchases of treasury stock under employee stock plans	—	—	—	169	(2,637)	—	(2,637)	—	(2,637)
Net income	—	—	—	—	—	2,326,164	2,326,164	—	2,326,164
Balances, March 31, 2023, (unaudited)	14,671,360	\$ 14,671	\$ 45,962,861	32,035	\$ (859,279)	\$ (9,827,216)	\$ 35,291,037	\$ 25,000	\$ 35,316,037
Stock-based compensation expense	—	—	417,017	—	—	—	417,017	—	417,017
Issuance of restricted stock, net of forfeitures	91,158	91	(91)	—	—	—	—	—	—
Exercise of stock options	10,902	10	63,919	—	—	—	63,929	—	63,929
Net loss	—	—	—	—	—	(320,489)	(320,489)	—	(320,489)
Balances, June 30, 2023 (unaudited)	14,772,520	\$ 14,772	\$ 46,443,766	32,035	\$ (859,279)	\$ (10,147,705)	\$ 35,451,494	\$ 25,000	\$ 35,476,494
Stock-based compensation expense	—	—	526,069	—	—	—	526,069	—	526,069
Issuance of restricted stock, net of forfeitures	13,891	14	(14)	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	—	—	—
Purchases of treasury stock under employee stock plans	—	—	—	89	(1,195)	—	(1,195)	—	(1,195)
Net loss	—	—	—	—	—	(716,273)	(716,273)	—	(716,273)
Balances, September 30, 2023 (unaudited)	14,786,411	\$ 14,786	\$ 46,969,761	32,124	\$ (860,474)	\$ (10,863,978)	\$ 35,260,095	\$ 25,000	\$ 35,285,095

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



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

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ (5,814,558)	\$ 1,289,402
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,166,952	6,893,529
Net loss on disposition or impairment (non-cash portion)	5,602,641	1,114,738
Net franchise fees recognized upon termination of franchise agreements	(99,966)	(170,720)
Deferred income taxes	67,990	187,062
Stock based compensation expense	1,475,710	1,209,296
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	240,981	258,145
Prepaid expenses and other current assets	(53,888)	(504,203)
Deferred franchise costs	456,894	166,078
Deposits and other assets	15,710	(15,377)
Assets and liabilities held for sale, net	(2,147,354)	—
Accounts payable	276,296	(1,244,767)
Accrued expenses	1,255,713	1,279,949
Payroll liabilities	2,621,327	1,844,943
Deferred revenue	(1,504,305)	(551,226)
Upfront regional developer fees	(346,357)	(496,730)
Other liabilities	(928,850)	34,638
Net cash provided by operating activities	<u>5,284,936</u>	<u>11,294,757</u>
Cash flows from investing activities:		
Proceeds from sale of clinics	374,100	—
Acquisition of CA clinics	—	(1,050,000)
Purchase of property and equipment	(901,394)	(3,833,148)
Net cash used in investing activities	<u>(527,294)</u>	<u>(4,883,148)</u>
Cash flows from financing activities:		
Payments of finance lease obligation	(19,013)	(18,227)
Purchases of treasury stock under employee stock plans	(9,583)	(3,832)
Proceeds from exercise of stock options	52,098	202,386
Repayment of debt under the Credit Agreement	(2,000,000)	—
Net cash provided by (used in) financing activities	<u>(1,976,498)</u>	<u>180,327</u>
Increase in cash, cash equivalents and restricted cash	2,781,144	6,591,936
Cash, cash equivalents and restricted cash, beginning of period	19,214,292	10,550,417
Cash, cash equivalents and restricted cash, end of period	<u>\$ 21,995,436</u>	<u>\$ 17,142,353</u>
	<b>September 30,</b>	<b>September 30,</b>
	<b>2024</b>	<b>2023</b>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 20,737,769	\$ 16,050,137
Restricted cash	1,257,667	1,092,216
Cash, cash equivalents and restricted cash, end of period	<u>\$ 21,995,436</u>	<u>\$ 17,142,353</u>

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**Supplemental cash flow disclosures:**

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

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

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

In witness whereof, the Parties, through authorized representatives, hereto affix their signatures and execute this Bill of Sale and Assignment as of the date last set forth below.

“TJC”

“LESSEE”

THE JOINT CORP., a Delaware corporation \_\_\_\_\_, a \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

~~Peter Holt, Chief Executive Officer~~ Sanjiv Razdan, President and CEO

Date: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

“SELLER”

[IF LLC/INC, ALL OWNERS 5% OR  
ABOVE TO EXECUTE]

By: \_\_\_\_\_

Its: \_\_\_\_\_

Print: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT "I"**  
**TO DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

**State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Minnesota	August 22, 2024 <u>(amended _____, 2024)</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

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 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

\_\_\_\_ Eric Simon; 16767 N. Perimeter Dr., Suite 110, Scottsdale, Arizona 85260; (480) 245-5960

Issuance Date: May 1, 2024 (amended ~~May 15~~ October 24, 2024)

The Joint Corp.'s agent to receive service of process is listed in EXHIBIT "A" to this Disclosure Document (for franchise registration states) or EXHIBIT "B" to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

EXHIBIT "A"	List of State Administrators and Agents for Service of Process
EXHIBIT "B"	Agent for Service of Process
EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Area Development Agreement
EXHIBIT "E"	Table of Contents of the confidential Operations Manual
EXHIBIT "F"	List of Franchisees
EXHIBIT "G"	Financial Statements of The Joint Corp.
EXHIBIT "H"	Other Agreements
EXHIBIT "H"-1	State Addenda
EXHIBIT "H"-2	Managed Clinic Addendum
EXHIBIT "H"-3	Waiver Agreement
EXHIBIT "H"-4	Sample Management Agreement
EXHIBIT "H"-5	Asset Purchase Agreement
EXHIBIT "H"-6	General Release
EXHIBIT "H"-7	Letter of Intent
EXHIBIT "H"-8	Vendor Agreements
EXHIBIT "I"	State Effective Dates
EXHIBIT "J"	Receipts

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to The Joint Corp.)

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Print Name

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Date

\_\_\_\_\_  
(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to The Joint Corp.)