NEWS CORP LTD
Form 6-K/A
August 16, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K/A

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2004 (August 16, 2004)

Commission File Number: 1-9141

THE NEWS CORPORATION LIMITED

(Name of Registrant)

2 Holt Street, Sydney, New South Wales, 2010, Australia

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ¨ No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ¨ No x

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not Applicable

In this Report on Form 6-K/A, the undersigned Registrant hereby amends in its entirety its Report on Form 6-K for the month of August 2004 (August 12, 2004) by attaching hereto as Exhibit A a revised version of a chart comparing some of the material provisions of the Constitution of The News Corporation Limited, an Australian corporation, with the proposed certificate of incorporation of News Corporation, a Delaware corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE NEWS CORPORATION LIMITED

Date: August 16, 2004

By: /s/ Arthur M. Siskind
Arthur M. Siskind
Director

EXHIBIT INDEX

Exhibit A

News Corporation Reorganization

COMPARISON OF CERTAIN CHARTER PROVISIONS

I. Introduction

The following chart compares the material provisions of the Constitution of The News Corporation Limited, an Australian corporation (the TNCL and its Constitution, TNCL Charter), with the current (2004) draft provisions of the proposed certificate of incorporation of News Corporation, a Delaware corporation (News Corp US, and its certificate of incorporation, the News Corp US Charter).

News Corp US has not yet made an application for listing on the Australian Stock Exchange (ASX). The summary below assumes that certain waivers sought from the ASX, including waivers applicable to the terms of issue of the Class A Common Stock, will be obtained. There can be no guarantee that such waivers will be obtained.

Pursuant to the proposed scheme of arrangement:

Every two TNCL preferred limited voting ordinary (nonvoting) shares would be exchanged for one share of Class A Common Stock of News Corp US; and

Every two TNCL ordinary (voting) shares would be exchanged for one share of Class B Common Stock of News Corp US.

II. Summary of Provisions

Feature	TNCL Charter (Australia)	News Corp US Charter (Delaware)	Comments
1. ***Share Capital and Par Value***	Although the TNCL Charter provides for share capital of A$2.5 billion divided into 5 billion shares of A$0.50 each, the concepts of authorized capital and of par value have been eliminated in Australia.	9.2 billion authorized shares, $0.01 par value per share.	
2. ***Authorized Classes of Securities***	Authorizes preferred limited voting ordinary shares (preferred shares), ordinary shares, non-voting ordinary shares, redeemable ordinary shares, converting preference shares, perpetual preference shares and redeemable preference shares. Only ordinary shares and preferred	Authorizes 6 billion shares of Class A Common Stock, 3 billion shares of Class B Common Stock, 100 million shares of Series Common Stock and 100 million shares of Series Preferred Stock (rights of Series Common Stock and Series Preferred Stock to be set by directors).	

shares are currently on issue.

EXHIBIT A

Feature	TNCL Charter (Australia)	News Corp US Charter (Delaware)	Comments
3. ***Voting Rights of Class A Common Stock (General)***	The preferred shares generally vote together with the ordinary shares (as a single class) only:	Class A Common Stock vote together with the holders of Class B Common Stock as a single class on the following matters only:	Class A Common Stock generally would lose its current ability to vote on:
	1. on a proposal to reduce share capital, to wind up or during the winding up of the company, or on a proposal for the disposal of the whole of the property of the company;	1. on a proposal to dissolve or liquidate;	1. capital reductions (Under Delaware law the Board generally may approve);
	2. on a proposal that affects the rights attached to the preferred shares;	2. on a proposal to sell, lease or exchange all or substantially all of the company s property and assets;	2. buy-back arrangements (Under Delaware law the Board generally may approve); and
	3. when any dividend with respect to preferred shares is in arrears; and	3. on a proposal to merge or consolidate if the company s stockholders would own less than 60% of the surviving company; and	3. certain issuances of additional stock (Delaware charter has blank check authority regarding further issuance of Series Common Stock and Preferred Stock).
	4. on a proposal to approve the terms of a buy-back agreement.	4. on any matter to come before stockholders during a period in which a dividend on the Class A Common Stock is declared and remains unpaid after the payment date.	Class A Common Stock generally would gain the ability to vote on:
	Preferred shares are also entitled to vote as a separate class with respect to the issue of other preference shares ranking prior to (or conversion of shares into preference shares ranking prior to or equally with) the preferred shares.		1. the sale of substantially all of the company s assets (as opposed to their current ability to vote only on the disposal of the whole of the company s assets); and
		Under Delaware law, directors are generally entitled to approve capital reductions (other than reductions in par value), buy backs and issuances of additional securities (including preferred securities) if the class has previously been authorized. A class vote by shareholders of an affected class would be required in connection with amendments to the certificate of incorporation that adversely	2. a merger or consolidation where the company s stockholders would own less than 60% of the resulting company.

affect the rights, powers or
preferences of a class, or
change the par value of a class.

Feature	TNCL Charter (Australia)	News Corp US Charter (Delaware)	Comments
4. ***Voting Rights of Class B Common Stock (General)***	Full voting rights.	Full voting rights.	
	Under Australian law, matters that are submitted to a stockholder vote generally will pass if approved by a majority of the votes cast. On a show of hands each shareholder has one vote and on a poll a shareholder has one vote for each share held. Generally matters are voted on a poll.	Except as set forth below, matters that are submitted to a stockholder vote generally will pass if approved by a majority of the votes cast at a shareholder meeting (and a majority of the votes outstanding in case of significant events such as a proposed merger, sale of substantially all company assets, dissolution or charter amendment).	
5. ***Election/Removal of Directors***	Directors are elected by majority vote of the ordinary shares (except in limited circumstances where preferred dividends are in arrears, in which case preference shares vote with ordinary shares).	Directors will be elected by a plurality vote of the Class B shares.	
	TNCL shareholders may remove a director for any reason with the vote of a majority of the votes cast at a shareholder meeting.	Directors can only be removed by a majority vote of all of the outstanding Class B shares (as opposed to a majority of the votes cast) and only for cause.	

Feature	TNCL Charter (Australia)	News Corp US Charter (Delaware)	Comments
6. ***Supermajority Provisions***	Under Australian law, a 75% vote (of the votes cast) is required for certain significant actions, including a change to the Constitution, change of the corporate name, and a proposal to voluntarily liquidate and wind up the company. To approve a scheme of arrangement between the company and its members, the voting majority required at each meeting is (i) a majority in number of the stockholders who vote in person or by proxy and (ii) at least 75% of the votes cast at the meeting. Each class of securities votes separately.	Under the News Corp US Charter, a supermajority vote (65% of the outstanding Class B shares) is required to: 1. amend the by-laws of the company by stockholder action; and 2. amend certain provisions of the charter dealing with the number and election of directors, restrictions on stock transfer/ownership, action of stockholders by written consent or amendment to the charter.	
7. ***Stock Exchange Voting Requirements***	Subject to certain exceptions, the ASX Listing Rules prohibit the following unless prior shareholder approval is obtained: 1. the issuance (or agreement to issue) by a company of equity securities to a related party; 2. the issuance (or agreement to issue) by the company of equity securities in any 12-month period which amount to more than 15% of its ordinary securities (this limit does not apply to the issuance of preferred shares by TNCL);	NYSE rules generally require stockholder approval (of a majority of the votes cast, with the requirement that the total votes cast, both for and against the matter, are at least 50% of all votes entitled to be cast) of an issuance of common stock: 1. to a related party or its affiliate if the number of common shares issued exceeds 1% of either the total number of common shares outstanding or of the voting power outstanding before the issuance (or 5% if the issuance relates to a sale of stock for cash at a sufficiently high price);	Following completion of the proposed transaction, News Corp US will have a full listing on the ASX and will continue to be subject to the ASX listing rules set out in this row. News Corp US has sought a waiver from the ASX of the application of the 15% limit to the issuance of Class A Common Stock by News Corp US.

Feature	TNCL Charter (Australia)	News Corp US Charter (Delaware)	Comments
	3. the disposal of a company s main undertaking;	2. that will amount to 20% or more of either the voting power or the number of common shares outstanding; and	
	4. the acquisition of a substantial asset from, or the disposal of a substantial asset to, (i) a related party, (ii) a subsidiary, (iii) a substantial shareholder or (iv) an associate of a person referred to in the preceding paragraphs; and	3. in connection with a change of control of the company.	
	if required by the ASX, a significant change in the nature or scale of the company s activities.		
8. ***Stockholder Meetings***	Under the Corporations Act, a general meeting must be called by, inter alia, the directors when required to do so by shareholders holding at least 5% of the total votes that may be cast at the general meeting or by at least 100 shareholders who are entitled to vote at the general meeting.	Special meetings of stockholders may be called only by the chairman of the board, the vice-chairman of the board or by the board pursuant to a resolution approved by a majority of the entire board.	
	In addition, shareholders holding at least 5% of the votes that may be cast at a meeting may call a meeting at their expense.		

Feature	TNCL Charter (Australia)	News Corp US Charter (Delaware)	Comments
9. ***Dividends***	Preferred shares are entitled to preferential dividends not to exceed the greater of:	In the event dividends are declared by the Board of Directors, Class A Common shares are entitled, during fiscal 2005, 2006 and 2007, to dividends equal to the greater of:	The Class A dividends will be greater than Class B dividends during the first three years, but *pari passu* as to ranking. Item 1 is intended to be equivalent to the Australian provision during the first three years, on the basis of two TNCL preferred shares becoming one share of Class A Common Stock pursuant to the share scheme, and adjusted for the exchange rate.
	1. the amount declared by the directors not to exceed 15 centum per annum (which we understand means 15% of the A$0.50 capital or A$0.075 per year), and	1. the amount declared by the directors not to exceed $0.10 per year; and	
	2. an amount equal to 120% of the dividends declared during a financial year on an ordinary share.	2. 120% of the dividends declared with respect to a fiscal year on the Class B shares.	
		This dividend right will rank *pari passu* with the right to dividends conferred on holders of Class B shares.	
		Thereafter, the Class A holders will be entitled to receive an amount equal to the amount of dividends payable with respect to a fiscal year on the Class B Common Stock.	
10. ***Rights on Liquidation***	On liquidation, capital and declared and unpaid dividends on the preferred shares are repaid prior to repayment of capital on ordinary shares; following repayment of capital on ordinary shares, any residue amounts are paid to holders of preferred and ordinary shares pro rata.	Class A Common Stock and Class B Common Stock share ratably in any distribution.	News Corp US non-voting stockholders would generally cease to have a liquidation preference.

Feature	TNCL Charter (Australia)	News Corp US Charter (Delaware)	Comments
11. ***Takeover Offers/Substantial Share Acquisitions***	Under the TNCL Charter, a person may not offer to acquire, or procure an offer to be made on behalf of a person to acquire, any ordinary or preferred share pursuant to a takeover scheme, takeover announcement or general offer unless such scheme, announcement or offer is made contemporaneously to the other class on comparable terms, which include the same consideration per share (except such differences as are attributable to accrued dividends). In addition, the Corporations Act contains various provisions relating to share acquisitions, including a requirement that a person cannot acquire voting securities if the acquisition would result in a person increasing his voting power from 20% (or below) to more than 20% or from a starting point that is above 20% and below 90%, without making an offer to all shareholders on the same terms.	Under the News Corp US Charter, a holder of Class A Common Stock or Class B Common Stock may not sell, exchange or transfer such shares to a person who has made an offer for 15% or more of the shares of either class, unless such offer relates to both the Class A Common Stock and the Class B Common Stock (or if the offer relates only to one class, there is a contemporaneous offer for the other class) and the terms of the offer to both classes (or each class) are comparable. Comparable means that the percentage of outstanding shares of each class sought to be acquired, the rights and conditions of the offer and the amount of consideration offered per share are each substantially identical in regards to the Class A and Class B shares. The above provision would not apply to a merger, sale of all or substantially all the assets of the company, tender offer or exchange offer that is approved by the board or to negotiated private transactions. The above provision also differs from the provision in the TNCL Charter which is triggered by a takeover offer under the Corporations Act. Unlike under the News Corp US Charter, under the TNCL Charter, an acquisition of less than 15% may require a comparable offer if that acquisition takes the acquiror above 20% or if, prior to the acquisition, the acquiror already holds 20% or more. The News Corp US charter further provides that in the event of any merger or	The News Corp US provision exempts board-approved tender or exchange offers from the requirement regarding comparable offers. Delaware law does not contain a compulsory offer provision similar to the Australian Corporations Act provision.

consolidation of News Corp US with or into another entity, the holders of Class A Common Stock and the holders of Class B Common Stock will be entitled to receive substantially identical per share consideration.

News Corp US plans to opt out of DGCL 203 (the Delaware business combinations statute).

	Feature	TNCL Charter (Australia)	News Corp US Charter (Delaware)	Comments
12.	***Restrictions on Transfer - Regulation***	The TNCL constitution provides that, where permitted to do so by law or listing rules, the company may refuse to register a transfer of shares where the registration of the transfer would result in a contravention or failure to observe the provisions of a law of an Australian state or territory.	In the event a change in ownership or transfers or attempted transfers of shares may create various regulatory restrictions or limitations on the company, the company may refuse to permit the transfer or suspend the rights of ownership of the shares at issue and may redeem such shares.	
13.	***Staggered Board***	Staggered board.	Staggered board.	
14.	***Shareholder Action by Written Consent***	Generally prohibited.	Prohibited.	
15.	***Shares of News Corp US Owned by its Subsidiaries (Hook Stock)***	No TNCL majority-owned subsidiary owns shares in TNCL.	After the reorganization QPL and the Cruden Group, wholly owned subsidiaries of News Corp US, will own shares in News Corp US. The News Corp US charter provides that shares owned by any News Corp US subsidiary (Hook Stock): 1. will not be entitled to vote or be counted for quorum purposes; 2. will not be entitled to receive cash or property dividends; 3. will not be counted as outstanding for any voting requirements, for purposes of applicable securities laws or other regulations or for any other purpose (except as otherwise specified); and	News Corp US intends to treat Hook Stock as treasury stock for most purposes. Although News Corp US does not think it likely, a U.S. or Australian regulator may, for purposes of its own stock ownership tests, treat the shares as outstanding, thereby effectively decreasing the percentage of shares deemed to be held by significant shareholders.

4. may not be transferred to any person who has triggered the comparable offer provision of the charter, regardless of the terms of such offer.

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"width: 6px; vertical-align: bottom; text-align: center" ROWSPAN=1> Catherine[4] B. Hall
Chief Marketing Officer 2014 $127,500 $4,653 $132,153 2013 John[5] Leonesio
Former Chief Executive Officer 2014 $124,528 $124,528 2013 $232,833 $232,833 Ronald Record[6]
Former Chief Operating
Officer 2014 $70,405 $100,000 $96,000 $266,405 2013 $205,000 $ $205,000

(1) Mr. Richards has served as our Chief Executive Officer since July 2014. Prior to July 2014, Mr. Richards received consulting fees which are reflected as other compensation in the above table.

(2) Mr. Orwasher has served as President and Chief Operating Officer since January 2014 until September 2015. Mr. Orwasher currently serves as our Chief Director and Strategy Officer.

(3) Mr. Joyce has served as our Chief Financial Officer since December 2014.

(4) Ms. Hall has served as our Chief Marketing Officer since April 2014.

(5) Mr. Leonesio served as our Chief Executive Officer under contract with his business, United Club Services, LLC. During 2013, we made payments totaling $232,833 to United Club Services, LLC, of which $157,000 was paid for Mr. Leonesio s service as our Chief Executive Officer and as a member of our Board of Directors, $60,000 was paid on a pass-through basis for the services as our controller of an employee of United Club Services, LLC, and $15,833 was paid to reimburse United Club Services, LLC for Mr. Leonesio s health insurance premiums. Mr. Leonesio resigned as Chief Executive Officer in January 2014 but continues to serve as the Chairman of the Board of Directors. During 2014, we made payments totaling $124,528 to United Club Services, LLC, of which $100,000 was paid for Mr. Leonesio s consulting services and as a member of our Board of Directors, and $24,528 was paid to reimburse United Club Services, LLC for Mr. Leonesio s health insurance premiums.

(6) Mr. Record resigned as Chief Operating Officer in April 2014. Under the terms of Mr. Record s separation agreement, we agreed to make a payment to him of $100,000 contingent upon the successful completion of our IPO, and $96,000 in severance pay over the remaining eight months of 2014.

Employment Agreements and Change in Control Arrangements

Mr. Richards employment agreement provides that, in addition to his base salary, he may earn incentive compensation of up to 50% of his base salary based on his achievement of performance objectives agreed to with our Board of Directors. In connection with his employment, Mr. Richards received a restricted stock award of 400,500 shares. Our Board of Directors determined the fair market value of a share of our common stock on the date of the restricted stock award to Mr. Richards was $1.20 per share. 66,750 shares of Mr. Richards restricted stock award vest over a 48-month period in consecutive monthly installments beginning on the date of grant. 333,750 shares of Mr. Richards restricted stock award began to vest upon the completion of our IPO: 50% of the shares vest in equal monthly installments over the 12-month period which

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began on the completion of our IPO; 30% of the shares vest in equal monthly installments over the 12-month period beginning on the first anniversary of the completion of our IPO; and 20% of the shares will vest in equal monthly installments over the 12-month period beginning on the second anniversary of the conclusion of our IPO.

Mr. Richards restricted stock agreement provides that that if his employment is terminated following a change in control for any reason other than his death, his permanent disability or cause (as that term is defined in the restricted stock agreement), all of his unvested shares will vest following the termination of his employment. If we participate in a business combination (as that term is defined in the restricted stock agreement) in which the aggregate consideration received by us or our stockholders exceeds $30 million, then that number of Mr. Richards 400,500 restricted shares will vest such that the percentage of vested shares will equal the same percentage as the amount of consideration received by us or our stockholders in the business combination in excess of $30 million bears to $120 million.

Mr. Richards employment agreement also provides that if his employment is terminated following a change in control for any reason other than his death, his permanent disability or cause (as that term is defined in the employment agreement), he will receive his base salary for a period of nine months following the date that his employment terminates.

David Orwasher s employment agreement provides that, in addition to his base salary, he may earn incentive compensation of up to 50% of his base salary based on his achievement of performance objectives agreed to with our Board of Directors. In connection with his employment, Mr. Orwasher received incentive stock options for 166,875 shares at an exercise price of $1.20 per share and a restricted stock award of 166,875 shares of our common stock. Our Board of Directors determined that the fair market value of a share of our common stock on the date of the stock option grant and restricted stock award to Mr. Orwasher was $1.20 per share. 66,750 shares of Mr. Orwasher s stock options and 66,750 shares of his restricted stock award vest over a 48 month period in consecutive monthly installments beginning on the date of grant. 100,125 shares of Mr. Orwasher s stock options and 100,125 shares of his restricted stock award began to vest upon the completion of our IPO: 50% of the shares vest in equal monthly installments over the 12-month period which began on the completion of our IPO; 30% of the shares vest in equal monthly installments over the 12-month period beginning on the first anniversary of the completion of our IPO; and 20% of the shares will vest in equal monthly installments over the 12-month period beginning on the second anniversary of the conclusion of our IPO.

Mr. Orwasher s employment agreement provides that if his employment is terminated following a change in control for any reason other than his death, his permanent disability or cause (as that term is defined in the employment agreement), he will receive his base salary for a period of nine months following the date that his employment terminates and all of his unvested stock options and shares of restricted stock will immediately vest and, in the case of his stock options, remain exercisable for a period of 90 days following the date that his employment terminates. If we participate in a business combination (as that term is defined in the employment agreement) in which the aggregate consideration received by us or our stockholders exceeds $30 million, then that number of Mr. Orwasher s 166,875 stock options and 166,875 restricted shares will vest such that the percentage of vested options and shares will equal the same percentage as the amount of consideration received by us or our stockholders in the business combination in excess of $30 million bears to $120 million.

Mr. Joyce has entered in a one-year employment agreement with us and thereafter will continue as an at-will employee. He will receive a base annual salary of $245,000 and a yearly bonus of up to 40% of his then existing base salary if certain Company-wide and individual performance targets are met. In connection with accepting the position with us, Mr. Joyce has been awarded 95,000 shares of restricted stock, which will vest in equal monthly installments over a 48-month period. He is also eligible to participate in awards of restricted stock and stock options to the same extent as other senior executives of the Company. In addition, Mr. Joyce received relocation expenses in an amount not to exceed $12,500 and commuting expenses to cover his commute from New Jersey to Arizona for a period of time not to exceed three months. Mr. Joyce is entitled to certain severance benefits if he is terminated without cause after one year or in the event of a change of control.

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Under our employment term sheet with Ms. Hall, she receives a base salary of $212,000 per year, with the opportunity to earn a bonus equal to 40% of her base salary. In connection with her employment, Ms. Hall received options to purchase 71,200 shares of our common stock at an exercise price per of $2.02 per share, which our Board of Directors determined was the fair market value of a share of our common stock on the date of the grant to Ms. Hall. Ms. Hall s options will vest in equal quarterly installments over a 4-year period and will vest and become immediately exercisable in the event of a change of control.

Messrs. Leonesio and Record were not subject to employment agreements.

Director Compensation

Each director who is not an employee of ours receives a fee of $36,000 per year, plus $1,000 per committee meeting attended. Each director who is an employee of ours does not receive any additional compensation for serving as director. All of our directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors or any of its committees and for other expenses reasonably incurred in their capacity as directors. Each non-employee director who joined the Board of Directors after the completion of the IPO was granted an option to purchase 25,000 shares of our common stock upon the director s initial election to the Board of Directors. These options will vest in full on the first anniversary of their grant. Thereafter, all non-employee directors, upon his or her election or reelection as a director, will be granted an option to purchase 10,000 shares of common stock. These options will vest in full on the first anniversary of the grant date. All options granted to directors will have an exercise price per share equal to the closing price of a share of our stock on the grant date, and may be exercised at any time after they become vested (and prior to the expiration of their 10-year term). Non-employee directors received directors fees of $1,000 per month during 2013.

The following table sets forth compensation paid to our non-employee directors for the year ended December 31, 2014:

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-equity incentive plan compensation	Change in pension value and nonqualified deferred compensation earnings	All other compensation	Total
John Leonesio	$ 14,000						$ 14,000
William R. Fields	$ 2,000		$ 7,211				$ 9,211
Ronald V. DaVella	$ 5,000		$ 7,211				$ 12,211
Craig P. Colmar	$ 16,000					$ 23,000	$ 39,000
Steven P. Colmar	$ 13,000					$ 23,000	$ 36,000

The following table sets forth the beneficial ownership of the non-employee directors for the year ended December 31, 2014:

Name of Beneficial Owner	Number of Shares	Percentage of Shares

	Beneficially Owned		
Named Director:			
John Leonesio	755,610	7.9	%
Craig P. Colmar	529,102	5.4	%
Steven P. Colmar	593,327	6.2	%
William R. Fields			
Ronald V. DaVella			

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Compensation Plans

We maintain two equity compensation plans, the 2014 Incentive Stock Plan (the 2014 Plan) and the 2012 Stock Plan (the 2012 Plan). The 2014 Plan replaced the 2012 Plan, but the 2012 plan remains in effect for the administration of awards made prior to its replacement by the 2014 Plan. The following table summarizes information about our equity compensation plans as of December 31, 2014. All outstanding awards relate to our common stock.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders:			
Stock options	314,775	$ 2.23	
Restricted stock	662,375	n/a	
Total	977,150		1,201,800
Equity compensation plans not approved by security holders			
Total	977,150		1,201,800

The following table summarizes information about our equity compensation plans as of October 23, 2015. All outstanding awards relate to common stock.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))

	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
Stock options (2012 Plan)	192,240	$ 1.20	
Stock options (2014 Plan)	289,860	$ 6.42	
Restricted stock (2012 Plan)	567,375	n/a	
Restricted stock (2014 Plan)	103,000	n/a	
Total	1,152,475		1,017,140
Equity compensation plans not approved by security holders			
Total	1,152,475		1,017,140

2014 Plan

Our Board of Directors adopted and our stockholders approved the 2014 Plan in May 2014 to replace our 2012 Stock Plan. The 2014 Plan provides for the grant of stock options, stock appreciation rights (SARs) (either alone or in tandem with stock options), shares of restricted stock, and restricted stock units (RSUs) (all of these types of grants collectively, awards). Stock options may be of two types: (i) incentive stock options (ISOs) intended to satisfy the requirements of section 422 of the Internal Revenue Code and (ii) nonstatutory stock options (i.e., options that do not qualify for special treatment under the Internal Revenue Code). ISOs may be granted only to our employees. All of the other awards may be granted to our employees, directors and consultants.

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Number of Shares of Common Stock Issuable under the 2014 Plan. The maximum total number of shares of common stock for which awards may be granted under the 2014 Plan is 1,513,000 shares. In determining the shares available for awards under the 2014 plan, the shares for which stock options and SARs are granted count against this maximum on a 1-for-1 basis, and the shares for which restricted stock and RSU awards are granted count against this maximum on a 2-for-1 basis (so that each share for which a restricted stock or RSU award is granted reduces by two shares the available number of shares for which awards may be granted). No person eligible for an award under the 2014 Plan may receive an award in any calendar year for more than 100,000 shares in the case of stock options and SARs and 100,000 shares in the case of shares of restricted stock and RSUs.

Administration of the 2014 Plan. The 2014 Plan is administered by a committee of our Board of Directors (the Committee). The Committee is required to consist of two or more directors, all of whom are (i) non-employee directors as defined in Rule 16b-3 under the Securities Exchange Act of 1934, (ii) independent directors under the applicable listing standards of The NASDAQ Capital Market, and (iii) outside directors under §162(m) of the Internal Revenue Code. Unless the Board designates a different committee, the Compensation Committee of the Board will serve as the Committee (as long as all of the members of the Compensation Committee qualify).

Subject to the terms of the 2014 Plan, the Committee has the authority to select the eligible persons to whom awards are to be granted and to determine the time, type, number of shares, vesting, restrictions, limitations and other terms and conditions of each award.

Options and SARs. The 2014 Plan permits the award of options to purchase shares of our common stock and the award of SARs. An SAR entitles the holder to receive the appreciation in value over a specified period of the number of shares of our common stock for which the SAR is awarded. The holder of the SAR receives in settlement of the SAR an amount (either in cash or shares of our stock, or a combination of the two) equal to the excess of the fair market value of a share of our stock on the date of exercise of the SAR over the base price of the SAR, multiplied by the SAR s number of shares.

The Committee determines the exercise price of each option or SAR granted under the 2014 Plan, but the exercise price per share may not be less than the closing price of a share of our common stock on the date of grant. The term of an option or SAR may not exceed 10 years, except in the case of an ISO granted to any employee who owns 10% of the voting power of all classes of our outstanding capital stock. In that case, the term may not exceed five years and the exercise price per share must be at least 110% of the closing price of a share of our common stock on the date of grant. In addition, to the extent that the aggregate fair market value of the underlying shares of all ISOs that become exercisable by an individual for the first time in any calendar year exceeds $100,000, the options will be treated as nonstatutory stock options.

Any unvested portion of an option or SAR expires on termination of employment, except if termination is due to death, in which case the option or SAR becomes fully vested. A terminated recipient may exercise the vested portion of his or her option or SAR for the period of time stated in the award agreement. Generally, the option or SAR will remain exercisable for 90 days following termination. In no event, however, may any option or SAR be exercised later than the expiration of its term.

Restricted Stock and RSUs. Our 2014 Plan permits the award of restricted shares and RSUs. An award of restricted shares is an award of shares of our common stock, subject to vesting requirements, restrictions on transfer and other terms and conditions as the Committee determines. An RSU award entitles the holder to receive a payment (either in cash or shares of our stock, or a combination of the two) equal to the value of a share of our common stock at the time of payment multiplied by the number of shares subject to the award.

Option Grants to Outside Directors. Our 2014 Plan provides for the automatic grant, on the election or re-election of each non-employee director to our board of directors, of a nonstatutory stock option for 10,000 shares at an exercise price per share equal to the closing price of a share of our common stock on the grant date. These options vest in full on the first anniversary of the grant date, have a term of 10 years and may be exercised at any time after they become vested (and prior to the expiration of their 10-year term).

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Transferability of Awards. Unless otherwise determined by the Committee, options, SARs, unvested restricted shares and RSU awards generally may not be transferred. After vesting, restricted shares may still remain subject to restrictions on transfer under applicable securities laws and any restrictions imposed by the award agreement.

Adjustments upon Change in Control. Our 2014 Plan provides that in the event of a change in control as defined in the plan, all outstanding unvested stock options, SARs and RSU awards will immediately vest and become exercisable and all restrictions on the shares underlying restricted stock awards will lapse.

Amendment and Termination of the 2014 Plan. Our 2014 Plan will automatically terminate in 2024, unless we terminate it sooner. In addition, our Board of Directors has the authority to amend, suspend or terminate the 2014 Plan provided it does not impair the rights of the holder of any outstanding award. Any amendment to the 2014 Plan that would materially increase the number of shares of our common stock for which awards may be granted requires the approval of our stockholders.

2012 Plan

Our Board of Directors adopted the 2012 Stock Plan (the 2012 Plan) in November 2012, and our stockholders approved the plan in December 2012. The 2012 Plan was subsequently amended and then replaced by our 2014 Plan, although the plan remains in effect for the administration of awards made prior to its replacement by the 2014 Plan.

Limitations on Directors Liability and Indemnification

Our certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for monetary damages for breach of their fiduciary duties as directors, except for any of the following:

- any breach of their duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- payments of dividends or approval of stock repurchases or redemptions that are prohibited by Delaware law; or
- any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of incorporation and bylaws provide that we will indemnify our directors and officers and, in certain cases, our employees and agents to the fullest extent permitted by law. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or agent for any liability arising out of his or her actions.

We have entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our certificate of incorporation and bylaws. These agreements, among other things, provide for indemnification of our directors and officers for expenses, judgments, fines, penalties and settlement amounts incurred by any such person in any action or proceeding arising out of such person s services as a director or officer or at our request.

We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers. There is no pending litigation or proceeding involving any of our directors, officers, employees or agents. We are not aware of any pending or threatened litigation or proceeding that might result in a claim for indemnification by a director, officer, employee or agent.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Our Formation and Organization

We were incorporated in Delaware on March 10, 2010. The following individuals and entities collectively acted as our co-founders and collectively received 163,763 shares of our common stock in connection with our formation:

Co-Founder	Shares
Dr. Fred Gerretzen	44,500
Charles Barnwell	588
United Club Services, LLC(1)	25,187
Todd Welker	25,187
C.H. Media(2)	8,972
The Austin Trust(3)	24,721
Craig Colmar	17,304
Richard Rees	17,304

(1) John Leonesio is the sole member of United Club Services, LLC; all of the shares subscribed for by United Club Services, LLC were subsequently transferred to LTLx2, LLC, a limited liability company of which Mr. Leonesio is the sole member.

(2) Barbara Holland is the sole proprietor of C.H. Media.

(3) Steven P. Colmar is the trustee of The Austin Trust.

Transactions Involving Certain Officers, Directors and Stockholders

On March 24, 2010, we completed the purchase of substantially all of the assets of The Joint Franchise Company, LLC in exchange for 14,240 shares of our common stock. Dr. Fred Gerretzen beneficially owned 50% of the membership interests of The Joint Franchise Company, LLC.

Craig Colmar is a partner in Johnson and Colmar, which is representing us in connection with this offering. We anticipate that the fees to be paid to Johnson and Colmar for its representation of the Company will be approximately $75,000. For the years ended December 31, 2014 and December 31, 2013, Johnson and Colmar received fees of $178,780 and $30,023, respectively.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. Each indemnification agreement provides that, subject to limited exceptions, and among other things, we will indemnify the director or executive officer to the fullest extent permitted by law for claims arising in his or her capacity as our director or officer.

Procedures for Approval of Related Party Transactions

The Board of Directors has adopted a written policy requiring certain transactions with related parties to be approved in advance by the Audit Committee. For purposes of this policy, a related party includes any director or executive officer or an immediate family member of any director or executive officer. The transactions subject to review include any transaction, arrangement or relationship (or any series of similar transactions, arrangements and relationships) in which (i) we or one of our subsidiaries will be a participant, (ii) the aggregate amount involved exceeds $100,000 and (iii) a related party will have a direct or indirect interest. In reviewing proposed transactions with related parties, the Audit Committee will consider the benefits to us of the proposed transaction, the potential effect of the proposed transaction on the director s independence (if the related party is a director), and the terms of the proposed transaction and whether those terms are comparable to the terms available to an unrelated third party or to employees generally. There were no transactions during 2015 that required the Audit Committee s approval (or would have required the Audit Committee s approval if the policy had been in place at the time).

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PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock as of October 23, 2015 by:

- each person or group who is known by us to own beneficially more than 5% of our common stock;
- each member of our board of directors and each of our named executive officers; and
- all members of our board of directors and our executive officers as a group.

The percentage ownerships shown in the following table were determined on the basis of 9,890,882 shares of our common stock outstanding as of October 23, 2015. Beneficial ownership of shares is determined under rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power.

Shares of common stock subject to options currently exercisable or exercisable within 60 days of the date of this prospectus are deemed to be outstanding and beneficially owned by the person holding the options for the purposes of computing the percentage of beneficial ownership of that person and any group of which that person is a member, but are not deemed outstanding for the purpose of computing the percentage of beneficial ownership for any other person.

Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o The Joint Corp., 16767 N. Perimeter Drive, Suite 240, Scottsdale, AZ, 85260.

	Common Stock Beneficially Owned			Combined Voting Power	
	Common Stock Beneficially Owned Prior to the Offering	Shares of Common Stock Offered	After the Offering Assuming Option is Not Exercised	Prior to the Offering	After the Offering Assuming Underwriters' Option is Not Exercised
	Number	Number	Number	%	%
Named Executive Officers and Directors					
John B. Richards[(1)]	216,925			2.2 %	
David Orwasher[(2)]	176,855			1.8 %	
Francis T. Joyce[(3)]	25,735			*	
Catherine B. Hall[(4)]	26,700			*	
Ronald Record[(5)]	271,006			2.8 %	
James Amos				*	
Craig P. Colmar	521,601	25,000		5.4 %	
Steven P. Colmar[(6)]	595,774			6.2 %	
Ronald V. DaVella				*	
William R. Fields				*	
Richard Kerley				*	

John Leonesio[7]	758,110		7.9 %
Bret Sanders			*
Named executive officers and directors as a group (12 persons)	2,321,700	25,000	23.5%
5% Stockholders			
Glenn J. Krevlin[9]	1,240,665		12.9%
Dr. Fred Gerretzen[8]	1,112,760		11.0%
Anne Gerretzen Michaud[10]	499,491	134,000	5.2 %
Other Selling Stockholders			

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	Common Stock Beneficially Owned			Combined Voting Power	
	Common Stock Beneficially Owned Prior to the Offering	Shares of Common Stock Offered	After the Offering Assuming Option is Not Exercised	Prior to the Offering	After the Offering Assuming Underwriters' Option is Not Exercised
	Number	Number	Number	%	%
Richard Rees	471,001	100,000		4.9 %	
Don Sanders[11]	267,000	67,000		2.8 %	
Don Sanders 2003 Children s Trust[12]	267,000	67,000		2.8 %	
Katherine Sanders[13]	200,250	50,000		2.1 %	
Tanya Drury[14]	200,250	50,000		2.1 %	
Ben T. Morris[15]	66,750	16,000		0.7 %	
Christine Sanders[16]	66,750	16,000		0.7 %	
Laura Sanders[17]	66,750	16,000		0.7 %	
Matthew Drury as Trustee of the Matthew Drury Non Exempt Trust[18]	66,750	16,000		0.7 %	
Mark Drury as Trustee of the Mark Drury Non Exempt Trust[19]	66,750	16,000		0.7 %	
Luke Drury as Trustee of the Luke Drury Non Exempt Trust[20]	66,750	16,000		0.7 %	
Barbara C. Holland[21]	221,036	26,000		2.3 %	

* Less than 1% of our shares

(1) The shares shown as beneficially owned by Mr. Richards consist of shares of restricted stock that have vested or will vest within 60 days after November 11, 2015.

(2) The shares shown as beneficially owned by Mr. Orwasher consist of shares of restricted stock that have vested or will vest within 60 days after November 11, 2015 and shares of stock issuable under stock options that are exercisable or will become exercisable within 60 days after November 11, 2015.

(3) The shares shown as beneficially owned by Mr. Joyce consist of shares of restricted stock that have vested or will vest within 60 days after November 11, 2015.

(4) The shares shown as beneficially owned by Ms. Hall consist of shares of stock issuable under stock options that are exercisable or will become exercisable within 60 days of November 11, 2015.

(5) Mr. Record s address is 21426 North 78th St, Scottsdale, Arizona 85255. He is not a current named executive, and is not included in the named executive officers and directors sub-totals.

(6) The shares shown as beneficially owned by Mr. Colmar are held by The Austin Trust dated January 1, 2006, of which Mr. Colmar is the Trustee.

(7) The shares shown as beneficially owned by Mr. Leonesio are held by LTLx2, LLC, a limited liability company of which Mr. Leonesio is the sole member.

(8) The shares shown as beneficially owned by Dr. Gerretzen include 427,200 shares held by The Joint Franchise Co., LLC, a limited liability company which is wholly-owned by The Joint Interest Holder Trust, of which Dr. Gerretzen is the trustee. The shares also include 534,000 treasury shares subject to a purchase option that is immediately exercisable. Dr. Gerretzen s address is 3173 Laramie Drive, Atlanta, Georgia 30339.

(9) The shares shown as beneficially owned by Mr. Krevlin include: 1,240,665 shares owned by Glenhill Advisors LLC. Mr. Krevlin is managing member and control person of Glenhill Advisors, LLC. Mr. Krevlin s address is 600 Fifth Avenue, 11th Floor, New York, NY 10020.

(10) Mrs. Gerretzen Michaud s address is 1681 Tyler Green Trail, Smyrna, GA 30080.

(11) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(12) The stockholder s address is c/o Don Wier, Sanders Morris Harris Group, Inc., JP Morgan Chase Tower,

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600 Travis, Suite 5800, Houston, Texas 77002. Donald V. Wier is the trustee of the stockholder and directs the investments for the stockholder.

(13) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(14) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(15) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(16) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(17) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(18) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(19) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(20) The stockholder s address is c/o Sanders Morris Harris Group, Inc., JP Morgan Chase Tower, 600 Travis, Suite 5800, Houston, Texas 77002.

(21) The shares shown as beneficially owned by Ms. Holland are held by C.H. Media, of which Ms. Holland is the sole proprietor. Ms. Holland s address is 11433 North 43rd Street, Scottsdale, Arizona 85260.

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DESCRIPTION OF CAPITAL STOCK

Authorized and Outstanding Capital Stock

As of October 23, 2015, our authorized capital stock consisted of 20,000,000 shares of common stock, par value $0.001 per share, of which 9,890,882 are outstanding, and 50,000 shares of preferred stock, par value $0.001 per share, none of which are outstanding. Upon completion of this offering, there will be shares of common stock outstanding and no shares of preferred stock outstanding, in each case, after giving effect to the dividend of 0.78 shares of common stock for each share of common stock outstanding as of September 15, 2014, which occurred on September 17, 2014. The following description of our capital stock is only a summary and is subject to and qualified in its entirety by our certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and by the applicable provisions of Delaware law.

Common Stock

Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders, including the election of directors. Such holders are not entitled to vote cumulatively for the election of directors. Holders of a majority of the shares of common stock may elect all of the directors standing for election. Subject to preferences that may be applicable to any outstanding preferred stock, common stockholders are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the common stockholders are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. Common stockholders have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock.

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business and do not anticipate paying any cash dividends in the foreseeable future.

Preferred Stock

The Board of Directors is authorized, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the powers, preferences and rights of each series, which may be greater than the rights of common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of common stock until the Board of Directors determines the specific rights of the holders of such preferred stock. However the effects might include, among other things:

- impairing the dividend rights of the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; and
- delaying or preventing a change in our control without further action by the stockholders.

Our certificate of incorporation, as amended, authorizes the issuance of 50,000 shares of preferred stock, of which no shares are outstanding. The Board of Directors approved a certificate of designations, preferences and rights of our previously outstanding Series A Preferred Stock, which specifies that the Series A Preferred stock shall rank senior to our common stock, shall have a liquidation preference ahead of our common stock, shall be convertible at the option of holders of Series A Preferred Stock, into our common stock at a conversion price of $40.00 per share (subject to adjustment), shall have anti-dilution protection, shall have voting rights on all matters on an as-converted basis, shall have the right to receive dividends on an as converted basis, shall have preemptive rights to purchase additional securities issued by us, and shall have specific class voting rights with respect to certain corporate actions. All holders of our preferred stock elected to convert their preferred stock into common stock upon completion of our IPO.

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Options and Restricted Stock

As of October 23, 2015, (i) options to purchase a total of 192,240 shares of our common stock were outstanding under our 2012 Plan, (ii) options to purchase a total of 289,860 shares of our common stock were outstanding under our 2014 Plan, (iii) options to purchase 534,000 shares of our common stock currently held in treasury were granted pursuant to a contractual arrangement, (iv) 567,375 shares of restricted stock were awarded under our 2012 Plan, and (v) 103,000 shares of restricted stock were awarded under our 2014 Plan. No additional options or other awards will be granted under our 2012 Plan, which has been replaced by our 2014 Plan. As of October 23, 2015, 1,017,140 shares of our common stock were available for issuance under our 2014 Stock Plan.

Warrants

As of October 23, 2015, 90,000 warrants to purchase shares of common stock were outstanding which were granted to the representative of the underwriters of our IPO.

Registration Rights

We have granted piggy-back and demand registration rights in connection with the warrant to purchase shares of our common stock issued to the representative of the underwriters of our IPO. Shares registered under such registration statement will be available for sale in the open market upon the effectiveness of the registration. The piggy-back registration right has a duration of no more than six years from the effective date of our IPO (November 10, 2014), in compliance with FINRA Rule 5110(f)(2)(G)(v). The demand registration right, exercisable only if and when we are eligible to use a registration statement on Form S-3, has a duration of no more than four years from such effective date, in compliance with FINRA Rule 5110(f)(2)(G)(iv). We will bear all fees and expenses attendant to registering the securities issuable on exercise of the warrants, other than underwriting commissions incurred and payable by the holder. The exercise price and number of shares issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, extraordinary cash dividend or our recapitalization, reorganization, merger or consolidation. However, the warrant exercise price or underlying shares will not be adjusted for issuances of shares of common stock at a price below the warrant exercise price. Shares registered pursuant to the exercise of piggyback or demand registration rights will be available for sale in the open market upon the effectiveness of the registration.

Anti-Takeover Provisions

Certain provisions of Delaware law and our certificate of incorporation and bylaws could make the following more difficult:

- the acquisition of us by means of a tender offer;
- acquisition of control of us by means of a proxy contest or otherwise; and
- the removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids, and are designed to encourage persons seeking to acquire control of us to negotiate with our Board of Directors. We believe that the benefits of increased protection against an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals. Among other things, negotiation of such proposals could result in an improvement of their terms.

Delaware Anti-Takeover Law. We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved by our Board of Directors in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation s voting stock. The existence of this provision may have an

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anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Stockholder Meetings. Under our bylaws, only the Board of Directors, the Chairman of the Board, the Chief Executive Officer and the President may call special meetings of stockholders.

No Cumulative Voting. Our certificate of incorporation and bylaws do not provide for cumulative voting in the election of directors.

Undesignated Preferred Stock. The authorization of undesignated preferred stock makes it possible for the Board of Directors without stockholder approval to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to obtain control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of us.

Amendment of Provisions in the Certificate of Incorporation. The certificate of incorporation will generally require the affirmative vote of the holders of at least two-thirds of the outstanding voting stock in order to amend any provisions of the certificate of incorporation concerning:

- the required vote to amend the certificate of incorporation;
- management of the business by the Board of Directors;
- calling of a special meeting of stockholders;
- number of directors and structure of the Board of Directors;
- removal and appointment of directors;
- director nominations by stockholders;
- personal liability of directors to us and our stockholders; and
- indemnification of our directors, officers, employees and agents.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company. The telephone number of Continental Stock Transfer & Trust Company is (212) 509-4000.

Stock Market Listing

Our common stock is listed on The NASDAQ Capital Market under the symbol JYNT.

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SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our common stock and impair our ability to raise equity capital in the future. No prediction can be made as to the effect, if any, future sales of shares, or the availability of shares for future sales will have on the market price of our common stock prevailing from time to time. As described below, only a limited number of shares of our common stock will be available for sale in the public market for a period of several months after consummation of this offering due to contractual and legal restrictions on resale described below. Future sales of our common stock in the public market either before (to the extent permitted) or after restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our common stock at such time and our ability to raise equity capital at a time and price we deem appropriate.

Sale of Restricted Shares

Upon completion of this offering, we will have shares of common stock outstanding, assuming no exercise of outstanding stock options and no issuance of shares upon the vesting of restricted shares. Of these shares of common stock, the shares of common stock being sold in this offering, plus any shares sold upon exercise of the underwriters option to purchase additional shares, together with the 3,450,000 shares of common stock sold in our IPO, will be freely tradable without restriction under the Securities Act, except for any such shares which may be acquired by an affiliate of ours, as that term is defined in Rule 144, which shares will be subject to the volume limitations and other restrictions of Rule 144 described below. The remaining 6,166,039 shares of common stock held by our existing stockholders are restricted securities, as that term is defined in Rule 144. As restricted securities, and subject to any lock-up agreements as described below, they may be sold in the public market only after registration under the Securities Act or pursuant to an exemption from such registration, including, among others, the exemptions provided by Rule 144 and Rule 701 under the Securities Act, which rules are summarized below.

As a result of the lock-up agreements described below and the provisions of Rules 144 and Rule 701 promulgated under the Securities Act, the shares of our common stock (excluding the shares sold in this offering) are or will be available for sale in the public market as follows:

3,450,000 shares sold in our IPO are eligible for sale as of the date of this prospectus;
4,812,175 shares will be eligible for sale upon the expiration of the lock-up agreements, as more particularly described below under the Underwriting section, beginning six months after the date of this prospectus, subject to certain exceptions; and
1,615,779 shares of the 6,427,954 restricted shares held by our existing stockholders will become eligible for sale as of November 10, 2015 as the result of the expiration of lock-up agreements covering such shares that were entered into in connection with our IPO.

Rules 144

In general, under Rule 144, as currently in effect, persons who are not one of our affiliates at any time during the three months preceding a sale may sell shares of our common stock beneficially held upon the earlier of (1) the expiration of a six-month holding period, if we have been subject to the reporting requirements of the Exchange Act and have filed all required reports for at least 90 days prior to the date of the sale, or (2) a one-year holding period.

At the expiration of the six-month holding period, a person who was not one of our affiliates at any time during the three months preceding a sale would be entitled to sell an unlimited number of shares of our common stock provided current public information about us is available, and a person who was one of our affiliates at any time during the three months preceding a sale would be entitled to sell within any three-month period a number of shares of common stock that does not exceed the greater of either of the following:

1% of the number of shares of common stock then outstanding which will equal to approximately shares immediately after this offering; and

the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

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Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least one year including the holding period of any prior owner except an affiliate of The Joint, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Registration Rights

We have granted piggy-back and demand registration rights in connection with the warrant to purchase shares of our common stock issued to the representative of the underwriters of our IPO. Shares registered pursuant to such registration rights will be available for sale in the open market upon the effectiveness of the registration.

Form S-8 Registration Statement

Following the closing of this offering, we will file a registration statement on Form S-8 registering the shares of our common stock issuable pursuant to stock options, SARs, restricted stock, and RSUs granted or awarded under our 2012 Stock Plan and our 2014 Incentive Stock Plan. See Compensation Plans beginning on page 85. Shares registered under such registration statement will be available for sale in the open market upon the effectiveness of the registration, subject to Rule 144 volume limitations applicable to affiliates and any applicable lock-up agreements.

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CERTAIN MATERIAL UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of certain material United States federal income and estate tax consequences to non-U.S. holders, defined below, of the purchase, ownership and disposition of shares of our common stock as of the date hereof. Except where noted, this summary deals only with shares of common stock purchased in this offering that are held as capital assets by a non-U.S. holder.

Except as modified for estate tax purposes, a non-U.S. holder means a beneficial owner of shares of our common stock that, for United States federal income tax purposes, is not any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the United States Internal Revenue Code of 1986, as amended, or the Code, applicable United States Treasury regulations, rulings and judicial decisions, all as of the date hereof. Those authorities are subject to different interpretations and may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local, alternative minimum or other tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances. In addition, this summary does not represent a detailed description of the United States federal income and estate tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including if you are a United States expatriate, financial institution, insurance company, tax-exempt organization, trader, broker or dealer in securities, controlled foreign corporation, passive foreign investment company, a partnership or other pass-through entity for United States federal income tax purposes (or an investor in such a pass-through entity)), a person who acquired shares of our common stock as compensation or otherwise in connection with the performance of services, or a person who has acquired shares of our common stock as part of a straddle, hedge, conversion transaction or other integrated investment). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

We have not and will not seek any rulings from the Internal Revenue Service, or the IRS, regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the purchase, ownership or disposition of shares of our common stock that are different from those discussed below.

If any entity or arrangement treated as a partnership for United States federal income tax purposes holds shares of our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares of our common stock, you should consult your tax advisors.

If you are considering the purchase of shares of our common stock, you should consult your own tax advisors concerning the particular United States federal income and estate tax consequences to you of the ownership and disposition of the shares of common stock, as well as the consequences to you arising under the laws of any other applicable taxing jurisdiction in light of your particular circumstances.

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Dividends

Cash distributions on shares of our common stock will constitute dividends for United States federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your tax basis in our common stock (determined on a share by share basis), but not below zero, and then will be treated as gain from the sale of stock.

Dividends paid to a non-U.S. holder generally will be subject to withholding of United States federal income tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment) generally will not be subject to such withholding tax, provided certain certification and disclosure requirements are satisfied (including the provision of a properly completed IRS form W-8ECI or other applicable forms). Instead, such dividends generally will be subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code. A corporate non-U.S. holder may be subject to an additional branch profits tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on earnings and profits attributable to such dividends that are effectively connected with its United States trade or business (and, if an income tax treaty applies, are attributable to its United States permanent establishment).

A non U.S. holder of shares of our common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to complete IRS Form W 8BEN or W-8BEN-E (or other applicable form) and certify under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if shares of our common stock are held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain non U.S. holders that are pass through entities rather than corporations or individuals.

A non-U.S. holder of shares of our common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Disposition of Common Stock

Subject to discussions below of the backup withholding tax and FATCA legislation, any gain realized by a non-U.S. holder on the disposition of shares of our common stock generally will not be subject to United States federal income tax unless:

the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);
the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
we are or have been a United States real property holding corporation for United States federal income tax purposes.

In the case of a non-U.S. holder described in the first bullet point above, any gain will be subject to United States federal income tax on a net income basis generally in the same manner as if the non-U.S. holder were a United States person as defined under the Code, and a non-U.S. holder that is a foreign corporation may also be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits attributable to such gain (or, if an income tax treaty applies, at such lower rate as may be specified by the treaty on its gains attributable to its United States permanent establishment). Except as otherwise provided by an applicable income tax treaty, an individual non-U.S. holder described in the second bullet point above will be subject to a 30% tax on any gain derived from the sale, which may be offset by certain United States source capital losses, even though the individual is not considered a resident of the United States under the Code.

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We do not believe we are, and we do not expect to become, a United States real property holding corporation for United States federal income tax purposes. If we are or become a United States real property holding corporation, so long as shares of our common stock continues to be regularly traded on an established securities market, only a non-U.S. holder who holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder s holding period) more than 5% of shares of our common stock will be subject to United States federal income tax on the disposition of shares of our common stock.

Federal Estate Tax

Shares of our common stock that are owned (or treated as owned) by an individual who is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) at the time of death will be included in such individual s gross estate for United States federal estate tax purposes, unless an applicable estate or other tax treaty provides otherwise, and, therefore, may be subject to United States federal estate tax.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty or agreement.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is not a United States person as defined under the Code (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of shares of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is not a United States person as defined under the Code (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder s United States federal income tax liability provided the required information is timely furnished to the IRS.

Additional FATCA Withholding Requirements

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as FATCA), a 30% United States federal withholding tax may apply to any dividends paid on shares of our common stock and, for a disposition of our common stock occurring after December 31, 2016, the gross proceeds from such disposition, in each case paid to (i) a foreign financial institution (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) a non-financial foreign entity (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form

W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under the heading Dividends, the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. You should consult your own tax advisor regarding these requirements and whether they may be relevant to your ownership and disposition of shares of our common stock.

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UNDERWRITING

Feltl and Company, Inc. and Maxim Group LLC are acting as the joint book-running managers of the offering and Feltl and Company, Inc. is acting as the representative of the underwriters named below, or the Representative. Subject to the terms and conditions set forth in an underwriting agreement dated as of the date of this prospectus among us, the selling stockholders and the Representative, we and the selling stockholders have agreed to sell to each underwriter named below, and each underwriter named below has severally and not jointly agreed to purchase from us, at the public offering price per share set forth on the cover page of this prospectus, less the underwriting discounts and commissions, the number of shares of common stock listed next to its name in the following table:

Underwriters	Number of Shares
Feltl and Company, Inc.	
Maxim Group LLC	
Total	

The underwriters are committed to purchase all the shares of common stock offered by us and the selling stockholders, other than those covered by the option to purchase additional shares described below, if they purchase any shares. The obligations of the underwriters may be terminated upon the occurrence of certain events specified in the underwriting agreement. Furthermore, pursuant to the underwriting agreement, the underwriters obligations are subject to customary conditions, representations and warranties contained in the underwriting agreement, such as receipt by the underwriters of officers certificates and legal opinions.

We and the selling stockholders have agreed to indemnify the underwriters against specified liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect thereof.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel and other conditions specified in the underwriting agreement. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Over-Allotment Option. We have granted the underwriters an over-allotment option. This option, which is exercisable for up to 45 days after the date of this prospectus, permits the underwriters to purchase from us a maximum of additional shares (15% of the total shares sold in this offering) from us to cover over-allotments, if any. If the underwriters exercise all or part of this option, they will purchase shares covered by the option at the public offering price per share that appears on the cover page of this prospectus, less the underwriting discounts and commissions. If this option is exercised in full, the total net proceeds, before expenses, to us will be $.

Discounts. The following tables show the underwriting discounts and commissions payable to the underwriters by us and the selling stockholders on a per share and aggregate basis in connection with this offering (assuming both the full exercise and non-exercise of the over-allotment option to purchase additional shares of common stock):

	Total Without Over-Allotment Option	Total With Over-Allotment Option

Per Share	$	$
Total		

Paid by the Selling Stockholders

	Total Without Over-Allotment Option	Total With Over-Allotment Option
Per Share	$	$
Total		

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The underwriters propose to offer the shares offered by us and the selling stockholders to the public at the public offering price per share set forth on the cover of this prospectus. In addition, the underwriters may offer some of the shares to other securities dealers at such price less a concession of $ per share. After the initial offering, the public offering price and concession to dealers may be changed.

We have also agreed to pay the Representative s expenses relating to the offering, including, but not limited to, expenses and disbursements relating to the registration, qualification or exemption of securities offered under state securities laws, or blue sky laws; reasonable fees and expenses of the Representative s counsel; expenses related to travel and due diligence meetings for the investment community and other expenses in connection with the delivery of the preliminary and final prospectus. In addition, we have agreed to pay to the Representative of the underwriters accountable expenses.

We estimate that the total expenses of the offering payable by us, excluding underwriting discounts and commissions, will be approximately $.

Lock-Up Agreements. Pursuant to certain lock-up agreements with the Representative, we, our executive officers and directors, and beneficial holders of 5% or more of our common stock have agreed, subject to certain exceptions, not to offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, any shares of common stock or securities convertible into or exchangeable or exercisable for any shares of common stock beneficially owned by them, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of common stock, without the prior written consent of the Representative, for a period of six months from the date of the final prospectus pertaining to the offering. The restrictions described above do not apply to: (i) the sale of any shares of common stock to the underwriters pursuant to the underwriting agreement; (ii) a transfer of shares of common stock to a family member or trust; (iii) a transfer of shares of common stock to charitable or educational organizations if, in any such case, such transfer is a bona fide gift; (iv) transfers of shares of common stock to partners or wholly-owned subsidiaries, as the case may be; (v) transfers of shares of common stock in connection with the exercise of any stock options that expire during the restricted period, to the extent necessary to fund the exercise price of such stock options and any withholding taxes resulting from such exercise; (vi) transfers of share of common stock by will or intestate succession; (vii) the establishment of a Rule 10b5-1 trading plan under the Exchange Act by a security holder for the sale of shares of common stock, provided that such plan does not provide for the transfer of common stock during the restricted period, and (viii) transfers of shares of common stock pursuant to any order of, or settlement agreement not involving any public sale of such shares or securities, approved by, any court of competent jurisdiction; provided, however, that in any case referred to in clauses (ii) through (v) above, each transferee executes and delivers a lock-up agreement agreeing to be subject to the restrictions on transfer described above. The Representative may, in its sole discretion, at any time without prior notice, release all or any portion of the shares from the restrictions in any such agreement; provided, however, if the party to be released is an officer or director of the Company and except if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in the lock-up agreement, (i) the Representative agrees that, at least three business days before the effective date of any release or waiver, the Representative will notify us of the impending release or waiver, and (ii) we have to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the Representative to any such officer or director shall only be effective two business days after the publication date of such press release.

NASDAQ Listing. Our common stock is listed on The NASDAQ Capital Market under the symbol JYNT.

Electronic Offer, Sale and Distribution of Shares. A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering, and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The Representative may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same

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basis as other allocations. Other than the prospectus in electronic format, the information on these websites is not part of, nor incorporated by reference into, this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter in its capacity as underwriter, and should not be relied upon by investors.

Stabilization. In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate-covering transactions, penalty bids and purchases to cover positions created by short sales.

Stabilizing transactions permit bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum and are engaged in for the purpose of preventing or retarding a decline in the market price of the shares while the offering is in progress.

Over-allotment transactions involve sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase. This creates a syndicate short position which may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by exercising their over-allotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of shares in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared with the price at which they may purchase shares through exercise of the over-allotment option. If the underwriters sell more shares than could be covered by exercise of the over-allotment option and, therefore, have a naked short position, the position can be closed out only by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that after pricing there could be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in the offering.

Penalty bids permit the Representative to reclaim a selling concession from a syndicate member when the shares originally sold by that syndicate member are purchased in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our shares or common stock or preventing or retarding a decline in the market price of our shares or common stock. As a result, the price of our common stock in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our common stock. These transactions may be effected on The NASDAQ Capital Market or otherwise and, if commenced, may be discontinued at any time.

Passive Market Making. In connection with this offering, underwriters and selling group members may engage in passive market making transactions in our common stock on The NASDAQ Capital Market, in accordance with Rule 103 of Regulation M under the Exchange Act, during a period before the commencement of offers or sales of the shares and extending through the completion of the distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker s bid, then that bid must then be lowered when specified purchase limits are exceeded.

Other Relationships. Certain of the underwriters and their affiliates have provided, and may in the future provide, various investment banking, commercial banking and other financial services for us and our affiliates for which they have received, and may in the future receive, customary fees. However, except as disclosed in this prospectus, we have no present arrangements with any of the underwriters for any further services. Feltl and Company, Inc. participated as an underwriter in our initial public offering.

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Offer Restrictions Outside the United States

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Australia

This prospectus is not a disclosure document under Chapter 6D of the Australian Corporations Act, has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act. Accordingly, (i) the offer of the securities under this prospectus is only made to persons to whom it is lawful to offer the securities without disclosure under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in section 708 of the Australian Corporations Act, (ii) this prospectus is made available in Australia only to those persons as set forth in clause (i) above, and (iii) the offeree must be sent a notice stating in substance that by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (i) above, and, unless permitted under the Australian Corporations Act, agrees not to sell or offer for sale within Australia any of the securities sold to the offeree within 12 months after its transfer for the offeree under this prospectus.

China

The information in this document does not constitute a public offer of the securities, whether by way of sale or subscription, in the People s Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan), or the PRC. The securities may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to qualified domestic institutional investors.

European Economic Area Belgium, Germany, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of securities will be made pursuant to an exemption under the Directive 2003/71/EC, or Prospectus Directive, as implemented in Member States of the European Economic Area, each, a Relevant Member State, from the requirement to produce a prospectus for offers of securities.

An offer to the public of securities has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

(a) to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity that has two or more of (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) and (iii) an annual net turnover of more than €50,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);

(c) to fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the company or any underwriter for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall result in a requirement for the publication by the company of a prospectus pursuant to Article 3 of the Prospectus Directive.

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France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers, or AMF. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the securities have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 to D.411-3, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (cercle restreint d investisseurs) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the securities cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, or the Prospectus Regulations. The securities have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to (i) qualified investors as defined in Regulation 2(l) of the Prospectus Regulations and (ii) fewer than 100 natural or legal persons who are not qualified investors.

Israel

The securities offered by this prospectus have not been approved or disapproved by the Israeli Securities Authority, or the ISA, nor have such securities been registered for sale in Israel. The shares may not be offered or sold, directly or indirectly, to the public in Israel, absent the publication of a prospectus. The ISA has not issued permits, approvals or licenses in connection with the offering or publishing the prospectus; nor has it authenticated the details included herein, confirmed their reliability or completeness, or rendered an opinion as to the quality of the securities being offered. Any resale in Israel, directly or indirectly, to the public of the securities offered by this prospectus is subject to restrictions on transferability and must be effected only in compliance with the Israeli securities laws and regulations.

Italy

The offering of the securities in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, or CONSOB) pursuant to the Italian securities legislation and, accordingly, no offering material relating to the securities may be distributed in Italy and such securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, or Decree No. 58, other than:

to Italian qualified investors, as defined in Article 100 of Decree no. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, or Regulation no. 1197l, as amended, or Qualified Investors; and
in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971 as amended.
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Any offer, sale or delivery of the securities or distribution of any offer document relating to the securities in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 and any other applicable laws; and

in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the securities in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971 as amended, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the entity transferring the securities for any damages suffered by the investors.

Japan

The securities have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended, or the FIEL, pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires securities may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of securities is conditional upon the execution of an agreement to that effect.

Portugal

This document is not being distributed in the context of a public offer of financial securities (oferta pública de valores mobiliários) in Portugal, within the meaning of Article 109 of the Portuguese Securities Code (Código dos Valores Mobiliários). The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in Portugal. This document and any other offering material relating to the securities have not been, and will not be, submitted to the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários) for approval in Portugal and, accordingly, may not be distributed or caused to distributed, directly or indirectly, to the public in Portugal, other than under circumstances that are deemed not to qualify as a public offer under the Portuguese Securities Code. Such offers, sales and distributions of securities in Portugal are limited to persons who are qualified investors (as defined in the Portuguese Securities Code). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the securities be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of securities in Sweden is limited to persons who are qualified investors (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of

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the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering material relating to the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority.

This document is personal to the recipient only and not for general circulation in Switzerland.

United Arab Emirates

Neither this document nor the securities have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates, nor have we received authorization or licensing from the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates to market or sell the securities within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the securities, including the receipt of applications and/or the allotment or redemption of such shares, may be rendered within the United Arab Emirates by us.

No offer or invitation to subscribe for securities is valid or permitted in the Dubai International Financial Centre.

United Kingdom

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Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

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Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Johnson and Colmar, Bannockburn, Illinois. As of the date of this prospectus, certain individual attorneys of this firm beneficially own an aggregate of 521,601 shares of our common stock. Certain legal matters will be passed upon on behalf of the underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

EXPERTS

The financial statements of The Joint Corp. as of December 31, 2014 and 2013 and for each of the years in the two-year period ended December 31, 2014 have been included in this prospectus in reliance upon the report of EKS&H, LLLP, independent registered public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. For further information with respect to us and our common stock, see the registration statement and the exhibits and schedules thereto. Any document we file may be read and copied at the Commission s public reference room at 100 F Street, NE, Washington, D.C. 20549, on official business days during the hours of 10 a.m. to 3 p.m. Please call the Commission at 1-800-SEC-0330 for further information about the public reference rooms. Our filings with the Commission are also available to the public from the Commission s website at *http://www.sec.gov*.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 and file annual, quarterly and current reports, proxy statements and other information with the Commission. Such periodic reports, proxy statements and other information are available for inspection and copying at the Commission s public reference rooms, and the website of the Commission referred to above.

You may obtain a copy of any of our filings, at no cost, by writing or telephoning us at:

16767 N. Perimeter Drive, Suite 240
Scottsdale, AZ 85260
Telephone: (480) 245-5960

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THE JOINT CORP.

INDEX TO FINANCIAL STATEMENTS

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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

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THE JOINT 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):		

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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		
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 liabilities and stockholders equity (deficit)	$28,559,028	$9,768,435

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

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THE JOINT 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.

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THE JOINT CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid In Capital	Treasury Stock	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
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.

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THE JOINT 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 termination 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.

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THE JOINT 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.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

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

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO 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:

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.

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

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Notes Receivable (continued)

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;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Fair Value Consideration (continued)

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

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Income Taxes (continued)

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 Amount	Percent	2013 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.

THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Income Taxes (continued)

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.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Equity (continued)

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.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Equity (continued)

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Equity (continued)

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 %

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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THE JOINT CORP.

Condensed Consolidated Financial Statements

As of June 30, 2015 and December 31, 2014

and for the Three and Six Months Ended June 30, 2015 and 2014

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THE JOINT CORP. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$12,579,991	$20,796,783
Restricted cash	281,968	224,576
Accounts receivable, net	458,914	704,905
Income taxes receivable	292,730	395,814
Note receivable current portion	17,768	27,528
Deferred franchise costs current portion	597,970	622,800
Deferred tax asset current portion	208,800	208,800
Prepaid expenses and other current assets	97,195	375,925
Total current assets	14,535,336	23,357,131
Property and equipment, net	2,691,042	1,134,452
Note receivable, net of current portion and reserve	27,942	31,741
Deferred franchise costs, net of current portion	1,894,930	2,574,450
Intangible assets, net	2,021,136	153,000
Goodwill	2,747,668	636,104
Deposits and other assets	118,073	585,150
Total assets	$24,036,127	$28,472,028
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$1,452,076	$1,271,405
Co-op funds liability	281,857	186,604
Payroll liabilities	874,825	617,944
Notes payable current portion	479,400	
Deferred rent current portion	98,053	93,398
Deferred revenue current portion	2,080,787	1,957,500
Other current liabilities	48,691	50,735
Total current liabilities	5,315,689	4,177,586
Notes payable, net of current portion	140,000	
Deferred rent, net of current portion	410,755	451,766
Deferred revenue, net of current portion	5,734,709	7,915,918
Other liabilities	277,715	299,405
Total liabilities	11,878,868	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 June 30, 2015, and December 31, 2014		

Common stock, $0.001 par value; 20,000,000 shares authorized, 10,333,534 shares issued and 9,799,534 shares outstanding as of June 30, 2015 and 10,196,502 shares issued and 9,662,502 outstanding as of December 31, 2014	10,333	10,197
Additional paid-in capital	21,710,338	21,420,975
Treasury stock (534,000 shares as of June 30, 2015 and December 31, 2014, at cost)	(791,638)	(791,638)
Accumulated deficit	(8,771,774)	(5,012,181)
Total stockholders equity	12,157,259	15,627,353
Total liabilities and stockholders equity	$24,036,127	$28,472,028

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

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THE JOINT CORP. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Royalty fees	$1,098,190	$753,265	$2,113,704	$1,361,591
Franchise fees	876,259	570,500	1,224,259	1,034,500
Revenues and management fees from company clinics	783,016		1,170,469	
Advertising fund revenue	339,462	29,376	624,978	116,110
IT related income and software fees	197,214	211,200	401,189	410,825
Regional developer fees	50,750	116,000	268,250	224,750
Other revenues	81,855	51,494	131,796	96,895
Total revenues	3,426,746	1,731,835	5,934,645	3,244,671
Cost of revenues:				
Franchise cost of revenues	743,592	490,298	1,251,158	949,074
IT cost of revenues	48,226	63,915	85,921	135,663
Total cost of revenues	791,818	554,213	1,337,079	1,084,737
Selling and marketing expenses	790,001	253,612	1,757,024	399,778
Depreciation and amortization	278,502	48,819	401,098	88,885
General and administrative expenses	3,412,484	1,084,346	6,200,726	2,050,640
Total selling, general and administrative expenses	4,480,987	1,386,777	8,358,848	2,539,303
Loss from operations	(1,846,059)	(209,155)	(3,761,282)	(379,369)
Other income (expense), net	(9,811)	(3,800)	1,689	(3,800)
Loss before income tax benefit	(1,855,870)	(212,955)	(3,759,593)	(383,169)
Income tax benefit		79,206		121,523
Net loss and comprehensive loss	$(1,855,870)	$(133,749)	$(3,759,593)	$(261,646)
Loss per share:				
Basic and diluted loss per share	$(0.19)	$(0.03)	$(0.39)	$(0.05)
Weighted average shares	9,768,230	4,819,902	9,734,115	4,815,754

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

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THE JOINT CORP. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net loss	$(3,759,593)	$(261,646)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for bad debts	4,345	
Regional developer fees recognized upon acquisition of development rights	(159,500)	
Net franchise fees recognized upon termination of franchise agreements	(343,250)	
Depreciation and amortization	401,098	88,885
Gain on sale of property and equipment	(11,500)	
Deferred income taxes		(96,588)
Stock based compensation expense	289,499	27,922
Changes in operating assets and liabilties, net of effects from acquisitions:		
Restricted cash	(57,392)	(57,547)
Accounts receivable	241,646	133,543
Income taxes receivable	103,084	
Prepaid expenses and other current assets	278,730	16,025
Deferred franchise costs	5,700	28,700
Deposits and other assets	(40,423)	(133,274)
Accounts payable and accrued expenses	180,671	491,099
Co-op funds liability	95,253	(20,508)
Payroll liabilities	256,881	49,689
Other liabilities	(23,734)	56,547
Deferred rent	(36,356)	541,962
Income taxes payable		(419,297)
Deferred revenue	31,273	(186,250)
Other, net		14,556
Net cash (used in) provided by operating activities	(2,543,568)	273,818
Cash flows from investing activities:		
Cash paid for acquisitions	(4,242,975)	
Reacquisition and termination of regional developer rights	(945,000)	
Purchase of property and equipment	(485,308)	(542,673)
Proceeds received on sale of property and equipment	11,500	
Payments received on notes receivable	13,559	12,771
Net cash used in investing activities	(5,648,224)	(529,902)

Cash flows from financing activities:		
Repayments on note payable	(25,000)	
Net cash used in financing activities	(25,000)	
Net decrease in cash	(8,216,792)	(256,084)
Cash at beginning of period	20,796,783	3,516,750
Cash at end of period	$ 12,579,991	$ 3,260,666
Supplemental cash flow disclosures:		
Cash paid for income taxes	$	$ 420,250
Cash paid for interest	$ 135	$

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

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Supplemental disclosure of non-cash activity:

In connection with the Company s acquisitions of franchises during the six months ended June 30, 2015, the Company acquired $1,346,766 of property and equipment, and intangible assets of $1,070,500, goodwill of $2,111,564 and assumed deferred revenue associated with membership packages paid in advance of $107,555 in exchange for $4,242,975 in cash and an aggregate amount of $644,400 in notes payable to the sellers. Additionally, at the time of these transactions, the Company carried deferred revenue of $928,000, representing franchise fees collected upon the execution of franchise agreements, and deferred costs of $461,900, related to Company s acquisition of undeveloped franchises. In accordance with ASC-952-605, the Company netted these amounts against the aggregate purchase price of the acquisitions (Note 2).

In connection with Company s reacquisition and termination of regional developer rights during the six months ended June 30, 2015, the Company had deferred revenue of $688,750, representing license fees collected upon the execution of the regional developer agreements. In accordance with ASC-952-605, the Company netted these amounts against the aggregate purchase price of the acquisitions (Note 5).

As of December 31, 2014, the Company recorded a deposit of $507,500 for the reacquisition and termination of regional developer rights, which were paid in advance. During the six months ended June 30, 2015, upon the effective date of the agreement, the Company reclassified $507,500 from deposits to intangible assets.

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

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

Basis of Presentation

These unaudited financial statements represent the condensed consolidated financial statements of The Joint Corp. (The Joint) and its wholly owned subsidiary The Joint Corporate Unit No. 1, LLC (collectively, the Company). These unaudited condensed consolidated financial statements should be read in conjunction with The Joint Corp. and Subsidiary consolidated financial statements and the notes thereto as set forth in The Joint Corp. s Form 10-K, which included all disclosures required by generally accepted accounting principles. In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company s financial position on a consolidated basis and the consolidated results of operations and cash flows for the interim periods presented. The results of operations for the periods ended June 30, 2015 and 2014 are not necessarily indicative of expected operating results for the full year. The information presented throughout the document as of and for the periods ended June 30, 2015 and 2014 is unaudited.

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.

Comprehensive Loss

Net loss and comprehensive loss are the same for the three and six months ended June 30, 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 three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Franchised clinics:				
Clinics open at beginning of period	241	192	242	175
Opened during the period	10	23	23	41
Acquired during the period	(11)		(21)	
Closed during the period	(1)		(5)	(1)
Clinics in operation at the end of the period	239	215	239	215
Active Franchise Licenses	182	250	182	250

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Corporate owned or managed clinics:				
Clinics open at beginning of period	12		4	
Acquired during the period	11		21	
Closed during the period			(2)	
Clinics in operation at the end of the period	23		23	
Total clinics in operation at the end of the period	262	215	262	215

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. 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 VIE. 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 IPO in short-term bank deposits. The Company had no cash equivalents as of June 30, 2015 and December 31, 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 monitor the financial condition of the franchisees to reduce credit risk. As of December 31, 2014, six franchisees represented 56% of outstanding accounts receivable. The Company did not have any customers that represented greater than 10% of its accounts receivable or revenues during the three and six months ended June 30, 2015 and 2014.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable represent amounts due from franchisees for initial franchise fees, royalty fees and marketing and advertising expenses. The Company considers 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 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 June 30, 2015 and December 31, 2014, the Company had an allowance for doubtful accounts of $85,377 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 most 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 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. 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 was approximately 7 years. The fair value of customer relationships is amortized over their estimated useful life of 2 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. Under 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 ASC 350-10, and are written down when impaired.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

Long-Lived Assets

The Company reviews our 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 periods ended June 30, 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 properly eliminating intercompany transactions. 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 liabilities 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 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 franchisee 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 three months ended June 30, 2015, the Company terminated 20 franchise licenses that were in default of various obligations under their respective franchise agreements. In conjunction with these terminations, the Company recognized $580,000 of revenue in the quarter, and $236,750 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 of 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 50% of franchise fees

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

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 of 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 were $207,483 and $475,988 for the three and six months ended June 30, 2015, respectively. Advertising expenses were $4,042 and $40,039 for the three and six months ended June 30, 2014, respectively.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

Income Taxes

The Company accounts for income taxes in accordance with the 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 June 30, 2015 and December 31, 2014, the Company maintained a liability for income taxes for uncertain tax positions of approximately $125,000 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 condensed 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 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	$(1,855,870)	$(133,749)	$(3,759,593)	$(261,646)

Weighted average common shares outstanding basic	9,768,230	4,819,902	9,734,115	4,815,754
Effect of dilutive securities:				
Stock options				
Weighted average common shares outstanding diluted	9,768,230	4,819,902	9,734,115	4,815,754
Basic and diluted loss per share	$(0.19)	$(0.03)	$(0.39)	$(0.05)

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Unvested restricted stock	453,846	116,818	453,846	116,818
Stock options	376,275	271,895	376,275	271,895
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 condensed 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 condensed 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, 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 has it 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 impact of the adoption of ASU No. 2014-15 on its consolidated financial statements.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

In April 2015, the FASB issued ASU 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 impact of the adoption of ASU No. 2015-05 on its consolidated financial statements.

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 subject to further adjustment upon completion of the valuation report. 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.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 2: Acquisitions (continued)

The Company has retrospectively adjusted the condensed 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 six months ended June 30, 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 21 developed and 31 undeveloped franchises throughout Arizona and California for an aggregate purchase price of $4,887,375, subject to certain adjustments, consisting of cash of $4,242,975 and notes payable of $644,400. Of the 21 developed franchises, the Company is operating 19 as company-owned or managed clinics and has closed the remaining 2 clinics. The 31 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 $928,000, representing franchise fees collected upon the execution of the franchise agreements, and deferred franchise costs of $461,900, related to undeveloped franchises. In accordance with ASC 952-605, 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 $4,421,275 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. The Company is accounting for this as a business combination. As no consideration was transferred to the franchisee, the Company expects to recognize a bargain purchase gain equal to the fair value of the net assets acquired; however, no valuation amounts have been recorded in the consolidated financial statements for the three and six months ended June 30, 2015 as the valuation for these assets has not yet been completed.

The Company incurred $279,253 of transaction costs related to these acquisitions for the six months ended June 30, 2015.

Purchase Price Allocation

The purchase price allocations for these acquisitions 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	$ 1,346,766
Intangible assets	1,070,500
Goodwill	2,111,564
Total assets acquired	4,528,830
Deferred membership revenue	(107,555)
Net assets acquired	$ 4,421,275

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 2: Acquisitions (continued)

Intangible assets in the table above consist of reacquired franchise rights of $809,900 and customer relationships of $260,600, and will be amortized over their estimated useful lives of approximately seven 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 six months ended June 30, 2015, the Company made certain measurement period adjustments related to several acquisitions consummated in the quarter ended March 31, 2015. Property and equipment was increased by $13,866, intangible assets increased by $186,000, and deferred membership revenue decreased by $19,990 with the resulting offset to goodwill of $179,876.

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 three and six months ended June 30, 2015 and 2014 as if the acquisitions had been completed on January 1, 2014.

	Pro Forma for the Three Months Ended	Pro Forma for the Six Months Ended

	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues, net	$3,595,084	$2,393,624	$6,650,946	$4,568,248
Net loss	$(1,992,385)	$(783,166)	$(4,155,929)	$(1,508,163)

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 does not indicate what our 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 acquisition. The Company s consolidated statement of operations for the three months ended June 30, 2015 includes net revenue and net loss of $783,016 and $(346,295), respectively, attributable to the 2015 acquisitions. The Company s consolidated statement of operations for the six months ended June 30, 2015

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 2: Acquisitions (continued)

includes net revenue and net loss of $1,170,319 and $(354,734), respectively, attributable to the acquisitions. As the 2014 acquisition occurred on the last day of the period, there were no net revenues or income attributable to the acquisitions.

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. The outstanding balance of the note as of June 30, 2015 and December 31, 2014 was $45,711 and $59,269, respectively.

Note 4: Property and Equipment

Property and equipment consists of the following:

	June 30, 2015	December 31, 2014
Office and computer equipment	$406,272	$209,575
Leasehold improvements	1,998,814	665,961
Software developed	648,871	564,560
	3,053,957	1,440,096
Accumulated depreciation	(581,128)	(305,644)
	2,472,829	1,134,452
Assets in progress	218,213	
	$2,691,042	$1,134,452

Depreciation expense was $189,555 and $275,484 for the three and six months ended June 30, 2015, respectively. Depreciation expense was $48,819 and $88,885 for the three and six months ended June 30, 2014, respectively.

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

Note 5: Intangible Assets

During the six months ended June 30, 2015, in a series of unrelated transactions, the Company completed its reacquisition and termination of regional developer rights in Los Angeles County, California, San Diego, California, New Jersey, and Orange County, California in exchange for cash consideration of $1,452,500, of which $507,500 was recorded as a cash advance at December 31, 2014. At the time of the transaction, the Company carried a deferred revenue balance of $688,750, 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 a cancellation, 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 six months ended June 30, 2015, the revenue recognized as excess deferred regional developer fees totaled $159,500. The remaining $923,250 was accounted for as consideration paid for the reacquired development rights. As the deferred

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 5: Intangible Assets (continued)

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 which remain subject to adjustment upon receipt of final valuation information, consisted of the following:

	As of June 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:			
Reacquired franchise rights	$ 890,900	$ 33,383	$ 857,517
Customer relationships	332,600	46,829	285,771
Reacquired development rights	923,250	45,402	877,848
Unamortized intangible assets:	$ 2,146,750	$ 125,614	$ 2,021,136
Goodwill			2,747,668
Total intangible assets			$ 4,768,804

Amortization expense was $88,947 and $125,614 for the three and six months ended June 30, 2015, respectively. There was no amortization expense for the three and six months ended June 30, 2014.

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

2015	$ 212,733
2016	425,464
2017	295,485
2018	259,164
2019	259,164
Thereafter	569,126
Total	$ 2,021,136

Note 6: Notes Payable

On February 17, 2015, the Company delivered a $155,000 note payable as a portion of the consideration paid in connection with the acquisition of two existing franchises and a license to develop one additional franchise from Roth & Pelan Enterprises, LLC. This note bears interest at 1.5% per annum with a principal payment of $25,000 plus interest due on June 17, 2015, and the remaining principal and interest due February 17, 2017. While this is a below market interest rate loan, the Company did not impute interest as the effects are immaterial.

On March 3, 2015, the Company delivered a $60,000 note payable as a portion of the consideration paid in connection with the acquisition of four existing franchises and a license to develop one additional franchise from TJSC, LLC. This note bears interest at 4.5% per annum with a principal payment of $30,000 plus interest due on July 30, 2015, and the remaining principal plus interest due on January 30, 2016.

On March 6, 2015, the Company delivered a $30,000 note payable as a portion of the consideration paid in connection with the acquisition of two existing franchises and licenses to develop seven additional franchises from The Joint San Gabriel Valley Inc. This note bears interest at 1.5% per annum with principal and interest due on November 19, 2015. While this is a below market interest rate loan, the Company did not impute interest as the effects are immaterial.

On March 23, 2015, the Company delivered a $10,000 note payable as a portion of the consideration paid in connection with the acquisition of an existing franchise from The Joint Arrowhead Ranch LLC. This

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 6: Notes Payable (continued)

note bears interest at 1.5% per annum with principal and interest due September 20, 2016. If the seller has fully performed its duties under the agreement, one half of the principal plus interest will be paid on July 20, 2015. While this is a below market interest rate loan, the Company did not impute interest as the effects are immaterial.

On April 1, 2015, the Company delivered a $58,500 note payable as a portion of the consideration paid in connection with the acquisition of an existing franchise from The Joint Chiropractic Bell Towne LLC. This note bears interest at 1.50% per annum with the principal and interest due September 30, 2015. If the seller has fully performed its duties under the agreement, $25,000 plus interest will be paid on July 30, 2015. While this is a below market interest rate loan, the Company did not impute interest as the effects are immaterial.

On May 1, 2015, the Company delivered a $80,900 note payable as a portion of the consideration paid in connection with the acquisition of two existing franchises and licenses to develop six additional franchises from San Diego Joint Development Inc. This note bears interest at 4.25% per annum with the principal and interest due April 30, 2016. If the seller has fully performed its duties under the agreement, $40,450 plus interest will be paid on November 1, 2015 and $40,450 plus interest will be paid on April 30, 2016.

On May 18, 2015, the Company delivered a $75,000 note payable as a portion of the consideration paid in connection with the acquisition of three existing franchises and licenses to develop two additional franchises from First Light Junction. This note bears interest at 4.0% per annum with the principal and interest due November 18, 2016. If the seller has fully performed its duties under the agreement, $25,000 plus interest will be paid on September 18, 2015, $25,000 plus interest will be paid on February 18, 2016 and $25,000 plus interest will be paid on November 18, 2016.

On June 3, 2015, the Company delivered a $100,000 note payable as a portion of the consideration paid in connection with the acquisition of two existing franchises and licenses to develop four additional franchises from WHB Franchise, Inc. This note bears interest at 5.25% per annum with the principal and interest due April 3, 2016. If the seller has fully performed its duties under the agreement, $25,000 plus interest will be paid on October 3, 2015, $25,000 plus interest will be paid on December 3, 2015 and $50,000 plus interest will be paid on April 3, 2016.

On June 5, 2015, the Company delivered a $75,000 note payable as a portion of the consideration paid in connection with the acquisition of three existing franchises and licenses to develop three additional franchises from Clear Path Ventures, Inc. This note bears interest at 4.25% per annum with the principal and interest due June 4, 2016. If the seller has fully performed its duties under the agreement, $25,000 plus interest will be paid on October 5, 2015, $12,500 plus interest will be paid on December 5, 2015 and $37,500 plus interest will be paid on June 4, 2016.

Maturities of the Company s notes payable are as follows as of June 30, 2015:

2015	$ 276,450
2016	212,950
2017	130,000
Total	$ 619,400

Note 7: Equity

Initial Public Offering

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 7: Equity (continued)

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.

Stock Options

In the six months ended June 30, 2015, the Company granted 61,500 stock options to employees and certain non-employee members of its board of directors with exercise prices ranging from $6.75 $8.32.

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 six months ended June 30, 2015 and 2014, using the following assumptions:

	Six Months Ended June 30,	
	2015	2014
Expected volatility	46% 47%	43% 46%
Expected dividends	None	None
Expected term (years)	5 6.25	5.5 7.5
Risk-free rate	1.32% to 1.74%	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, 2014	314,775	$ 2.04	$ 0.92	9.2
Granted at market price	61,500	8.16		
Exercised				
Cancelled				
Outstanding at June 30, 2015	376,275	$ 3.20	$ 1.46	8.9
Exercisable at June 30, 2015	90,377	$ 1.91	$ 0.86	8.7

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 7: Equity (continued)

The intrinsic value of the Company s stock options outstanding was $2,686,126 at June 30, 2015.

For the three and six months ended June 30, 2015, stock based compensation expense for stock options was $67,468, and $110,996, respectively. For the three and six months ended June 30, 2014, stock based compensation expense for stock options was $4,395, and $7,157, respectively. Unrecognized stock-based compensation expense for stock options as of June 30, 2015 was $300,716, which is expected to be recognized ratably over the next 2.9 years.

Restricted Stock

The information below summaries the restricted stock activity:

Restricted Stock Awards	Shares
Outstanding at December 31, 2014	662,375
Restricted stock awards granted	
Awards forfeited or exercised	
Outstanding at June 30, 2015	662,375

For the three and six months ended June 30, 2015, stock based compensation expense for restricted stock was $89,744, and $178,503, respectively. For the three and six months ended June 30, 2014, stock based compensation expense for restricted stock was $9,950, and $19,682, respectively. Unrecognized stock based compensation expense for restricted stock awards as of June 30, 2015 was $1,019,710 to be recognized ratably over the next 2.9 years.

Note 8: Income Taxes

During the three and six months ended June 30, 2015, the Company recorded no income tax provision due to a net operating loss and a valuation allowance against deferred tax assets.

Note 9: Related Party Transactions

The Company entered into consulting and legal agreements with certain common stockholders related to services performed for the operations of the Company. Amounts paid to or for the benefit of these stockholders was approximately $349,000 and $558,000 for the three and six months ended June 30, 2015, respectively. Amounts paid to or for the benefit of these stockholders was approximately $238,000 and $447,000 for the three and six months ended June 30, 2014, respectively.

Note 10: 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. Between December 31, 2014 and June 30, 2015, the Company assumed 19 additional leases for clinic locations. These leases vary in length from 18 to 88 months and have monthly payments ranging from $2,015 to $6,073.

Total rent expense for the three and six months ended June 30, 2015 was $236,137 and $354,617, respectively. Total rent expense for the three and six months ended June 30, 2014 was $33,860 and $67,081, respectively.

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THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 10: Commitments and Contingencies (continued)

Future minimum annual lease payments are as follows:

2015	$ 629,310
2016	1,242,706
2017	1,101,769
2018	580,604
2019	247,301
Thereafter	104,961
Total	$ 3,906,651

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 13 franchisees, 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, all of the franchise agreements in dispute 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. Additionally, some of the claimants may be unauthorized assignees of franchisees and, therefore, may not have standing to assert certain claims. 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 11: Subsequent Events

On July 1, 2015, the Company completed the repurchase of two franchises in Maricopa County, Arizona. The transaction involved the repurchase of one operating franchise and one undeveloped franchise. The Company intends to operate the operating franchise as a company-owned clinic. The total consideration this transaction was $265,000, $212,000 of which was funded from the proceeds of the Company s recent initial public offering, and $53,000 of which was funded with a promissory note.

On August 10, 2015, the Company repurchased three franchises in Erie County, New York (the Repurchase Transaction). In a related transaction, the Company terminated a regional developer agreement (the Termination Transaction). The Repurchase Transaction involved the repurchase of one operating franchise and two undeveloped franchises. The Company intends to manage the operating franchise. The Termination Transaction involved the repurchase of development rights in Erie County, Monroe County, Nassau County, Suffolk County, and Albany County, all located in the state of New York. The Company does not intend to resell these rights, but rather to terminate this regional developer license as a prelude to developing Company-managed clinics in this region. The total consideration for the Repurchase Transaction and the Termination Transaction was $350,000, $303,050 of which was funded from the proceeds of the Company s recent IPO, and $46,950 of which was funded with a promissory note.

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Financial Statements
and
Independent Auditors Report
December 31, 2014

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

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INDEPENDENT AUDITORS REPORT

To the Stockholder
The Joint San Gabriel Valley Group, Inc.
Whittier, California

We have audited the accompanying financial statements of The Joint San Gabriel Valley Group, Inc., which are comprised of the balance sheet as of December 31, 2014, and the related statements of operations, changes in stockholder s equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

MANAGEMENT S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Joint San Gabriel Valley Group, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF OTHER MATTERS

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1 and 2 to the financial statements, the Company sold substantially all of its assets subsequent to year end, has suffered recurring losses from operations, and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ EKS&H LLLP

May 15, 2015
Denver, Colorado

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Balance Sheet
December 31, 2014

Assets	
Current assets	
Cash	$40,586
Accounts receivable	1,035
Prepaid expenses	12,625
Total current assets	54,246
Non-current assets	
Property and equipment, net	260,094
Franchise fees, net	200,583
Deposits	8,688
Total non-current assets	469,365
Total assets	$523,611
Liabilities and Stockholder s Equity (Deficit)	
Current liabilities	
Accounts payable and accrued expenses	$89,754
Advances from stockholder	650,000
Deferred rent, current portion	10,403
Total current liabilities	750,157
Non-current liabilities	
Deferred rent, less current portion	39,564
Total liabilities	789,721
Commitments and contingencies	
Stockholder s equity (deficit)	
Common stock, no par value, 1,000,000 shares authorized, 460,000 shares issued and outstanding	460,000
Accumulated deficit	(726,110)
Total stockholder s equity (deficit)	(266,110)
Total liabilities and stockholder s equity (deficit)	$523,611

See notes to financial statements.

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Statement of Operations
For the Year Ended December 31, 2014

Revenues	
Management fees	$ 55,030
Expenses	
General and administrative	445,643
Selling and marketing	25,305
Depreciation and amortization	83,799
Total expenses	554,747
Net loss	$ (499,717)

See notes to financial statements.

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Statement of Changes in Stockholder s Equity (Deficit) For the Year Ended December 31, 2014

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Total Stockholder s Equity (Deficit)
Balance December 31, 2013	460,000	$ 460,000	$ (226,393)	$ 233,607
Net loss			(499,717)	(499,717)
Balance December 31, 2014	460,000	$ 460,000	$ (726,110)	$ (266,110)

See notes to financial statements.

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Statement of Cash Flows
For the Year Ended December 31, 2014

Cash flows from operating activities	
Net loss	$ (499,717)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	83,799
Changes in operating assets and liabilities	
Accounts receivable	(493)
Prepaid expenses	(11,706)
Accounts payable and accrued expenses	92,701
Deferred rent	36,816
Deposits	(2,607)
	198,510
Net cash used in operating activities	(301,207)
Cash flows from investing activities	
Purchase of property and equipment	(221,466)
Net cash used in investing activities	(221,466)
Cash flows from financing activities	
Advances from stockholder	500,000
Net cash provided by financing activities	500,000
Net decrease in cash	(22,673)
Cash beginning of year	63,259
Cash end of year	$ 40,586

See notes to financial statements.

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Notes to Financial Statements

Note 1 Description of Business and Summary of Significant Accounting Policies

The Joint San Gabriel Valley Group, Inc. (the Company) was formed in February 2012 for the purpose of owning and operating franchises for The Joint Corp. (The Joint), a franchisor that specializes in providing affordable, convenient, and accessible chiropractic care through licensed chiropractic professionals.

In 2012, the Company purchased the franchise rights to own and operate ten franchises in California. In the state of California, a chiropractor must be part of a professional services corporation (PC) in order to provide chiropractic services. The Company has entered into three management agreements with PCs to manage the respective PCs. The remaining seven units are not developed or in operation.

On March 6, 2015, the Company entered into an agreement with The Joint in which it sold substantially all of the assets of two developed franchises and terminated its franchise rights under nine of the Company s ten franchise agreements for $300,000. The Company retained its right to own and operate one operating franchise.

Cash

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 the credit quality of, the financial institutions with which it invests. The Company had no cash equivalents as of December 31, 2014.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from three to seven years, and the shorter of the estimated useful life or related lease terms for leasehold improvements.

Franchise Fees

For each franchise purchased by the Company, a fee of $29,000 is paid to The Joint. The fees are amortized over a period of 10 years, which is the term of the franchise agreement.

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 the 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 year ended December 31, 2014.

Revenue Recognition

The Company derives its revenue in the form of fees from the performance of management, organizational, and administrative services. Based on agreements with the PCs, the Company earns a monthly fee from each PC. Each of the PCs are in the initial stage of business development and have not generated enough revenue to cover the monthly fees outlined in the agreement. Since the collectibility of the full management fee is uncertain, revenue has only been recognized to the extent of fees expected to be collected from the PC.

Royalties and Advertising Fees

Pursuant to the franchise agreements, the Company is required to pay royalties and advertising fees based on a percentage of sales, including 6% for royalties and 1% for advertising fees.

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Notes to Financial Statements

Note 1 Description of Business and Summary of Significant Accounting Policies (continued)

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2014 was $24,768.

Income Taxes

The Company has elected to be treated as an S corporation for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the stockholder, and no provision for federal income taxes has been recorded on the accompanying financial statements.

The Company applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the Company s stockholder rather than on the Company. Accordingly, there would be no effect on the Company s financial statements.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated all subsequent events through the auditors report date, which is the date the financial statements were available for issuance. Except as disclosed in Note 1, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

Deferred Rent Obligation

The Company has entered into operating lease agreements for its corporate office and warehouses, some of which contain provisions for future rent increases or periods in which rent payments are reduced. The Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is reflected as a separate line item in the accompanying balance sheet.

Note 2 Going Concern

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business.

As shown in the accompanying financial statements, the Company has incurred recurring losses from operations, and as of December 31, 2014, the Company s total liabilities exceeded its total assets by approximately $260,000. These factors raise substantial doubt about the Company s ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Notes to Financial Statements

Note 3 Balance Sheet Disclosures

Property and equipment are summarized as follows at December 31, 2014:

Leasehold improvements	$ 254,104
Furniture and fixtures	59,536
Office equipment	25,580
	339,220
Less accumulated depreciation and amortization	(79,126)
	$ 260,094

Depreciation expense for the year ended December 31, 2014 was $54,799.

Franchise fees consist of the following at December 31, 2014:

Franchisee	$ 290,000
Less accumulated amortization	(89,417)
	$ 200,583

Amortization expense for the year ended December 31, 2014 was $29,000. Future amortization expense is as follows:

Year Ending December 31,	
2015	$ 29,000
2016	29,000
2017	29,000
2018	29,000
2019	29,000
Thereafter	55,583
	$ 200,583

Note 4 Advances from Stockholder

The Company has outstanding amounts due to its stockholder. The advances are non-interest bearing and are due on demand.

Note 5 Commitments and Contingencies

Operating Leases

The Company leases facilities under non-cancelable operating leases. Rent expense for the year ended December 31, 2014 was $108,912.

Future minimum lease payments under these leases are approximately as follows:

Year Ending December 31,	
2015	$ 101,000
2016	103,000
2017	105,000
2018	75,000
2019	28,000
	$ 412,000

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THE JOINT SAN GABRIEL VALLEY GROUP, INC.

Notes to Financial Statements

Note 5 Commitments and Contingencies (continued)

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 believes that resolution of such litigation will not have a material adverse effect on the Company.

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FIRST LIGHT JUNCTION, INC.

Financial Statements
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Independent Auditors Report
December 31, 2014
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Unaudited Financial Statements
As of March 31, 2015 and for the Three Months Ended
March 31, 2015 and 2014

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FIRST LIGHT JUNCTION, INC.

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INDEPENDENT AUDITORS REPORT

To the Stockholder
First Light Junction, Inc.
San Clemente, California

We have audited the accompanying financial statements of First Light Junction, Inc., which are comprised of the balance sheet as of December 31, 2014, and the related statements of operations and accumulated deficit and cash flows for the year then ended, and the related notes to the financial statements.

MANAGEMENT S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Light Junction, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF OTHER MATTERS

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1 and 2 to the financial statements, the Company sold substantially all of its assets subsequent to year-end, has suffered recurring losses from operations, and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ EKS&H LLLP

August 3, 2015
Denver, Colorado

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FIRST LIGHT JUNCTION, INC.

Balance Sheets

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets		
Cash	$ 19,288	$ 33,848
Prepaid expenses	12,964	12,964
Total current assets	32,252	46,812
Non-current assets		
Property and equipment, net	250,513	268,395
Franchise fees, net	88,649	91,312
Deposits	22,799	22,799
Total non-current assets	361,961	382,506
Total assets	$ 394,213	$ 429,318
Liabilities and Stockholder s Deficit		
Current liabilities		
Accounts payable and accrued expenses	$ 4,400	$ 8,415
Current portion of long-term debt	4,018	3,989
Deferred rent, current portion	27,521	26,156
Advances from related parties	270,204	270,204
Advances from stockholder	820,213	790,213
Total current liabilities	1,126,356	1,098,977
Non-current liabilities		
Long term debt, less current portion	11,669	12,686
Deferred rent, net of current portion	76,438	84,227
Total liabilities	1,214,463	1,195,890
Commitments and contingencies		
Stockholder s deficit		
Common stock, no par value; 1,000,000 shares authorized		
Accumulated deficit	(820,250)	(766,572)
Total stockholder s deficit	(820,250)	(766,572)
Total liabilities and stockholder s deficit	$ 394,213	$ 429,318

See notes to financial statements.

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FIRST LIGHT JUNCTION, INC.

Statements of Operations and Accumulated Deficit

	For the Three Months Ended March 31,		For the Year Ended
	2015	2014	December 31, 2014
	(Unaudited)	(Unaudited)	
Revenues			
Management fees	$ 94,340	$ 68,017	$ 307,274
Expenses			
General and administrative	104,102	98,422	513,817
Selling and marketing	23,371	14,694	77,299
Depreciation and amortization	20,545	13,936	71,704
Total expenses	148,018	127,052	662,820
Net loss	(53,678)	(59,035)	(355,546)
Beginning accumulated deficit	(766,572)	(411,026)	(411,026)
Ending accumulated deficit	$ (820,250)	$ (470,061)	$ (766,572)

See notes to financial statements.

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FIRST LIGHT JUNCTION, INC.

Statements of Cash Flows

	For the Three Months Ended March 31, 2015 (Unaudited)	For the Three Months Ended March 31, 2014 (Unaudited)	For the Year Ended December 31, 2014
Cash flows from operating activities			
Net loss	$(53,678)	$(59,035)	$(355,546)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	20,545	13,936	71,704
Changes in operating assets and liabilities			
Prepaid expenses		(148)	(148)
Deposits		(8,015)	(8,015)
Accounts payable and accrued expenses	(4,015)	(13,754)	(9,498)
Deferred rent	(6,424)	38,129	65,938
Net cash used in operating activities	(43,572)	(28,887)	(235,565)
Cash flows from investing activities			
Purchase of property and equipment		(15,240)	(143,211)
Net cash used in investing activities		(15,240)	(143,211)
Cash flows from financing activities			
Payments on long-term debt	(988)	(959)	(3,875)
Advances from (payments to) related parties, net		(3,221)	59,353
Advances from stockholder	30,000	66,662	330,662
Net cash provided by financing activities	29,012	62,482	386,140
Net (decrease) increase in cash	(14,560)	18,355	7,364
Cash beginning of period	33,848	26,484	26,484
Cash end of period	$19,288	$44,839	$33,848

See notes to financial statements.

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FIRST LIGHT JUNCTION, INC.

Notes to Financial Statements (Information Related to the Three Months Ended March 31, 2015 and 2014 is Unaudited)

Note 1 Description of Business and Summary of Significant Accounting Policies

First Light Junction, Inc. (the Company) was formed in December 2011 for the purpose of owning and operating franchises for The Joint Corp. (The Joint), a franchisor that specializes in providing affordable, convenient, and accessible chiropractic care through licensed chiropractic professionals.

During 2012 and 2013, the Company purchased the franchise rights to own and operate five franchises in California. In the state of California, only licensed chiropractors or professional corporations (PCs) that are owned by licensed chiropractors may provide chiropractic services. The Company has entered into management agreements with a PC to provide non-clinical management services to three clinics. The remaining two franchises are not developed or in operation.

On May 18, 2015, the Company entered into an agreement with The Joint in which it sold substantially all of the assets of the three developed franchises and terminated its franchise rights under all five of the franchise agreements for $751,375.

Cash

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 the credit quality of, the financial institutions with which it invests. The Company had no cash equivalents as of March 31, 2015 and December 31, 2014.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from three to ten years, and the shorter of the estimated useful life or related lease terms for leasehold improvements.

Franchise Fees

For each franchise purchased by the Company, a fee of $29,000 was paid to The Joint. The fees are amortized over a period of 10 years, which was the term of the franchise agreement.

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 the 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 during the three months ended March 31, 2015 and 2014 and the year ended December 31, 2014.

Deferred Rent Obligation

The Company has entered into operating lease agreements for its clinic locations, some of which contain provisions for future rent increases or periods in which rent payments are reduced. The Company records monthly rent expense equal to the total of the payments due over the lease term divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is reflected as a separate line item in the accompanying balance sheet. The Company records tenant improvement allowances as deferred rent obligation and amortizes the allowance over the term of the lease.

Revenue Recognition

The Company derives its revenue in the form of fees from the performance of management, organizational, and administrative services. Based on agreements with the PC, the Company earns a monthly fee. The PC is in the initial stage of business development and has not generated enough revenue to cover the monthly fees outlined in the agreement. Since the collectibility of the full management fee is uncertain, revenue has only been recognized to the extent of fees expected to be collected from the PC.

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FIRST LIGHT JUNCTION, INC.

Notes to Financial Statements (Information Related to the Three Months Ended March 31, 2015 and 2014 is Unaudited)

Note 1 Description of Business and Summary of Significant Accounting Policies (continued)

Royalties and Advertising Fees

Pursuant to the franchise agreements, the Company is required to pay royalties and advertising fees based on a percentage of sales, including 7% for royalties and 1% for advertising fees. The advertising fee was increased to 2% of sales beginning January 1, 2015.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the three months ended March 31, 2015 and 2014 and the year ended December 31, 2014 was $7,778, $5,132, and $31,961, respectively.

Income Taxes

The Company has elected to be treated as