

JOINT Corp
Form S-1/A
November 17, 2015

As filed with the Securities and Exchange Commission on November 17, 2015.

Registration No. 333-207632

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Amendment No. 2
to
FORM S-1
*REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933***

The Joint Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6794
(Primary Standard Industrial
Classification Code Number)

90-0544160
(I.R.S. Employer
Identification Number)

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

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

John B. Richards
Chief Executive Officer
16767 N. Perimeter Drive, Suite 240
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(480) 245-5960

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

John B. Richards Chief Executive Officer 16767 N. Perimeter Drive, Suite 240 Scottsdale, AZ 85260 (480) 245-5960

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

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Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price ⁽¹⁾	Amount of Registration Fee ⁽²⁾
Common Stock, \$0.001 par value per share	\$ 13,803,680	\$ 1,390.03

Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933. Includes offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any. Pursuant to Rule 416 under the Securities Act of 1933, as amended, the shares of common stock registered hereby also include an indeterminate number of additional shares of common stock as may from time to time become issuable by reason of stock splits, stock dividends, recapitalizations or other similar transactions.

(1) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price of the securities registered hereunder to be sold by the registrant. This fee was previously paid.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall hereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

Subject to Completion

Preliminary Prospectus dated November 17, 2015

1,760,000 Shares

Common Stock

This is a public offering of shares of our common stock. We are offering 1,760,000 shares of our common stock.

Our common stock is listed on The NASDAQ Capital Market under the symbol `JYNT`. On November 13, 2015, the last reported sale price of our common stock was \$6.82 per share.

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 and, as such, we have elected to take advantage of certain reduced public company reporting requirements permitted thereby.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 18 of this prospectus, for a discussion of information that should be considered in connection with an investment in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions ⁽¹⁾	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) The underwriters will receive compensation in addition to the underwriting discounts and commissions. See Underwriting beginning on page 100.

We have granted a 45-day option to the underwriters to purchase up to an additional 264,000 shares from us at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any.

Delivery of the shares is expected on or about _____, 2015.

Joint Book-Running Managers

Feltl and Company **Maxim Group LLC**

The date of this prospectus is , 2015.

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Neither we, nor the underwriters have authorized anyone to provide you with information that is different from that contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. When you make a decision about whether to invest in our common stock, you should not rely upon any information other than the information in this prospectus or in any free writing prospectus that we may authorize to be delivered or made available to you. Neither the delivery of this prospectus nor the sale of our common stock means that the information contained in this prospectus or any free writing prospectus is correct after the date of this prospectus or such free writing prospectus. This prospectus is not an offer to sell or the solicitation of an offer to buy the shares of common stock in any circumstances under which the offer or solicitation is unlawful.

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MARKET AND INDUSTRY DATA

This prospectus contains industry and market data, forecasts and projections that are based on internal data and estimates, independent industry publications, reports by market research firms or other published independent sources. In particular, we have obtained information regarding the chiropractic industry, including sales and revenue growth in the chiropractic industry, from First Research, a national consulting market research firm and Chiropractic Economics, a print and online chiropractic industry news and research source. Other industry and market data included elsewhere in this prospectus are from internal analyses based upon data available from known sources or other proprietary research and analysis.

We believe these data to be reliable as of the date of this prospectus. Our internal data and estimates are based upon information obtained from trade and business organizations, other contacts in the markets in which we operate and our management's understanding of industry conditions. Though we believe this information to be true and accurate, such information has not been verified by any independent sources. You should carefully consider the inherent risks and uncertainties associated with the market and other industry data contained in this prospectus.

PRESENTATION OF CERTAIN FINANCIAL MEASURES

Certain financial measures presented in this prospectus, such as Adjusted EBITDA, are not recognized under accounting principles generally accepted in the United States, which we refer to as GAAP. Adjusted EBITDA has been presented in this prospectus as a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation and amortization, further adjusted to eliminate the impact of certain additional items, including stock compensation expense acquisition related expenses and bargain purchase gain. Adjusted EBITDA is included in this prospectus because it is a key metric used by management to assess our financial performance. We use Adjusted EBITDA to supplement GAAP measures of performance in order to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures. Adjusted EBITDA is also frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

Adjusted EBITDA is a non-GAAP measure of our financial performance and should not be considered as an alternative to net income (loss) as a measure of financial performance, or any other performance measure derived in accordance with GAAP, nor should it be construed as an inference that our future results will be unaffected by unusual or other items. In evaluating Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the adjustments in this presentation, such as stock compensation expense and other adjustments. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not reflect certain cash requirements such as capital expenditures, clinic openings and certain other cash costs that may recur in the future. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. Management compensates for these limitations by supplementally relying on our GAAP results in addition to using Adjusted EBITDA. Our presentation of Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to different methods of calculation.

ABOUT THIS PROSPECTUS

We and the underwriters (and any of our or their affiliates) have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses filed with the Securities and Exchange Commission, or the SEC. We and the underwriters (and any of our or their affiliates) take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so.

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Throughout this prospectus we provide a number of key operating metrics used by management and that we believe are used by our competitors. These key operating metrics are discussed in more detail under the heading Management's Discussion and Analysis of Financial Condition and Results of Operations Overview included elsewhere in this prospectus. We also reference certain non-GAAP financial measures. See Summary Summary Financial Data, Selected Historical Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations Overview in this prospectus for a discussion of these measures, as well as a reconciliation of these measures to the most directly comparable financial measures required by, or presented in accordance with GAAP.

We are an emerging growth company as defined in Section 2(a)(19) of the Securities Act of 1933 and Section 3(a)(80) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Pursuant to Section 102 of the Jumpstart Our Business Startups Act, or the JOBS Act, we have provided reduced executive compensation disclosure and have omitted a compensation discussion and analysis from this prospectus. We previously opted out of the extended transition period with respect to new or revised accounting standards and, as a result, we comply with any such new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards was irrevocable.

Certain monetary amounts, percentages and other figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

This prospectus includes:

audited consolidated balance sheets of The Joint Corp. as of December 31, 2014 and 2013 and audited consolidated statements of operations, stockholders' equity (deficit) and cash flows of The Joint Corp. for the years ended December 31, 2014 and 2013;

unaudited condensed consolidated balance sheet of The Joint Corp. as of September 30, 2015 and unaudited condensed consolidated statements of operations and cash flows of The Joint Corp. for the nine month periods ended September 30, 2015 and September 30, 2014;

in accordance with Rule 8-04 of Regulation S-X, The Joint San Gabriel Valley Group, Inc.'s audited balance sheet as of December 31, 2014, and audited statements of operations, statement of changes in stockholder's equity (deficit) and cash flows for the year ended December 31, 2014;

in accordance with Rule 8-04 of Regulation S-X, First Light Junction, Inc.'s audited balance sheets as of December 31, 2014, audited statements of operations and accumulated deficit and cash flows for the year ended December 31, 2014, unaudited balance sheet as of March 31, 2015 and unaudited statements of operations and accumulated deficit and cash flows for the three months ended March 31, 2015 and 2014;

in accordance with Rule 8-04 of Regulation S-X, WHB Franchise, Inc.'s audited balance sheet as of December 31, 2014, audited statements of operations and accumulated deficit and cash flows for the year ended December 31, 2014, unaudited balance sheet as of March 31, 2015 and unaudited statements of operations and accumulated deficit and cash flows for the three months ended March 31, 2015 and 2014; and

in accordance with Rule 8-04 of Regulation S-X, Clear Path Ventures, Inc.'s audited balance sheet as of December 31, 2014, audited statements of operations and accumulated deficit and cash flows for the year ended December 31, 2014, unaudited balance sheet as of March 31, 2015 and unaudited statements of operations and accumulated deficit and cash flows for the three months ended March 31, 2015 and 2014.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

This prospectus contains unaudited pro forma financial information prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma financial information gives pro forma effect to:

Our acquisitions of The Joint RRC Corp., The Joint San Gabriel Valley Group, Inc., First Light Junction, Inc., WHB Franchise, Inc. and Clear Path Ventures, Inc. (collectively the Acquisitions or the Acquired Entities); and The issuance of shares of common stock in this offering and the application of the estimated net proceeds from the sale of such shares to pay fees and expenses related to this offering and for general corporate purposes, as described in Use of Proceeds.

See Capitalization and Unaudited Pro Forma Condensed Consolidated Financial Information.

TRADEMARKS, TRADE NAMES, AND SERVICE MARKS

The Joint the Chiropractic Place is our trademark, registered in February of 2011, under the registration number 3922558. We also registered the words, letters, and stylized form of service mark, The Joint the Chiropractic Place in April of 2013 under registration number 4323810. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

OTHER IMPORTANT INTRODUCTORY INFORMATION

Unless otherwise indicated by the context, references to the company, our, we, us and similar terms refer to The Joint Corp.

In this prospectus we use various industry-specific terms. A brief explanation of some of those terms follows. An adjustment is the specific manual manipulation of vertebrae and extremities which have become misaligned or which evidence abnormal movement patterns or fail to function properly. Chiropractic is a non-invasive approach to health restoration, maintenance and disease resistance. As a natural health-care method, chiropractic does not utilize drugs or surgical procedures. Maintenance therapy is defined as a treatment plan that seeks to prevent disease, promote health, and prolong and enhance the quality of life, or therapy that is performed to maintain or prevent deterioration of a chronic condition that is reflected in a misalignment. Subluxations are misalignments of the spine that chiropractic adjustments seek to correct.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should read and carefully consider this entire prospectus before making an investment decision, especially the information presented under the headings Risk Factors, Cautionary Note Regarding Forward-Looking Statements, Important Introductory Information and our financial statements and the notes relating to the financial statements included elsewhere in this prospectus. We present Adjusted EBITDA as a supplemental measure to help us describe our operating performance.

Adjusted EBITDA is a non-GAAP financial measure and should not be construed as an alternative to net (loss) income (as determined in accordance with generally accepted accounting principles in the United States, or GAAP) or as a better indicator of operating performance. Other companies in our industry may calculate Adjusted EBITDA differently than we do. Please refer to note (1) to Summary Financial Data for a reconciliation of our net (loss) income to Adjusted EBITDA and a more thorough discussion of our use of Adjusted EBITDA in this prospectus.

Our Company

We are a rapidly growing franchisor and operator of chiropractic clinics that uses a private pay, non-insurance, cash-based model. We seek to be the leading provider of chiropractic care in the markets we serve and to become the most recognized brand in our industry through the rapid and focused expansion of chiropractic clinics in key markets throughout North America. Our mission is to improve the quality of life through routine chiropractic care. We strive to accomplish this by making quality care readily available and affordable. We believe we have created a growing network of modern, consumer-friendly chiropractic clinics operated by franchisees and by us that employ only licensed chiropractors. We have priced our services below most competitors pricing for similar services and at or below most insurance co-payment levels (i.e., at or below the patient co-payment required for an insurance-covered service).

Since acquiring the predecessor to our company in March 2010, we have grown our enterprise from eight clinics to 277 clinics in operation as of September 30, 2015. In the year ended December 31, 2014, our franchised clinics registered 2,168,124 patient visits and generated revenues of \$46,231,887. During the nine months ended September 30, 2015, our franchised clinics along with our company-owned or managed clinics registered 2,325,204 patient visits and generated revenues of \$50,256,947. We collect a royalty of 7.0% of revenues from directly franchised clinics. We remit a 3.0% royalty to our regional developers on the gross revenues of franchises opened under regional developer licenses. We also collect a national marketing fee of 2.0% of gross revenues of all franchised clinics. We receive a franchise sales fee of \$39,900 for franchises we sell directly and a franchise fee ranging from \$19,950 to \$25,400 for franchises sold through our network of regional developers.

As of September 30, 2015, 248 of our clinics were operated by franchisees and 29 clinics were operated as company-owned or managed units. Our future growth strategy will increasingly focus on operating clinics owned or managed by us, while continuing to strategically grow through the sale of additional franchises. We began to implement our growth strategy on December 31, 2014, when we reacquired six franchises from a franchisee.

On November 14, 2014, we completed our initial public offering, or the IPO, of 3,000,000 shares of common stock at an initial price to the public of \$6.50 per share, and we received aggregate net proceeds of approximately \$17,065,000.

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. Also, in conjunction with the IPO, we issued warrants to the underwriters for the purchase of 90,000

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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 nine months ended September 30, 2015 and for the years ended December 31, 2014 and 2013, we had net income (loss) of (\$5,416,317), (\$3,031,220) and \$155,635, respectively.

Over the past three calendar years, our franchisees have achieved sustained increases in average monthly revenues and patient visits per clinic, which we believe demonstrates our ability to continue to increase

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revenues and to grow our brand equity. Through the nine months ended September 30, 2015, we acquired 25 clinics from existing franchises. Prior to December 31, 2014, all clinics were owned or managed by franchisees.

For the comparable group of 14 clinics that opened in 2011, sales throughout our system increased from \$650,170 in 2011 to \$2,823,895 in 2012, \$4,223,254 in 2013 and \$5,785,090 in 2014, and patient visits increased from 34,056 in 2011 to 142,045 in 2012, 197,452 in 2013 and 255,933 in 2014.

Note: Patient visits include repeat visits and do not indicate total number of patients.

For the comparable group of 53 clinics that opened in 2012, sales throughout our system increased from \$2,140,814 in 2012 to \$9,591,917 in 2013 and \$14,424,269 in 2014, and patient visits increased from 116,752 in 2012 to 468,467 in 2013 and 644,606 in 2014.

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Note: Patient visits include repeat visits and do not indicate total number of patients.

For the comparable group of 96 clinics that opened in 2013 sales throughout our system increased from \$5,033,800 in 2013 to \$17,890,451 in 2014, and patient visits increased from 270,611 in 2013 to 858,213 in 2014.

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Note: Patient visits include repeat visits and do not indicate total number of patients.

As part of our branding strategy, we deliver convenient, appointment-free chiropractic adjustments in an inviting, consumer-oriented environment at prices that are approximately 67% lower than the average industry cost, according to 2014 industry data from Chiropractic Economics, for comparable procedures offered by traditional chiropractors. In support of our mission to offer affordable and convenient care and value for our patients, our clinics offer a variety of customizable membership and wellness treatment plans which offer additional value pricing even as compared with our single-visit pricing schedules. These flexible plans are designed to attract patients and encourage repeat visits and routine usage.

As of September 30, 2015, we had 277 franchised or company-owned or managed clinics in operation in 27 states. The map below shows the states in which we or our franchisees operate clinics and the number of clinics open in each state as of September 30, 2015.

Our locations have been selected to be visible, accessible and convenient. We offer a welcoming, consumer-friendly experience that attempts to redefine the chiropractic doctor/patient relationship. Our clinics are open longer hours than many of our competitors and our patients do not need appointments. We operate a cash business. We do not accept insurance and do not provide Medicare covered services. We believe that our approach, especially our commitment to affordable pricing and our ready service delivery model, will

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attract existing consumers of chiropractic services and will also appeal to the growing market of consumers who seek alternative or non-invasive wellness care, but have not yet tried chiropractic.

Our patients arrive at our clinics without appointments at times convenient to their schedules. Once a patient has joined our system and is returning for treatment, they simply swipe their membership card at a card reader at the reception desk to announce their arrival. Typically, within three to five minutes (the average throughout our system), the patient is escorted to our open adjustment area, where they are required to remove only their outerwear to receive their adjustment. The adjustment process, administered by a licensed chiropractor, takes approximately 15 – 20 minutes on average for a new patient and 5 – 7 minutes on average for a returning patient. Each patient's records are digitally updated for ready retrieval in our proprietary data storage system by our chiropractors in compliance with all applicable medical records security and privacy regulations.

Our consumer-focused service model targets the non-acute treatment market, which we believe to be the largest segment of the \$11 billion chiropractic services market. As our model does not focus on the treatment of severe, acute injury, we do not provide expensive and invasive diagnostic tools such as MRIs and X-rays but instead we refer those with acute symptoms to alternate healthcare providers, including traditional chiropractors.

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Our Industry

Chiropractic care is widely accepted among individuals with a variety of medical conditions, particularly back pain. A 2015 Gallup report commissioned by Palmer College of Chiropractic shows that 33.6 million U.S. adults (14% of the total population) now seek chiropractic care each year. This number represents a marked increase over the 2012 National Health Interview Survey that measured chiropractic use at 20.6 million U.S. adults, or 8% of the population. According to the American Chiropractic Association, 80% of Americans experience back pain at least once in their lifetime. According to Global Industry Analysts, chiropractic represents one of the most popular and cost effective alternative treatments for musculoskeletal disorders and is being used by more than 50% of American patients suffering from persistent back pain. The National Center for Complementary & Alternative Medicine of the National Institutes of Health has stated that spinal manipulation appears to benefit some people with low-back pain and also may be helpful for headaches, neck pain, upper- and lower-extremity joint conditions and whiplash-associated disorders. The Mayo Clinic has recognized chiropractic as safe when performed by trained and licensed chiropractors, and the Cleveland Clinic has stated that chiropractors are established members of the mainstream medical team.

The chiropractic industry in the United States is large, growing and highly fragmented. According to a report issued by First Research in August 2015, expenditures for chiropractic services in the U.S. were \$11.0 billion in 2014 and are expected to grow at approximately 4% annually between 2015 and 2019. The United States Bureau of Labor Statistics expects employment in chiropractic to grow faster than the average for all occupations. Some of the factors that the Bureau of Labor Statistics identified as driving this growth are healthcare cost pressures, an aging population requiring more health care and technological advances, all of which are expected to increasingly shift services from inpatient facilities and hospitals to outpatient settings. We believe that the demand for our chiropractic services will continue to grow as a result of several additional drivers, such as the increased awareness of the benefits of regular maintenance therapy coupled with an increasing awareness of the availability of our pricing at significant discount relative to the cost of traditional chiropractic adjustments and, in most cases, at or below the level of insurance co-payment amounts.

Today, most chiropractic services are provided by sole practitioners, generally in medical office settings. The chiropractic industry differs from the broader healthcare services industry in that it is more heavily consumer-driven, market-responsive and price sensitive, in large measure a result of many treatment options falling outside the bounds of traditional insurance reimbursable services and fee schedules. According to First Research, the top 50 companies delivering chiropractic services in the United States generated less than 10% of all industry revenue. We believe these characteristics are evidence of an underserved market with potential consumer demand that is favorable for an efficient, low-cost, consumer-oriented provider.

Most chiropractic practices are set up to accept and to process insurance-based reimbursement. While chiropractors typically accept cash payment in addition to insurance, Medicare and Medicaid, they continue to incur overhead expenses associated with maintaining the capability to process third-party reimbursement. We believe that most chiropractors who operate utilizing this third-party reimbursement model would find it economically difficult to discount the prices they charge for their services to levels comparable with our pricing.

Accordingly, we believe these and certain other trends favor our business model. Among these are:

individuals are increasingly practicing active lifestyles, people are living longer, and require more medical, maintenance and preventative support;

individuals are displaying an increasing openness to alternative, non-pharmacological types of care;

utilization of more conveniently situated, local-sited urgent-care or mini-care alternatives to primary care is increasing; and
popularity of health clubs, massage and other non-drug, non-invasive wellness maintenance providers is growing.

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Our Competitive Strengths

We believe the following competitive strengths have contributed to our initial success and will position us for future growth:

Price and convenience. We believe that our strongest competitive advantages are our price and convenience. We offer a much less expensive alternative to traditional providers of chiropractic services by focusing on non-acute care and by not participating in insurance or Medicare reimbursement. We can do this because our clinics are not burdened with the operating expenses required to perform certain diagnostic procedures and the administrative requirements and expense to process reimbursement claims. Our model allows us to pass these savings on to our patients. According to Chiropractic Economics in 2014, the average price for a chiropractic adjustment involving spinal manipulation in the United States is approximately \$67.00. By comparison, our average price is approximately \$22.00, or approximately 67% lower than the industry average price.

Our service offerings, pricing and growing number of conveniently sited locations encourage consumer trial, repeat visits and sustainable patient relationships. According to a 2013 survey conducted by Chiropractic Economics, the average for repeat patient visits generally in the chiropractic industry is two times per month. We believe our pricing and service offering structure helps us to generate a higher usage. The following table sets forth our average price per adjustment as of September 30, 2015, for patients who pay by single adjustment plans, multiple adjustment packages, and multiple adjustment membership plans. Our price per adjustment averages approximately \$22.00 across all three groups.

	The Joint Service Offerings			
	Single Visit	Package(s)	Membership(s)	
Price per adjustment	\$ 29	\$ 17	\$ 23	\$ 12 \$15

We have attracted between 540 and 1,003 new patients per year to each of our clinics between 2010 and 2014, as compared to the 2014 chiropractic industry average of 322 new patients per year for non-multidisciplinary or integrated practices, according to a 2014 Chiropractic Economics survey.

We offer our patients the opportunity to visit our clinics without an appointment and receive prompt attention. Additionally, we offer extended hours of operation, including weekends, which is not typical among our competitors.

Retail, consumer-driven approach. To support our consumer focused model, we utilize strong, recognizable brand and retail approaches to stimulate awareness and drive patients to our clinics. We intend to continue to drive awareness of our brand by locating clinics principally at retail centers and convenience points, prominent signage and by deploying consistent, proven and targeted marketing initiatives. We provide our patients with the flexibility to see a chiropractor when they want because we do not schedule appointments. Most of our clinics offer patient care six or seven days per week at locations people can get to easily and regularly.

By limiting administrative burdens associated with insurance processing, our model helps chiropractors focus on patient service. We believe the time our chiropractors save by not having to attend to administrative duties related to insurance reimbursement allows more time to:

see more patients,
establish and reinforce chiropractor/patient relationships, and

educate patients on the benefits of chiropractic maintenance therapy.

Our approach has made us an attractive alternative for chiropractic doctors who desire to spend more time treating patients than they typically do in traditional practices, which are burdened with greater overhead, personnel and administrative expense. We believe that our model will aid us in recruiting chiropractors who desire to focus their practice principally on patient care.

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Proven track record of opening franchised clinics and growing revenue at the clinic level. We have grown our franchised clinic revenue base every month since we acquired our predecessor in March 2010. Since January 2012, we have increased monthly sales from \$369,296 to \$5,554,713 in September 30, 2015. During this period we increased the number of franchise clinics in operation from 33 to 248.

Same store sales growth is a measure commonly used in the retail industry. It is important because it excludes sales growth from new locations, thus illustrating a retailer's growth from existing units. Our same store sales growth measures the annual sales increase for each clinic that has been open for at least one year. Same store sales growth for our clinics that opened in 2011 (which we refer to as age class 2011) was 99.1% in 2012, 49.6% in 2013 and 28.3% in 2014.

Strong and proven management team. Our strategic vision and results-oriented culture are directed by our senior management team led by Chief Executive Officer John B. Richards, who previously served as president of Starbucks North America when it expanded from 500 to 3,000 units. Mr. Richards was also Chief Executive Officer of Elizabeth Arden Red Door Salons. Our senior management team also includes David Orwasher, who is our Chief Development and Strategy Officer and who previously served as a vice president of Starbucks, working directly with Mr. Richards during the same significant growth period. John Leonesio, the founder of Massage Envy Spa, who grew that company from inception through the opening of over 300 franchises, serves as non-executive Chairman of our Board of Directors. Mr. Leonesio was our Chief Executive Officer from the commencement of our operations through the opening of 160 clinics across 22 states. Our senior management directs an additional team of dedicated leaders who are focused on executing our business plan and implementing our growth strategy. Messrs. Richards, Orwasher and Leonesio have had collective responsibility for building, opening or franchising a total of over 7,000 retail units. We believe that our management team's experience and demonstrated success in building, developing and rapidly scaling operating systems, both company and franchised, will be a key driver of our growth and will position us well for achieving our long-term strategy.

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Our Growth Strategy

Our goal is not only to capture a significant share of the existing market but also to expand the market for chiropractic care. We intend to accomplish this through the rapid and focused geographic expansion of our affordable service offering by the introduction of company-owned or managed clinics and the selected continuation of our franchising program. We propose to employ a variety of growth tactics including:

- the continued growth of corporate-owned or managed, and franchise clinic revenue and royalty income;
- the development of company-owned clinics in clustered geographies;
- the opportunistic acquisition of existing franchises;
- the sale of additional franchises;
- conversion of existing chiropractic practices to our model;
- acquiring regional developer licenses; and
- improving operational margins and leveraging infrastructure.

Our analysis of data from over 300,000 patients from 262 clinics across 27 states suggests that the United States market alone can support at least 1,650 of our clinics.

Continued growth of system revenue.

System wide comparable same-store sales, or Comp Sales, for the third quarter 2015 increased by 30% as compared to prior year period. Comp Sales include the sales from both company-owned or managed clinics and franchised clinics that have been open at least 13 full months and exclude any clinics that have closed. We have a history of increasing revenues from existing franchises. Our revenues from existing franchises have increased by an average of 20.5% for each of the past 16 calendar quarters through September 30, 2015. We believe that the experience we have gained in developing and refining management systems, operating standards, training materials and marketing and customer acquisition activities has contributed to our system's revenue growth. We believe that increasing awareness of our brand has contributed to revenue growth, particularly in markets where the number and density of our clinics has made cooperative and mass media advertising attractive. We believe that our ability to leverage aggregated and general media digital advertising and search tools will continue to grow as the number and density of our clinics increases.

Acquiring existing franchises.

We believe that we can accelerate the development of, and revenue generation from, company-owned or managed clinics through the further selective acquisition of existing franchised clinics. Our management has developed a template for the acquisition of existing franchised clinics, their conversion to company-owned or managed clinics and their integration into a company-owned or managed clinic system. Before completing our initial public offering, we began to develop a pipeline of franchisees whose franchises may be available for purchase. Following the completion of the IPO through September 30, 2015, we acquired 25 existing franchises and now operate them as company-owned or managed clinics. We may devote a significant portion of the proceeds from this offering to the purchase of additional franchised clinics.

Sales growth of acquired clinics.

Sales from company-owned or managed clinics increased from approximately \$517,000 in the quarter ended March 31, 2015, the first quarter since acquisition, to approximately \$1.7 million in the quarter ended September 30, 2015.

Total sales from the 25 company-owned or managed clinics was approximately \$3.4 million for the nine months ended September 30, 2015. Through September 30, 2015, sales from company-owned or managed clinics consisted of revenue earned from the 25 franchised clinic acquisitions we have completed.

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We will continue to focus on the sales growth of recently acquired company-owned or managed clinics. While our experience in operating company-owned or managed clinics is limited, we have demonstrated an ability to increase patient revenues. The chart below demonstrates the growth in sales of company-owned or managed clinics for three distinct operating periods: Those owned or managed for the nine months ended September 30, 2015, those owned or managed for the seven months ended September 30, 2015 and those owned or managed for the five months ended September 30, 2015. For each period, the average sales growth rate for franchised clinics during the same period is also presented. Sales growth for clinics owned or managed for the nine month period was 37% compared with an average of 27% for franchised clinics. Sales growth for clinics owned or managed for the seven month period and the five month period was 22% and 21%, respectively, compared with average franchised clinic revenue growth for the same periods of 23% and 7%, respectively.

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Development of company-owned or managed clinics.

We will continue to focus on the development of company-owned or managed clinics as the principal strategy in our growth plan, and we intend to use a significant portion of the proceeds from this offering to pursue this strategy. We plan to open or purchase company-owned clinics that meet our criteria for demographics, site attractiveness, proximity to other clinics and additional suitability factors.

We believe we can leverage the experience we have gained in supporting our clinic growth and our senior management's experience in rapidly and effectively growing other well-known high velocity specialty retail concepts to successfully develop and profitably operate company-owned clinics. Since commencing operations as a franchisor of chiropractic clinics, we have gained significant experience in identifying and implementing the business systems and practices that are required to profitably operate our clinics, validate our model and demonstrate proof of concept. We have developed simple, repeatable operating standards which, when applied in a disciplined approach, result in an attractive opportunity for success at the clinic level.

We believe that the direct control over company-owned or managed clinics will enable us to apply these operating standards even more effectively than in our franchised clinics. We intend to develop company-owned or managed clinics in geographic clusters where we are able to increase efficiencies through a consolidated real estate penetration strategy, leverage cooperative advertisement and marketing and attain general corporate and administrative operating efficiencies. Our senior management has done this before, and we believe that their experience in this area readily translates to our business model.

We also believe that the development timeline for company-owned or managed clinics can be shorter than the timeline for franchised clinics, which is generally between nine and 14 months. Our estimated development timelines for company-owned or managed clinics is approximately five months. While there may be material variances among franchisees in customer acquisition and compliance with operating standards, these variances can be reduced at company-owned or managed clinics. In addition, we believe that our revenue from company-owned or managed clinics will exceed revenue that would be generated through royalty income from a franchise-only system.

We believe that by applying our operating standards to company-owned or managed clinics will enable us to more effectively apply these business systems and practices than in our franchised clinics and to collect more revenue per clinic than would otherwise be available to us solely through the collection of royalty fees, franchise sales fees, and regional developer fees. We intend to develop company-owned or managed clinics in geographic clusters where we are able to increase efficiencies through a consolidated real estate penetration strategy, leverage aggregated advertisement and marketing, and attain general corporate and administrative operating efficiencies. We believe that our management's experience in this area readily translates to our business model.

We believe that the application of a centralized process, driven by development, management, human resources and recruiting professionals, will enable us to develop and operate company-owned or managed clinics with greater consistency than if we relied solely on growth through franchising.

Opening clinics in development.

In addition to our 277 operating clinics, we have granted franchises either directly or through our regional developers for an additional 180 clinics that we believe to be developable as of September 30, 2015. We will continue to support our franchisees and regional developers to open these clinics and to achieve sustainable performance as soon as possible.

Selling additional franchises.

We intend to continue to sell franchises. We believe that, to secure leadership in our industry and to maximize our opportunities and presence in identified markets, it is important to gain brand equity and consumer awareness as rapidly as possible, consistent with a disciplined approach to opening clinics. We believe that continued sales of franchises in selected markets complements our plan to open company-owned or managed clinics, particularly in specialized or unique operating environments, and that a growth strategy that includes both franchised and company-owned or managed clinics has advantages over either approach by itself.

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Reacquiring regional developer licenses.

We intend to selectively pursue the reacquisition of regional developer licenses. Following the completion of our IPO, we entered into several agreements to repurchase regional developer licenses, reacquiring rights in Los Angeles County, San Diego, and Orange County, all located in the state of California, Erie County, Monroe County, Nassau County, Suffolk County, and Albany County, all located in the state of New York, and the developer license in New Jersey. We did not previously sell regional developer rights to the five boroughs of New York City. We believe that by repurchasing regional developer licenses, we can increase our profitability through capturing the regional developers' royalty streams from franchises within their regions. In addition, to the extent that we acquire a given regional developer license, we will have fewer limitations on, and less cost associated with, opening or acquiring clinics within that region.

Continue to improve margins and leverage infrastructure.

We believe our corporate infrastructure is positioned to support a clinic base greater than our existing footprint. As we continue to grow, we expect to drive greater efficiencies across our operations and development and marketing organizations and further leverage our technology and existing support infrastructure. We believe we will be able to control corporate costs over time to enhance margins as general and administrative expenses grow at a slower rate than our clinic base and revenues. We believe we can eventually introduce better and more visible professional marketing and patient acquisition practices that will promote brand recognition and drive revenue increases at a faster pace than marketing costs will increase. At the clinic level, we expect to drive margins and labor efficiencies through continued revenue growth and consistently applied operating standards as our clinic base matures and the average number of patient visits increases. In addition, we will consider introducing selected and complementary branded products such as nutraceuticals or dietary supplements and related additional services.

Risks Associated with Our Business

An investment in our common stock involves a high degree of risk. Any of the factors set forth under Risk Factors may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under Risk Factors in deciding whether to invest in our common stock. Below is a summary of some of the principal risks we face:

we may not be able to successfully implement our growth strategy if we or our franchisees are unable to locate and secure appropriate sites for clinic locations, obtain favorable lease terms, and attract patients to our clinics; we have limited experience operating company-owned or managed clinics, and we may not be able to duplicate the success of some of our franchisees;

we may not be able to acquire operating clinics from existing franchisees or develop company-owned or managed clinics on attractive terms;

any acquisitions that we make could disrupt our business and harm our financial condition;

we may not be able to continue to sell franchises to qualified franchisees;

we may not be able to identify, recruit and train enough qualified chiropractors to staff our clinics; new clinics may not be profitable, and we may not be able to maintain or improve revenues and franchise fees from existing franchised clinics;

the chiropractic industry is highly competitive, with many well-established competitors;

recent administrative actions and rulings regarding the corporate practice of medicine and joint employer

*responsibility may jeopardize our business model;
we may face negative publicity or damage to our reputation, which could arise from concerns expressed by opponents
of chiropractic and by chiropractors operating under traditional service models;*

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legislation and regulations, as well as new medical procedures and techniques could reduce or eliminate our competitive advantages;

we face increased costs as a result of being a public company; and we have identified material weaknesses in our internal control over financial reporting, and our business and stock price may be adversely affected if we do not adequately address those weaknesses.

Corporate Information

We are a Delaware corporation. Our principal executive offices are located at 16767 N. Perimeter Drive, Suite 240, Scottsdale, Arizona, 85260, and our telephone number at that address is (480) 245-5960. Our website is www.thejoint.com. Information on, or which can be accessed through, our website is not incorporated in this prospectus.

Implications of Being an Emerging Growth Company

We qualify as an emerging growth company as defined in the Jumpstart our Business Startups Act of 2012 (the JOBS Act). An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

a requirement to have only two years of audited financial statements and only two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure; an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act);

reduced disclosure about the emerging growth company's executive compensation arrangements; and no requirement to seek non-binding advisory votes on executive compensation or golden parachute arrangements. The JOBS Act permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We elected to opt out of this provision, and as a result, we plan to comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period is irrevocable.

We have elected to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of these elections, the information that we provide in this prospectus may be different than the information you may receive from other public companies in which you hold equity interests. In addition, it is possible that some investors will find our common stock less attractive as a result of our elections, which may result in a less active trading market for our common stock and more volatility in our stock price.

We may take advantage of these provisions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of our initial public offering, which occurred on November 14, 2014 (b) in which we have total annual gross revenue of at least \$1.0 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our prior second fiscal quarter, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period. We may choose to take advantage of some but not all of these reduced disclosure requirements.

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THE OFFERING

Common stock offered by us in this offering	1,760,000 shares
Common stock to be outstanding immediately after this offering	11,666,491

Over-allotment option

We have granted a 45-day option to the underwriters to purchase up to an additional 264,000 shares from us at the public offering price.

Use of proceeds

The net proceeds from this offering after deductions, estimated underwriting discounts and commissions will be approximately \$10.8 million (or \$12.5 million (if the underwriters exercise in full their option to purchase additional shares of common stock from us), assuming an offering price per share of \$6.82, the last reported sale price of our common stock on The NASDAQ Capital Market on November 13, 2015. We intend to use the net proceeds (i) to establish new company-owned or managed clinics; (ii) to acquire selected existing franchised clinics and reposition them as company-owned or managed clinics; (iii) to repurchase selected area development licenses and (iv) for general corporate purposes, including, among other things, additional working capital, financing of capital expenditures and additional marketing efforts. See Use of Proceeds.

Voting rights

Each share of our common stock entitles its holder to one vote on all matters to be voted on by stockholders generally. See Description of Capital Stock Common Stock.

Dividend policy

We do not currently plan to pay a dividend on our common stock following this offering. The declaration, amount and payment of any future dividends on shares of common stock will be at the sole discretion of our board of directors.

Risk factors

See Risk Factors and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

NASDAQ Capital Market ticker symbol

JYNT

The number of shares of common stock to be outstanding after this offering is based on 9,906,491 shares of our common stock outstanding as of November 13, 2015, and excludes as of such date:

470,600 shares of common stock issuable upon exercise of outstanding options at a weighted-average exercise price of approximately \$4.29 per share;

534,000 shares of common stock issuable upon exercise of a purchase option at a current exercise price per share of \$0.68;

1,028,640 shares of common stock reserved for future issuance under our 2014 stock plan;

90,000 shares of common stock issuable upon exercise of warrants issued to the representative of the underwriters in connection with our initial public offering, at an exercise price per share of \$8.125; and

275,652 and 79,244 shares of restricted stock awards issued under our 2012 stock plan and 2014 stock plan, respectively, which are not vested.

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Unless otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' option to purchase up to 264,000 additional shares of common stock from us.

SUMMARY FINANCIAL DATA

The following tables set forth the summary historical consolidated financial data for the Company as of the dates and for the periods indicated. Historical financial data below should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations and the unaudited financial statements and the related notes and the historical audited financial statements and the related notes included elsewhere in this prospectus. The summary financial data in this section is not intended to replace our financial statements and the related notes thereto.

The following table reflects the dividend of 0.78 shares of our common stock for each share of our common stock outstanding as of September 15, 2014, which was effected on September 17, 2014. Our historical financial data may not be indicative of our future performance.

(in thousands except per share data)	Year Ended		Nine Months Ended	
	December 31, 2014	2013	September 30, 2015	2014
			(unaudited)	
Consolidated Statement of Operations Data:				
Franchise and regional developer fees	\$ 2,412	\$ 3,279	\$ 2,662	\$ 1,847
Royalties	3,194	1,531	3,264	2,233
Revenues and management fees from company clinics			2,369	
Other income	1,511	1,148	1,778	982
Total revenues	7,117	5,958	10,073	5,061
Cost of revenues	2,246	2,006	(2,083)	(1,739)
Selling, general and administrative expense	6,498	3,512	(13,802)	(4,012)
Other (income) expense	64	32	402	(58)
Provision (benefit) for income taxes	1,340	252	(6)	285
Net income (loss)	(3,031)	156	\$ (5,416)	\$ (464)
Earnings per share:				
Basic earnings per share	(0.56)	0.03	(0.55)	(0.10)
Diluted earnings per share	(0.56)	0.02	(0.55)	(0.10)
Non-GAAP adjusted EBITDA				
Net income (loss)	(3,031)	156	\$ (5,416)	\$ (464)
Interest expense			10	
Depreciation and amortization expense	210	71	822	142
Tax expense (benefit)	1,340	252	6	(285)
EBITDA	(1,481)	479	(4,578)	(607)
Stock compensation	102		646	42
Acquisition related expenses			362	
Bargain purchase gain			(384)	
Adjusted EBITDA ⁽¹⁾	(1,379)	479	\$ (3,954)	\$ (565)

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(in thousands)	December 31,		September 30,	
	2014	2013	2015	2014
			(unaudited)	
Consolidated Balance Sheet Data:				
Cash and cash equivalents	\$ 20,797	\$ 3,517	\$ 9,522	\$ 2,374
Property and equipment	1,134	400	3,602	794
Deferred franchise costs	3,243	3,223	2,347	3,045
Other assets	3,385	2,628	7,014	3,563
Total assets	28,559	9,768	22,485	9,776
Deferred revenue	9,960	10,008	7,095	9,459
Other liabilities	2,971	981	4,533	1,959
Total liabilities	12,932	10,989	11,628	11,418
Stockholders' equity (deficit)	15,627	(1,221)	10,857	1,643

Adjusted EBITDA consists of net income (loss), before interest, income taxes, depreciation and amortization, acquisition related and stock compensation expense, and bargain purchase gain. We have provided Adjusted EBITDA because it is a measure of financial performance commonly used for comparing companies in our (1) industry. Adjusted EBITDA provides an alternative measure of cash flow from operations. You should not consider Adjusted EBITDA as a substitute for operating profit as an indicator of our operating performance or as an alternative to cash flows from operating activities as a measure of liquidity. We may calculate Adjusted EBITDA differently from other companies.

We believe that the use of Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with other outpatient medical clinics, which may present similar non-GAAP financial measures to investors. In addition, you should be aware when evaluating

Adjusted EBITDA that in the future we may incur expenses similar to those excluded when calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate Adjusted EBITDA in the same fashion.

Our management does not consider Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of Adjusted EBITDA is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. Some of these limitations are:

- a. Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- b. Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- c. Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; and
- d. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.
- e. Adjusted EBITDA does not reflect the bargain purchase gain, which represents the excess of the fair value of net assets acquired over the purchase consideration. We do not consider this to be indicative of our ongoing operations.

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Because of these limitations, Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally. You should review the reconciliation of net income (loss) to Adjusted EBITDA below and not rely on any single financial measure to evaluate our business. The following table reconciles net income (loss) to Adjusted EBITDA for 2013, 2014 and for the nine months ended September 30, 2015 and 2014:

(in thousands)	Year Ended December 31,		Nine Months Ended September 30,	
	2014	2013	2015	2014
Net income (loss)	(3,031)	156	\$ (5,416)	\$ (464)
Interest expense			10	
Depreciation and amortization expense	210	71	822	142
Tax (expense) benefit	1,340	252	6	(285)
EBITDA	(1,481)	479	(4,578)	(607)
Stock compensation	102		646	42
Acquisition related expenses			362	
Bargain purchase gain			(384)	
Adjusted EBITDA	\$ (1,379)	\$ 479	\$ (3,954)	\$ (565)

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RISK FACTORS

You should carefully consider the risks described below before buying shares in this offering. If any of the following risks actually occur, our business, financial condition and results of operations could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Business

Our long-term success is highly dependent on our ability to open new, primarily company-owned or managed clinics, and is subject to many unpredictable factors.

One of the key means of achieving our growth strategy will be through opening new, primarily company-owned or managed clinics and operating those clinics on a profitable basis. We expect this to be the case for the foreseeable future. We currently own or manage 29 company-owned or managed clinics, all of which were recently acquired from existing franchisees. We may not be able to open new company-owned or managed clinics as quickly as planned. In the past, we have experienced delays in opening some franchised clinics, for various reasons, including the landlord's failure to turn over the premises to our franchisee on a timely basis. Such delays could happen again in future clinic openings. Delays or failures in opening new, primarily company-owned or managed clinics could materially and adversely affect our growth strategy and our business, financial condition and results of operations. As we operate more clinics, our rate of expansion relative to the size of our clinic base will eventually decline.

In addition, one of our biggest challenges is locating and securing an adequate supply of suitable new clinic sites in our target markets. Competition for those sites is intense, and other medical and retail concepts that compete for those sites may have unit economic models that permit them to bid more aggressively for those sites than we can. There is no guarantee that a sufficient number of suitable sites will be available in desirable areas or on terms that are acceptable to us in order to achieve our growth plan. Our ability to open new clinics also depends on other factors, including:

- negotiating leases with acceptable terms;
- identifying, hiring and training qualified employees in each local market;
- timely delivery of leased premises to us from our landlords and punctual commencement and completion of our build-out construction activities;
- managing construction and development costs of new clinics, particularly in competitive markets;
- obtaining construction materials and labor at acceptable costs, particularly in urban markets;
- unforeseen engineering or environmental problems with leased premises;
- generating sufficient funds from operations or obtaining acceptable financing to support our future development;
- securing required governmental approvals, permits and licenses (including construction permits and operating licenses) in a timely manner and responding effectively to any changes in local, state or federal laws and regulations that adversely affect our costs or ability to open new clinics; and
- avoiding the impact of inclement weather, natural disasters and other calamities.

Our progress in opening new, primarily company-owned or managed clinics from quarter to quarter may occur at an uneven rate. If we do not open new clinics in the future according to our current plans, the delay could materially adversely affect our business, financial condition and results of operations.

We have begun and intend to continue to develop new, primarily company-owned or managed clinics in our existing markets, expand our footprint into adjacent markets and selectively enter into new markets. However, there are numerous factors involved in identifying and securing an appropriate site, including, but not limited to: identification and availability of suitable locations with the appropriate population demographics, psychographics, traffic patterns, local retail and business attractions and infrastructure that will drive high levels of customer traffic and sales per clinic; consumer acceptance of our chiropractic practice

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concept; financial conditions affecting developers and potential landlords, such as the effects of macro-economic conditions and the credit market, which could lead to these parties delaying or canceling development projects (or renovations of existing projects), in turn reducing the number of appropriate locations available; developers and potential landlords obtaining licenses or permits for development projects on a timely basis; anticipated commercial, residential and infrastructure development near our new clinics; and availability of acceptable lease arrangements.

We may not be able to successfully develop critical market presence for our brand in new geographical markets, as we may be unable to find and secure attractive locations, build name recognition or attract new customers. If we are unable to fully implement our development plan, our business, financial condition and results of operations could be materially adversely affected.

New clinics, once opened, may not be profitable, and the increases in average clinic sales and comparable clinic sales that we have experienced in the past may not be indicative of future results.

Typically, our new clinics continue to increase sales for their first 36 months of operation. Our analysis of clinic growth leads us to believe that revenue growth will continue past 36 months. However, we cannot assure you that this will occur for future clinic openings. In new markets, the length of time before average sales for new clinics stabilize is less predictable and can be longer as a result of our limited knowledge of these markets and consumers' limited awareness of our brand. New clinics may not be profitable and their sales performance may not follow historical patterns. In addition, our average clinic sales and comparable clinic sales may not increase at the rates achieved over the past several years. Our ability to operate new clinics, especially company-owned or managed clinics, profitably and increase average clinic sales and comparable clinic sales will depend on many factors, some of which are beyond our control, including:

- consumer awareness and understanding of our brand;
- general economic conditions, which can affect clinic traffic, local rent and labor costs and prices we pay for the supplies we use;
- changes in consumer preferences and discretionary spending;
- competition, either from our competitors in the chiropractic industry or our own clinics;
- the identification and availability of attractive sites for new facilities and the anticipated commercial, residential and infrastructure development near our new facilities;
- changes in government regulation; and
- other unanticipated increases in costs, any of which could give rise to delays or cost overruns.

If our new clinics do not perform as planned, our business and future prospects could be harmed. In addition, if we are unable to achieve our expected average clinics sales, our business, financial condition and results of operations could be adversely affected.

Our failure to manage our growth effectively could harm our business and operating results.

Our growth plan includes a significant number of new clinics. Our existing clinic management systems, administrative staff, financial and management controls and information systems may be inadequate to support our planned expansion. Those demands on our infrastructure and resources may also adversely affect our ability to manage our existing clinics. Managing our growth effectively will require us to continue to enhance these systems, procedures and controls and to hire, train and retain managers and team members. We may not respond quickly enough to the

New clinics, once opened, may not be profitable, and the increases in average clinic sales and comparable clinic sa

changing demands that our expansion will impose on our management, clinic teams and existing infrastructure which could harm our business, financial condition and results of operations.

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Our expansion into new markets may be more costly and difficult than we currently anticipate with the resulting risk of slower growth than we expect.

We plan to open clinics in markets where we have little or no operating experience. Clinics we open in new markets may take longer to reach expected sales and profit levels on a consistent basis and may have higher construction, occupancy, marketing or operating costs than clinics we open in existing markets, thereby affecting our overall profitability. New markets may have competitive conditions, consumer tastes and discretionary spending patterns that are more difficult to predict or satisfy than our existing markets. We may need to make greater investments than we originally planned in advertising and promotional activity in new markets to build brand awareness. We may find it more difficult in new markets to hire, motivate and keep qualified employees who share our vision and culture. We may also incur higher costs from entering new markets, particularly with company-owned clinics if, for example, we hire and assign regional managers to manage comparatively fewer clinics than in more developed markets. For these reasons, both our new franchised clinics and our new company-owned clinics may be less successful than our existing franchised clinics or may achieve target rates of patient visits at a slower rate. If we do not successfully execute our plans to enter new markets, our business, financial condition and results of operations could be materially adversely affected.

Opening new clinics in existing markets may negatively affect revenue at our existing clinics.

The target area of our clinics varies by location and depends on a number of factors, including population density, other available retail services, area demographics and geography. As a result, the opening of a new clinic in or near markets in which we already have clinics could adversely affect the revenues of those existing clinics. Existing clinics could also make it more difficult to build our patient base for a new clinic in the same market. Our business strategy does not entail opening new clinics that we believe will materially affect revenue at our existing clinics, but we may selectively open new clinics in and around areas of existing clinics that are operating at or near capacity to effectively serve our patients. Revenue cannibalization between our clinics may become significant in the future as we continue to expand our operations and could affect our revenue growth, which could, in turn, adversely affect our business, financial condition and results of operations.

Any acquisitions that we make could disrupt our business and harm our financial condition.

From time to time, we may evaluate potential strategic acquisitions of existing franchised clinics to facilitate our growth. We may not be successful in identifying acquisition candidates. In addition, we may not be able to continue the operational success of any franchised clinics we acquire or successfully integrate any businesses that we acquire. We may have potential write-offs of acquired assets and an impairment of any goodwill recorded as a result of acquisitions. Furthermore, the integration of any acquisition may divert management's time and resources from our core business and disrupt our operations or may result in conflicts with our business. Any acquisition may not be successful, may reduce our cash reserves and may negatively affect our earnings and financial performance. We cannot ensure that any acquisitions we make will not have a material adverse effect on our business, financial condition and results of operations.

Damage to our reputation or our brand in existing or new markets could negatively impact our business, financial condition and results of operations.

We believe we have built our reputation on high quality patient care, and we must protect and grow the value of our brand to continue to be successful in the future. Our brand may be diminished if we do not continue to make investments in areas such as marketing and advertising, as well as the day-to-day investments required for facility operations, equipment upgrades and staff training. Any incident, real or perceived, regardless of merit or outcome, that erodes our brand, such as, failure to comply with federal, state or local regulations including allegations or perceptions of non-compliance or failure to comply with ethical and operating standards, could significantly reduce the value of our brand, expose us to adverse publicity and damage our overall business and reputation. Further, our brand value could suffer and our business could be adversely affected if patients perceive a reduction in the quality of service or staff.

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We may be unable to maintain or improve our operating margins, which could adversely affect our financial condition and ability to grow.

If we are unable to successfully manage our growth, we may not be able to capture the efficiencies and opportunities that we expect from our expansion strategy. If we are not able to capture expected efficiencies of scale, maintain patient volumes, improve our systems and equipment, continue our cost discipline and retain appropriate chiropractors and overall labor levels, our operating margins may stagnate or decline, which could have a material adverse effect on our business, financial condition and results of operations and adversely affect the price of our common stock.

We have experienced net losses and may not achieve or sustain profitability in the future.

We have experienced periods of net losses, including consolidated net losses of approximately \$3.0 million for the year ended December 31, 2014 and \$5.4 million for the nine months ended September 30, 2015. Our revenue may not grow and we may not achieve or maintain profitability in the future. Even if we do achieve profitability, we may not sustain or increase profitability on a quarterly or annual basis in the future. Our ability to achieve profitability will be affected by the other risks and uncertainties described in this section and in the Prospectus Summary. If we are not able to achieve, sustain or increase profitability, our business will be materially adversely affected and the price of our common stock may decline.

Our marketing programs may not be successful.

We incur costs and expend other resources in our marketing efforts to attract and retain patients. Our marketing activities are principally focused on increasing brand awareness and driving patient volumes. As we open new facilities, we undertake aggressive marketing campaigns to increase community awareness about our growing presence. We plan to utilize targeted marketing efforts within local neighborhoods through channels such as radio, digital media, community sponsorships and events, and a robust online/social media presence. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenue. Our ability to market our services may be restricted or limited by federal or state law.

We will be subject to all of the risks associated with leasing space subject to long-term non-cancelable leases for clinics that we intend to operate.

We do not own and we do not intend to own any of the real property where our company-owned or managed clinics will operate. We expect the spaces for the company-owned or managed clinics we intend to open in the future will be leased. We anticipate that our leases generally will have an initial term of five or ten years and generally can be extended only in five-year increments (at increased rates). We expect that all of our leases will require a fixed annual rent, although some may require the payment of additional rent if clinic sales exceed a negotiated amount. We expect that our leases will typically be net leases, which require us to pay all of the cost of insurance, taxes, maintenance and utilities, and that these leases will not be cancellable by us. If a future company-owned clinic is not profitable, resulting in its closure, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, we may fail to negotiate renewals as each of our leases expires, either on commercially acceptable terms or at all, which could cause us to pay increased occupancy costs or to close stores in desirable locations. These potential increases in occupancy costs and the cost of closing company-owned or managed clinics could materially adversely affect our business, financial condition or results of operations.

We may be unable to maintain or improve our operating margins, which could adversely affect our financial condition

We may not succeed in our plans to reacquire regional developer licenses or to purchase existing franchises, which could delay or prevent revenue increases we require to obtain profitability.

Our growth strategies include the selected reacquisition of regional developer licenses and the purchase of existing franchised clinics. While we have the right to repurchase the regional developer license in several of our regional developer agreements, we cannot assure you that regional developers will cooperate with us should we choose to exercise such options. Similarly, we cannot assure you that regional developers whose licenses do not include repurchase options, or franchisees, none of whose franchise agreements contain repurchase options, will agree to sell their licenses or franchised clinics to us on terms we consider acceptable,

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or at all. Our failure to repurchase selected regional developer licenses or to purchase selected existing franchises on attractive terms could materially delay our growth plans, which could have the effect of delaying or preventing the increases in revenues we require to obtain profitability.

Our intended reliance on sources of revenue other than from franchise and regional developer licenses exposes us to risks including the loss of revenue and reduction of working capital.

From the commencement of our operations until we began, in December 2014, to acquire or open company-owned or managed clinics, we have relied exclusively on the sale of franchises and regional developer licenses as sources of revenue until the franchises we have sold begin to generate royalty revenues. We intend to place less reliance in the future on these sources of revenue as we implement our strategy of developing and operating company-owned or managed clinics. We did not begin to and will not realize revenues from company-owned or managed clinics until the opening of those clinics, and we will be required to use our working capital, including the proceeds from this offering, to operate our business and to develop company-owned or managed clinics. If the opening of our company-owned or managed clinics is delayed or if the cost of developing company-owned or managed clinics exceeds our expectations, we may experience insufficient working capital to fully implement our development plans, and our business, financial condition and results of operations could be adversely affected.

Our potential need to raise additional capital to accomplish our objectives of expanding into new markets and opening company-owned or managed clinics exposes us to risks including limiting our ability to develop or acquire clinics and limiting our financial flexibility.

We intend to use a portion of the proceeds from this offering as consideration for future development and acquisitions of company-owned or managed clinics and related businesses. If we do not have sufficient cash resources, our ability to develop and acquire clinics and related businesses could be limited unless we are able to obtain additional capital through future debt or equity financings. Using cash to finance development and acquisition of clinics and related businesses could limit our financial flexibility by reducing cash available for operating purposes. Using debt financing could result in lenders imposing financial covenants that limit our operations and financial flexibility. Using equity financing may result in dilution of ownership interests of our existing stockholders. We may also use common stock as consideration for the future acquisition of clinics and related businesses. If our common stock does not maintain a sufficient market value or if prospective acquisition candidates are unwilling to accept our common stock as part of the consideration for the sale of their clinics or businesses, we may be required to use more of our cash resources or greater debt financing to complete these acquisitions.

Changes in economic conditions and adverse weather and other unforeseen conditions could materially affect our ability to maintain or increase sales at our clinics or open new clinics.

Our services emphasize maintenance therapy, which is generally not a medical necessity, and should be viewed as a discretionary medical expenditure. The United States in general or the specific markets in which we operate may suffer from depressed economic activity, recessionary economic cycles, higher fuel or energy costs, low consumer confidence, high levels of unemployment, reduced home values, increases in home foreclosures, investment losses, personal bankruptcies, reduced access to credit or other economic factors that may affect consumer discretionary

spending. Traffic in our clinics could decline if consumers choose to reduce the amount they spend on non-critical medical procedures. Negative economic conditions might cause consumers to make long-term changes to their discretionary spending behavior, including reducing medical discretionary spending on a permanent basis. In addition, given our geographic concentrations in the West, Southwest and mid-Atlantic regions of the United States, economic conditions in those particular areas of the country could have a disproportionate impact on our overall results of operations, and regional occurrences such as local strikes, terrorist attacks, increases in energy prices, adverse weather conditions, tornadoes, earthquakes, hurricanes, floods, droughts, fires or other natural or man-made disasters could materially adversely affect our business, financial condition and results of operations. Adverse weather conditions may also impact customer traffic at our clinics. All of our clinics depend on visibility and walk-in traffic, and the effects of adverse weather may decrease visits to malls in which our clinics are located and negatively impact our revenues. If clinic sales decrease, our profitability could decline as we spread fixed costs across a lower

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level of sales. Reductions in staff levels, asset impairment charges and potential clinic closures could result from prolonged negative clinic sales, which could materially adversely affect our business, financial condition and results of operations.

Our dependence on the success of our franchisees exposes us to risks including the loss of royalty revenue and harm to our brand.

A substantial portion of our revenues comes from royalties generated by our franchised clinics. We anticipate that franchise royalties will represent a substantial part of our revenues in the future. As of September 30, 2015, we had 111 franchisees operating 248 clinics. Accordingly, we are reliant on the performance of our franchisees in successfully opening and operating their clinics and paying royalties to us on a timely basis. Our franchise system subjects us to a number of risks as described in the next four risk factors, any one of which could impact our ability to collect royalty payments from our franchisees, may harm the goodwill associated with our brand and may materially adversely affect our business and results of operations.

Our franchisees are independent operators over whom we have limited control.

Franchisees are independent operators, and their employees are not our employees. Accordingly, their actions are outside of our control. Although we have developed criteria to evaluate and screen prospective franchisees, we cannot be certain that our franchisees will have the business acumen or financial resources necessary to operate successful franchises in their approved locations, and state franchise laws may limit our ability to terminate or modify these franchise agreements. Moreover, despite our training, support and monitoring, franchisees may not successfully operate stores in a manner consistent with our standards and requirements, or may not hire and adequately train qualified managers and other store personnel. The failure of our franchisees to operate their franchises successfully and the actions taken by their employees could have a material adverse effect on our reputation, our brand and our ability to attract prospective franchisees, and on our business, financial condition and results of operations.

A July 2014 decision by the United States National Labor Relations Board held that McDonald's Corporation could be held jointly liable for labor and wage violations by its franchisees. If this decision is upheld, it could result in us having responsibility for damages, reinstatement, back pay and penalties in connection with labor law violations by our franchisees over whom we have no control, and could have a material and adverse effect on our financial condition and results of operations.

We are subject to the risk that our franchise agreements may be terminated or not renewed.

Each franchise agreement is subject to termination by us as the franchisor in the event of a default, generally after expiration of applicable cure periods, although under certain circumstances a franchise agreement may be terminated by us upon notice without an opportunity to cure. The default provisions under the franchise agreements are drafted broadly and include, among other things, any failure to meet operating standards and actions that may threaten our intellectual property. In addition, each franchise agreement has an expiration date. Upon the expiration of the franchise agreement, we or the franchisee may, or may not, elect to renew the franchise agreement. If the franchise agreement is renewed, the franchisee will receive a new franchise agreement for an additional term. Such option, however, is contingent on the franchisee's execution of the then-current form of franchise agreement (which may include increased royalty payments, advertising fees and other costs) and the payment of a renewal fee. If a franchisee

Our dependence on the success of our franchisees exposes us to risks including the loss of royalty revenue and ha

is unable or unwilling to satisfy any of the foregoing conditions, we may elect to not renew the expiring franchise agreement, in which event the franchise agreement will terminate upon expiration of its term. The termination or non-renewal of a franchise agreement could result in the reduction of royalty payments we receive.

Our franchisees may not meet timetables for opening their clinics, which could reduce the royalties we receive.

Our franchise agreements specify a timetable for opening the clinic. Failure by our franchisees to open their clinics within the specified time limit would result in the reduction of royalty payments we receive and could result in the termination of the franchise agreement. As of September 30, 2015, we have 180 active licenses which we believe to be developable.

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Our franchisees may elect bankruptcy protection and deprive us of income.

The bankruptcy of a franchisee could negatively impact our ability to collect payments due under such franchisee's franchise agreement. In a franchisee bankruptcy, the bankruptcy trustee may reject the franchisee's franchise agreement pursuant to Section 365 under the United States Bankruptcy Code, in which case we would no longer receive royalty payments from the franchisee.

Our regional developers are independent operators over whom we have limited control.

Our regional developers are independent operators. Accordingly, their actions are outside of our control. We depend upon our regional developers to sell a minimum number of franchises within their territory and to assist the purchasers of those franchises to develop and operate their clinics. The failure by regional developers to sell the specified minimum number of franchises within the time limits set forth in their regional developer license agreements would reduce the franchise fees we receive, delay the payment of royalties to us and result in a potential event of default under the regional developer license agreement. Of our total of 18 regional developer licenses as of September 30, 2015, regional developers under nine regional developer licenses have not met their minimum franchise sales and/or opening requirements within the time periods specified in their regional developer license agreements.

Our ability to operate effectively could be impaired if we fail to attract and retain our executive officers.

Our success depends, in part, upon the continuing contributions of our executive officers and key employees at the management level. Although we have employment agreements with certain of our key executive officers, there is no guarantee that they will not leave. The loss of the services of any of our executive officers or the failure to attract other executive officers could have a material adverse effect on our business or our business prospects. If we lose the services of any of our key employees at the operating or regional level, we may not be able to replace them with similarly qualified personnel, which could harm our business.

A lack of qualified employees will significantly hinder our growth plans and adversely affect our results of operations.

As we grow, our ability to increase productivity and profitability will be limited by our ability to employ, train and retain skilled personnel. There can be no assurance that we will be able to maintain an adequate skilled labor force necessary to operate efficiently, that our labor expenses will not increase as a result of a shortage in the supply of skilled personnel or that we will not have to curtail our planned internal growth as a result of labor shortages.

We may not be able to successfully recruit and retain qualified chiropractors.

Our success depends upon our continuing ability to recruit and retain qualified chiropractors. In the event we are unable to attract a sufficient number of qualified chiropractors, our growth rate may suffer.

Our clinics and chiropractors compete for patients in a highly competitive environment that may make it more difficult to increase patient volumes and revenues.

Our franchisees may not meet timetables for opening their clinics, which could reduce the royalties we receive.

The business of providing chiropractic services is highly competitive in each of the markets in which our clinics operate. The primary bases of such competition are quality of care and reputation, price of services, marketing and advertising strategy and implementation, convenience, traffic flow and visibility of office locations and hours of operation. Our clinics compete with all other chiropractors in their local market. Many of those chiropractors have established practices and reputations in their markets. Some of these competitors and potential competitors may have financial resources, affiliation models, reputations or management expertise that provide them with competitive advantages over us, which may make it difficult to compete against them. Our two largest multi-unit competitors are HealthSource Chiropractic, which currently operates 360 units, and ChiroOne, which operates 41 units. In addition, a number of other chiropractic franchises and chiropractic practices that are attempting to duplicate or follow our business model are currently operating in our markets and in other parts of the country and may enter our existing markets in the future.

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Our success is dependent on the chiropractors who control the professional corporations, or PC owners, with whom we enter into management services agreements, and we may have difficulty locating qualified chiropractors to replace PC owners.

In states that regulate the corporate practice of chiropractic, our chiropractic services are provided by legal entities organized under state laws as professional corporations, or PCs. Each PC employs or contracts with chiropractors in one or more offices. Each of the PCs is wholly owned by one or more licensed chiropractors, or medical professionals as state law may require, the PC owner, and we do not own any capital stock of any PC. We and our franchisees that are not owned by chiropractors enter into management services agreements with PCs to provide on an exclusive basis all non-clinical services of the chiropractic practice. The PC owner is critical to the success of a clinic because he or she has control of all clinical aspects of the practice of chiropractic and the provision of chiropractic services. Under our arrangements with the PC owners, the PC owners are prohibited from selling, transferring, pledging or assigning the stock of the PC to a third party without our consent. In addition, we can require the PC owner to sell his or her interest in the PC to any person designated by us that is lawfully permitted to hold an ownership interest in the PC. However, upon the departure of a PC owner, we may not be able to locate one or more suitably qualified licensed chiropractors to hold the ownership interest in the PC and maintain the success of the departing PC owner. Also, a court may decide not to enforce these transfer restrictions in a given situation.

Our management services agreements with our affiliated PCs could be challenged by a state or chiropractor under laws regulating the practice of chiropractic, and some state chiropractic boards have made inquiries concerning our business model.

The laws of every state in which we operate contain restrictions on the practice of chiropractic and control over the provision of chiropractic services. The laws of many states where we operate permit a chiropractor to conduct a chiropractic practice only as an individual, a member of a partnership or an employee of a PC, limited liability company or limited liability partnership. These laws typically prohibit chiropractors from splitting fees with non-chiropractors and prohibit non-chiropractic entities, such as chiropractic management services organizations, from engaging in the practice of chiropractic and from employing chiropractors. The specific restrictions against the corporate practice of chiropractic, as well as the interpretation of those restrictions by state regulatory authorities, vary from state to state. However, the restrictions are generally designed to prohibit a non-chiropractic entity from controlling or directing clinical care decision-making, engaging chiropractors to practice chiropractic or sharing professional fees. The form of management agreement that we utilize, and that we recommend to our franchisees that are management service organizations, explicitly prohibits the management service organization from controlling or directing clinical care decisions. However, there can be no assurance that all of our franchisees that are management service organizations will strictly follow the provisions in our recommended form of management agreement. The laws of many states also prohibit chiropractic practitioners from paying any portion of fees received for chiropractic services in consideration for the referral of a patient. Any challenge to our contractual relationships with our affiliated PCs by chiropractors or regulatory authorities could result in a finding that could have a material adverse effect on our operations, such as voiding one or more management services agreements. Moreover, the laws and regulatory environment may change to restrict or limit the enforceability of our management services agreements. We could be prevented from affiliating with chiropractor-owned PCs or providing comprehensive business services to them in one or more states.

In February 2015, the Arkansas Board of Chiropractic Examiners questioned whether our business model might violate Arkansas law in its response to an inquiry we made on behalf of one of our franchisees. While the Arkansas Board did not thereafter pursue the matter of a possible violation, it might choose to do so at any time in the future. The Kansas Healing Arts Board, in response to a third party complaint about one of our franchisees, sent a letter to the franchisee in February 2015 questioning whether the franchise business model might violate Kansas law regarding the unauthorized practice of chiropractic care. We and the franchisee have had several communications with the Kansas Board with respect to modifying the management agreement to address its concerns, but we have no assurance that changes to the agreement will satisfy these concerns. The Oregon Chiropractic Board of Examiners has made several inquiries since our franchisees began operating in Oregon. While we have satisfied these past inquiries by providing a brief

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response or documentation, recently the Oregon Board has asked to meet with the franchisee's PC chiropractor owner to address questions which may relate to our business model.

The New York Attorney General's recent investigation into the practices of a provider of business support services to independently owned dental practices may mean that our business model will be subject to greater scrutiny in New York. The New York Attorney General concluded that the provider, Aspen Dental Management, improperly made business decisions impacting clinical matters, illegally engaged in fee-splitting with dental practices and required the dental practices to use the Aspen Dental trade name in a manner that had the potential to mislead consumers into believing that the Aspen Dental branded offices were under common ownership with the provider. In June 2015, the New York Attorney General agreed to an Assurance of Discontinuance, pursuant to which Aspen Dental paid a substantial fine and agreed to change its business and branding practices, including changes to its website and marketing materials in order to make clear that the Aspen-branded dental offices were independently owned and operated. The New York Attorney General could similarly choose to challenge our contractual relationships with our affiliated PCs in New York and, in particular, might question whether use of The Joint trademark by our affiliated PCs misleads consumers, causing them to incorrectly conclude that we are the provider of chiropractic treatment.

Recent decisions by the United States National Labor Relations Board expanding the meaning of joint employer mean that we could have liability for employment law violations by our franchisees.

A July 2014 decision by the United States National Labor Relations Board, or the NLRB, held that McDonald's Corporation could be held liable as a joint employer for labor and wage violations by its franchisees. Subsequently, the NLRB issued a number of complaints against McDonald's Corporation in connection with these violations.

Additionally, an August 2015 decision by the NLRB held that Browning-Ferris Industries is a joint employer obligated to negotiate with the Teamsters union over workers supplied by a contract staffing firm within one of its recycling plants.

If this expanded definition of joint employer is upheld in the expected appeals of these decisions, it could result in us having responsibility for damages, reinstatement, back pay and penalties in connection with labor law violations by our franchisees over whom we have no control and could have a material and adverse effect on our financial condition and results of operations.

We and our affiliated chiropractor-owned PCs are subject to complex laws, rules and regulations, compliance with which may be costly and burdensome.

We, and the chiropractor-owned PCs to which we and our franchisees provide management services, are subject to extensive federal, state and local laws, rules and regulations, including:

- state regulations on the practice of chiropractic;
- the Health Insurance Portability and Accountability Act of 1996, as amended, and its implementing regulations, or HIPAA, and other federal and state laws governing the collection, dissemination, use, security and confidentiality of patient-identifiable health and financial information;
- federal and state laws and regulations which contain anti-kickback and fee-splitting provisions and restrictions on referrals;
- the federal Fair Debt Collection Practices Act and similar state laws that restrict the methods that we and third party collection companies may use to contact and seek payment from patients regarding past due accounts;

state and federal labor laws, including wage and hour laws.

Many of the above laws, rules and regulations applicable to us and our affiliated PCs are ambiguous, have not been definitively interpreted by courts or regulatory authorities and vary from jurisdiction to jurisdiction. Accordingly, we may not be able to predict how these laws and regulations will be interpreted or applied by courts and regulatory authorities, and some of our activities could be challenged. In addition, we must consistently monitor changes in the laws and regulatory schemes that govern our operations. Although we have tried to structure our business and contractual relationships in compliance with these laws, rules and regulations in all material respects, if any aspect of our operations were found to violate applicable laws, rules

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or regulations, we could be subject to significant fines or other penalties, required to cease operations in a particular jurisdiction, prevented from commencing operations in a particular state or otherwise be required to revise the structure of our business or legal arrangements. Our efforts to comply with these laws, rules and regulations may impose significant costs and burdens, and failure to comply with these laws, rules and regulations may result in fines or other charges being imposed on us.

We conduct business in a heavily regulated industry and, if we fail to comply with these laws and government regulations, we could incur penalties or be required to make significant changes to our operations.

The healthcare industry is heavily regulated and closely scrutinized by federal, state and local governments. Comprehensive statutes and regulations govern the manner in which we provide and bill for services, our contractual relationships with our physicians, vendors and customers, our marketing activities and other aspects of our operations.

Failure to comply with these laws can result in civil and criminal penalties such as fines, damages, overpayment recoupment, loss of enrollment status or exclusion from government healthcare programs. The risk of our being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by regulatory authorities or the courts, and their provisions are sometimes open to multiple interpretations. Any action against us for violation of these laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our managements attention from the operation of our business.

Our chiropractors are also subject to ethical guidelines and operating standards of professional and trade associations and private accreditation agencies. Compliance with these guidelines and standards is often required by our contracts with our customers or to maintain our reputation. The laws, regulations and standards governing the provision of healthcare services may change significantly in the future. New or changed healthcare laws, regulations or standards may materially and adversely affect our business. In addition, a review of our business by judicial, law enforcement, regulatory or accreditation authorities could result in a determination that could adversely affect our operations.

Our facilities are subject to extensive federal and state laws and regulations relating to the privacy and security of individually identifiable information.

HIPAA required the United States Department of Health and Human Service, or HHS, to adopt standards to protect the privacy and security of individually identifiable health-related information, or PHI. HHS released final regulations containing privacy standards in December 2000 and published revisions to the final regulations in August 2002. The privacy regulations extensively regulate the use and disclosure of PHI. The regulations also provide patients with significant rights related to understanding and controlling how their health information is used or disclosed. The security regulations require healthcare providers to implement administrative, physical and technical practices to protect the security of individually identifiable health information that is maintained or transmitted electronically. The Health Information Technology for Economic and Clinical Health Act, or HITECH, which was signed into law in February of 2009, enhanced the privacy, security and enforcement provisions of HIPAA by, among other things, extending HIPAA s privacy and security standards directly applicable to business associates, which, like us, are independent contractors or agents of covered entities (such as the chiropractic PCs and other healthcare providers) that create, receive, maintain, or transmit PHI in connection with providing a service for or on behalf of a covered entity. HITECH also established security breach notification requirements, created a mechanism for enforcement of HIPAA by state attorneys general, and increased penalties for HIPAA violations. Violations of HIPAA or HITECH could result in civil or criminal penalties. In addition to HIPAA, there are numerous federal and state laws and regulations addressing patient and consumer privacy concerns, including unauthorized access or theft of personal information.

State statutes and regulations vary from state to state. Lawsuits, including class actions and action by state attorneys general, directed at companies that have experienced a privacy or security breach also can occur. We have established policies and procedures in an effort to ensure compliance with these privacy related requirements. However, if there is a breach, we may be subject to various penalties and damages and may be required to incur costs to mitigate the impact of the breach on affected individuals.

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We are subject to the data privacy, security and breach notification requirements of HIPAA and other data privacy and security laws, and the failure to comply with these rules, or allegations that we have failed to do so, can result in civil or criminal sanctions.

HIPAA required the United States Department of Health and Human Service, or HHS, to adopt standards to protect the privacy and security of certain health-related information. The HIPAA privacy regulations contain detailed requirements concerning the use and disclosure of individually identifiable health information and the grant of certain rights to patients with respect to such information by covered entities. As a provider of healthcare who conducts certain electronic transactions, each of our facilities is considered a covered entity under HIPAA. We have taken actions to comply with the HIPAA privacy regulations and believe that we are in substantial compliance with those regulations. These actions include the creation and implementation of policies and procedures, staff training, execution of HIPAA-compliant contractual arrangements with certain service providers and various other measures. Ongoing implementation and oversight of these measures involves significant time, effort and expense.

In addition to the privacy requirements, HIPAA covered entities must implement certain administrative, physical and technical security standards to protect the integrity, confidentiality and availability of certain electronic health-related information received, maintained or transmitted by covered entities or their business associates. We have taken actions in an effort to be in compliance with these security regulations and believe that we are in substantial compliance, however, a security incident that bypasses our information security systems causing an information security breach, loss of protected health information or other data subject to privacy laws or a material disruption of our operational systems could result in a material adverse impact on our business, along with fines. Ongoing implementation and oversight of these security measures involves significant time, effort and expense.

The Health Information Technology for Economic and Clinical Health Act, or HITECH, as implemented in part by an omnibus final rule published in the Federal Register on January 25, 2013, further requires that patients be notified of any unauthorized acquisition, access, use, or disclosure of their unsecured protected health information, or PHI, that compromises the privacy or security of such information. HHS has established the presumption that all unauthorized uses or disclosures of unsecured protected health information constitute breaches unless the covered entity or business associate establishes that there is a low probability the information has been compromised. HITECH and implementing regulations specify that such notifications must be made without unreasonable delay and in no case later than 60 calendar days after discovery of the breach. If a breach affects 500 patients or more, it must be reported immediately to HHS, which will post the name of the breaching entity on its public website. Breaches affecting 500 patients or more in the same state or jurisdiction must also be reported to the local media. If a breach involves fewer than 500 people, the covered entity must record it in a log and notify HHS of such breaches at least annually. These breach notification requirements apply not only to unauthorized disclosures of unsecured PHI to outside third parties, but also to unauthorized internal access to or use of such PHI.

HITECH significantly expanded the scope of the privacy and security requirements under HIPAA and increased penalties for violations. The amount of penalty that may be assessed depends, in part, upon the culpability of the applicable covered entity or business associate in committing the violation. Some penalties for certain violations that were not due to willful neglect may be waived by the Secretary of HHS in whole or in part, to the extent that the payment of the penalty would be excessive relative to the violation. HITECH also authorized state attorneys general to file suit on behalf of residents of their states. Applicable courts may award damages, costs and attorneys fees related to violations of HIPAA in such cases. HITECH also mandates that the Secretary of HHS conduct periodic compliance audits of a cross-section of HIPAA covered entities and business associates. Every covered entity and business associate is subject to being audited, regardless of the entity's compliance record.

We are subject to the data privacy, security and breach notification requirements of HIPAA and other data privacy and security laws.

States may impose more protective privacy restrictions in laws related to health information and may afford individuals a private right of action with respect to the violation of such laws. Both state and federal laws are subject to modification or enhancement of privacy protection at any time. We are subject to any federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These statutes vary and could impose additional requirements on us and more severe penalties for disclosures

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of health information. If we fail to comply with HIPAA or similar state laws, including laws addressing data confidentiality, security or breach notification, we could incur substantial monetary penalties and our reputation could be damaged.

In addition, states may also impose restrictions related to the confidentiality of personal information that is not considered protected health information under HIPAA. Such information may include certain identifying information and financial information of our patients. These state laws may impose additional notification requirements in the event of a breach of such personal information. Failure to comply with such data confidentiality, security and breach notification laws may result in substantial monetary penalties.

Our business model depends on proprietary and third party management information systems that we use to, among other things, track financial and operating performance of our clinics, and any failure to successfully design and maintain these systems or implement new systems could materially harm our operations.

We depend on integrated management information systems, some of which are provided by third parties, and standardized procedures for operational and financial information, as well as for patient records and our billing operations. We may experience unanticipated delays, complications, data breaches or expenses in implementing, integrating, and operating our systems. Our management information systems regularly require modifications, improvements or replacements that may require both substantial expenditures as well as interruptions in operations. Our ability to implement these systems is subject to the availability of skilled information technology specialists to assist us in creating, implementing and supporting these systems. Our failure to successfully design, implement and maintain all of our systems could have a material adverse effect on our business, financial condition and results of operations.

If we fail to properly maintain the integrity of our data or to strategically implement, upgrade or consolidate existing information systems, our reputation and business could be materially adversely affected.

We increasingly use electronic means to interact with our customers and collect, maintain and store individually identifiable information, including, but not limited to, personal financial information and health-related information. Despite the security measures we have in place to ensure compliance with applicable laws and rules, our facilities and systems, and those of our third-party service providers, may be vulnerable to security breaches, acts of cyber terrorism, vandalism or theft, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Additionally, the collection, maintenance, use, disclosure and disposal of individually identifiable data by our businesses are regulated at the federal and state levels as well as by certain financial industry groups, such as the Payment Card Industry organization. Federal, state and financial industry groups may also consider from time to time new privacy and security requirements that may apply to our businesses. Compliance with evolving privacy and security laws, requirements, and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on our business models and the development of new administrative processes. They also may impose further restrictions on our collection, disclosure and use of individually identifiable information that is housed in one or more of our databases. Noncompliance with privacy laws, financial industry group requirements or a security breach involving the misappropriation, loss or other unauthorized disclosure of personal, sensitive and/or confidential information, whether by us or by one of our vendors, could have material adverse effects on our business, operations, reputation and financial condition, including decreased revenue; material fines and penalties; increased

Our business model depends on proprietary and third party management information systems that we use to, among

financial processing fees; compensatory, statutory, punitive or other damages; adverse actions against our licenses to do business; and injunctive relief whether by court or consent order.

We, along with our affiliated PCs and their chiropractors, may be subject to malpractice and other similar claims and may be unable to obtain or maintain adequate insurance against these claims.

The provision of chiropractic services by chiropractors entails an inherent risk of potential malpractice and other similar claims. While we do not have responsibility for compliance by affiliated PCs and their chiropractors with regulatory and other requirements directly applicable to chiropractors, claims, suits or complaints relating to services provided at the offices of our franchisees or affiliated PCs may be asserted

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against us. As we develop company-owned or managed clinics, our exposure to malpractice claims will increase. We have experienced one malpractice claim since our founding in April, 2010, which we are vigorously defending and do not expect its outcome to have a material adverse effect on our business, financial condition or results of operations. The assertion or outcome of these claims could result in higher administrative and legal expenses, including settlement costs or litigation damages. Our current minimum professional liability insurance coverage required for our franchisees, affiliated PCs and company-owned clinics is \$1.0 million per occurrence and \$3.0 million in annual aggregate, with a self-insured retention of \$0 per claim and \$0 annual aggregate. In addition, we have a corporate entity policy with coverage of \$2.0 million per occurrence and \$4.0 million in annual aggregate. Our inability to obtain adequate insurance or an increase in the future cost of insurance to us and the chiropractors who provide chiropractic services or an increase in the amount we have to self-insure may have a material adverse effect on our business and financial results.

We could be party to litigation that could adversely affect us by distracting management, increasing our expenses or subjecting us to material monetary damages and other remedies.

In addition to potential malpractice claims, we are also subject to a variety of other claims arising in the ordinary course of our business, including personal injury claims, contract claims and claims alleging violations of federal and state law regarding workplace and employment matters, equal opportunity, harassment, discrimination and similar matters, and we could become subject to class action or other lawsuits related to these or different matters in the future. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment in excess of our insurance coverage for any claims could materially and adversely affect our financial condition and results of operations. Any adverse publicity resulting from these allegations may also materially and adversely affect our reputation or prospects, which in turn could materially adversely affect our business, financial condition and results of operations.

We are subject to the risk that our current insurance may not provide adequate levels of coverage against claims.

Our current insurance policies may not be adequate to protect us from liabilities that we incur in our business. Additionally, in the future, our insurance premiums may increase, and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any substantial inadequacy of, or inability to obtain insurance coverage could materially adversely affect our business, financial condition and results of operations.

Furthermore, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such losses could have a material adverse effect on our business and results of operations. As a public company, we intend to enhance our existing directors' and officers' insurance. Failure to obtain and maintain adequate directors' and officers' insurance would likely adversely affect our ability to attract and retain qualified officers and directors.

Events or rumors relating to our brand names or our ability to defend successfully against intellectual property infringement claims by third parties could significantly impact our business.

Recognition of our brand names, including THE JOINT THE CHIROPRACTIC PLACE , and the association of those brands with quality, convenient and inexpensive chiropractic maintenance care are an integral part of our business. The occurrence of any events or rumors that cause patients to no longer associate the brands with quality, convenient and inexpensive chiropractic maintenance care may materially adversely affect the value of the brand names and demand for chiropractic services at our franchisees or their affiliated PCs.

Our ability to compete effectively depends in part upon our intellectual property rights, including but not limited to our trademarks. Our use of contractual provisions, confidentiality procedures and agreements, and trademark, copyright, unfair competition, trade secret and other laws to protect our intellectual property rights may not be adequate. Litigation may be necessary to enforce our intellectual property rights, or to defend against claims by third parties that the conduct of our businesses or our use of intellectual property infringes upon such third party s intellectual property rights. Any intellectual property litigation or claims brought

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against us, whether or not meritorious, could result in substantial costs and diversion of our resources, and there can be no assurances that favorable final outcomes will be obtained in all cases. Our business, financial condition or results of operations could be adversely affected as a result.

We present Adjusted EBITDA as a supplemental measure to help us describe our operating performance. Adjusted EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net income (loss) or as a better indicator of operating performance.

Adjusted EBITDA consists of net income (loss), before interest, income taxes, depreciation and amortization, acquisition related and stock compensation expense and bargain purchase gain. We present Adjusted EBITDA as a supplemental measure to help us describe our operating performance. Adjusted EBITDA is a non-GAAP financial measure commonly used in our industry and should not be construed as an alternative to net income (loss) (as determined in accordance with generally accepted accounting principles in the United States, or GAAP) or as a better indicator of operating performance. You should not consider Adjusted EBITDA as a substitute for operating profit, as an indicator of our operating performance or as an alternative to cash flows from operating activities as a measure of liquidity. We may calculate Adjusted EBITDA differently from other companies.

In addition, in the future we may incur expenses similar to those excluded when calculating Adjusted EBITDA. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate Adjusted EBITDA in the same fashion.

Our management does not consider Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of Adjusted EBITDA is that it excludes significant expenses and income that are required by GAAP to be recorded in our financial statements. Some of these limitations are: (i) Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (iii) Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts, and although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future; (iv) Adjusted EBITDA does not reflect any cash requirements for such replacements; and (v) Adjusted EBITDA does not reflect the bargain purchase gain, which represents the excess of the fair value of net assets acquired over the purchase consideration. We do not consider this to be indicative of our ongoing operations.

Proposed changes to financial accounting standards could require our operating leases to be recognized on the balance sheet.

As we increase the number of our company-owned or managed clinics we will have considerable obligations relating to our operating leases. Proposed changes to financial accounting standards could require such leases to be recognized on our balance sheet. All of our existing clinics are subject to leases. The lease terms of our clinics vary, but typically have initial terms of between five and ten years with five year renewal options. The accounting treatment of these leases is described in Note 1 to our consolidated financial statements.

We present Adjusted EBITDA as a supplemental measure to help us describe our operating performance6Adjusted

In May 2013, the Financial Accounting Standards Board, or FASB, and the International Accounting Standards Board issued a revised joint discussion paper highlighting proposed changes to financial accounting standards for leases. The proposed changes would require that substantially all operating leases be recognized as assets and liabilities on our balance sheet, which would be a significant departure from the current standard, which classifies operating leases as off balance sheet transactions and accounts for only the current year operating lease expense in the statement of operations. The right to use the leased property would be capitalized as an asset and the expected lease payments over the life of the lease would be accounted for as a liability. The effective date, which has not been determined, may require retrospective adoption. While we have not quantified the impact this proposed standard would have on our financial statements, if our current operating leases are instead recognized on the balance sheet, it will result in a significant increase in the

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liabilities reflected on our balance sheet and in the interest expense and depreciation and amortization expense reflected in our statement of operations, while reducing the amount of rent expense. This could potentially decrease our reported net income.

We are an emerging growth company as defined in the Securities Act and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, among other things, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, reduced financial disclosure requirements, which include being permitted to provide only two years of audited financial statements, with correspondingly reduced Management's Discussion and Analysis of Financial Condition and Results of Operations disclosure, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a non-binding stockholder advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information that they may deem important. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2) of the Securities Act for complying with new or revised accounting standards. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We could be an emerging growth company until the last day of the fiscal year following the fifth anniversary of the date of our initial public offering, which occurred on November 14, 2014, although circumstances could cause us to lose that status earlier, including if our total annual gross revenue exceeds \$1.0 billion, if we issue more than \$1.0 billion in non-convertible debt securities during any three-year period, or if the market value of our common stock held by non-affiliates exceeds \$700.0 million as of any June 30 before that time. Investors may find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 for so long as we are an emerging growth company.

Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we file with the SEC as a public company, and generally requires in the same report a report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. However, under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until we are no longer an emerging growth company. We could be an emerging growth company until the last day of the fiscal year following the fifth anniversary of the date of our initial public offering, which occurred on November 14, 2014.

We are an emerging growth company as defined in the Securities Act and we cannot be certain if the reduced di

Furthermore, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to conclude that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. If we are not able to implement the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or with adequate compliance, our independent registered public accounting firm may issue an adverse opinion due to ineffective internal controls over financial reporting and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result, there could be a negative

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reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system and the hiring of additional personnel. Any such action could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period ended September 30, 2015. Based on such evaluation, our Chief Executive Officer and Chief Operating Officer have concluded that, as of such date, our disclosure controls and procedures were not effective.

We continue to implement certain controls over our financial reporting cycle. These areas included properly segregating duties and increasing the size of our accounting department. However, even with these remediation measures one or more material weaknesses or significant deficiencies could be present and result in errors in our financial statements. We are currently in the process of addressing and remediating the control weaknesses described above which included the hiring of additional personnel and the continued implementation of a new general ledger system.

The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

Our initial public offering had a significant, transformative effect on us. Prior to our initial public offering, our business operated as a privately owned company, and we now incur significant additional legal, accounting, reporting and other expenses as a result of having publicly-traded common stock. As a public company with listed equity securities, we need to comply with certain laws, regulations and requirements, including corporate governance provisions of the Sarbanes-Oxley Act, related regulations of the SEC, and the requirements of The NASDAQ Capital Market with which we had not been required to comply as a private company. Complying with these statutes, regulations and requirements occupies a significant amount of time of our Board of Directors and management and has significantly increased our costs and expenses. We will continue to:

institute more comprehensive corporate governance and compliance functions;
design, establish, evaluate and maintain a system of internal control over financial reporting in compliance with the requirements of Section 404(a) of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;

comply with rules promulgated by The NASDAQ Capital Market;
prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
establish new internal policies, such as those relating to disclosure controls and procedures and insider trading; and
to a greater degree than previously, involve and retain outside counsel and accountants in the above activities.

Risks Related to this Offering

You will experience immediate and substantial dilution in the as adjusted net tangible book value.

Purchasers of our common stock in this offering will experience immediate and substantial dilution in the net tangible book value of their shares in the amount of \$5.41 per share, or 20.7%, assuming a public offering price of \$6.82 per share, the last reported sale price of our common stock on The NASDAQ Capital Market on November 13, 2015. For a discussion of dilution, see Dilution.

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Our share price may decline due to the large number of shares eligible for future sale and for exchange.

The market price of our common stock could decline as a result of sales of a large number of shares of common stock in the market after this offering or the perception that such sales could occur. These sales, or the possibility that these sales may occur, might also make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. After the consummation of this offering, we will have 11,666,491 outstanding shares of common stock. This number includes shares of our common stock we are selling in this offering, which may be resold immediately in the public market. In addition, 4,807,015 shares of our common stock that were subject to lock-up agreements with the underwriters in our initial public offering have been released from all restrictions on sale. The trading volume of shares of our common stock has averaged 8,983 shares per day during the six month period ended September 30, 2015. Accordingly, sales of even small amounts of shares of our common stock by existing stockholders may drive down the trading price of our common stock. See Shares Eligible for Future Sale.

We and our executive officers and directors have agreed not to sell or transfer any of our common stock or securities convertible into, exchangeable for, exercisable for or repayable with our common stock for six months after the date of this prospectus without first obtaining the written consents of certain of the underwriters.

The market price of our common stock may be volatile, which could cause the value of your investment to decline or could subject us to litigation.

The market for equity securities experiences significant price and volume fluctuations that could result in a reduced market price of our common stock, even if our operating performance is strong. In addition, general economic, market or political conditions could have an adverse effect on our stock price. Our common stock price could also suffer significantly if our operating results are below the expectations of analysts and investors. Investors may be unable to resell their shares of our common stock at or above your purchase price, if at all. In addition, when the market price of a company's common stock drops significantly, stockholders sometimes institute securities class action lawsuits against that company. A securities class action lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources from our business.

If securities analysts do not publish research or reports about our business or if they downgrade our company or our sector, the price of our common stock could decline.

The trading market for our common stock depends in part on the research and reports that industry or financial analysts publish about us or our business. We do not influence or control the reporting of these analysts. If one or more of the analysts who do cover us downgrade or provide a negative outlook on our company or our industry, or the stock of any of our competitors, the price of our common stock could decline. If one or more of these analysts ceases coverage of our company, we could lose visibility in the market, which in turn could cause the price of our common stock to decline.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus are forward-looking statements. We have tried to identify these forward-looking statements by using words such as may, might, will, expect, anticipate, believe, could, estimate, should, if, project, and similar expressions. We have based these forward-looking statements on our current expectations and projections about future events. However, these forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from our expectations and projections. Some of these risks, uncertainties and other factors are set forth in this prospectus and in other documents we will file with the SEC.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. Projections and other forward-looking statements included in this prospectus have been prepared based on assumptions, which we believe to be reasonable, but not in accordance with GAAP or any guidelines of the SEC.

Actual results may vary, perhaps materially. You are strongly cautioned not to place undue reliance on such projections and other forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any such forward-looking statements, whether made in this prospectus or elsewhere, should be considered in the context of the various disclosures made by us about our businesses including, without limitation, the risk factors discussed above.

For further discussion of these and other factors that could impact our future results, performance or transactions, please carefully read Risk Factors.

we may not be able to successfully implement our growth strategy if we or our franchisees are unable to locate and secure appropriate sites for clinic locations, obtain favorable lease terms, and attract patients to our clinics; we have limited experience operating company-owned or managed clinics, and we may not be able to duplicate the success of some of our franchisees;

we may not be able to acquire operating clinics from existing franchisees or develop company-owned or managed clinics on attractive terms;

any acquisitions that we make could disrupt our business and harm our financial condition;

we may not be able to continue to sell franchises to qualified franchisees;

we may not be able to identify, recruit and train enough qualified chiropractors to staff our clinics;

new clinics may not be profitable, and we may not be able to maintain or improve revenues and franchise fees from existing franchised clinics;

the chiropractic industry is highly competitive, with many well-established competitors; recent administrative actions and rulings regarding the corporate practice of medicine and joint employer responsibility may jeopardize our business model;

we may face negative publicity or damage to our reputation, which could arise from concerns expressed by opponents of chiropractic and by chiropractors operating under traditional service models;

legislation and regulations, as well as new medical procedures and techniques could reduce or eliminate our competitive advantages;

we face increased costs as a result of being a public company; and

we have identified material weaknesses in our internal control over financial reporting, and our business and stock price may be adversely affected if we do not adequately address those weaknesses.

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USE OF PROCEEDS

The net proceeds to us from the sale of 1,760,000 shares being offered by us at an assumed public offering price of \$6.82 per share (the last reported sale price of our common stock on The NASDAQ Capital Market on November 13, 2015), after deducting estimated underwriting discounts and commissions and estimated offering expenses, are estimated to be approximately \$10.8 million, or approximately \$12.5 million if the underwriters' over-allotment option is exercised in full.

The principal purposes of this offering are to provide resources to develop new company-owned clinics; to acquire selected existing franchisees; to repurchase selected regional developer licenses; for general corporate purposes, including additional working capital, capital expenditures and marketing; and to provide us with flexibility in the future to acquire additional businesses, either with the net proceeds from this offering or through the publicly traded common stock we create through this offering.

We have not allocated a specific amount of our net proceeds from this offering to any particular purpose. The net proceeds we actually expend for the development of company-owned clinics and the acquisition of additional franchises or regional developer licenses may vary significantly depending on a number of factors, including the timing of our identification and leasing of suitable sites for company-owned clinics and, in respect of the acquisition of franchises or regional developer licenses, our ability to enter into a binding acquisition agreement on favorable terms and the negotiated purchase price. In addition, the net proceeds we actually expend for general corporate purposes may vary significantly depending on a number of factors, including future revenue growth and our cash flows. As a result, we will retain broad discretion over the allocation of the net proceeds from this offering. Pending use of the net proceeds from this offering, we intend to invest the net proceeds in short-term, investment-grade securities.

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PRICE RANGE OF OUR COMMON STOCK

Our shares of common stock have been listed and traded on The NASDAQ Capital Market under the symbol JYNT since November 11, 2014. Prior to that date, there was no public market for our common stock.

The following table sets forth, for the periods indicated, the high and low intra-day sale prices in dollars on The NASDAQ Capital Market for our common stock.

Quarter Ended	High	Low
December 31, 2014 (from November 11, 2014)	\$ 7.20	\$ 6.00
March 31, 2015	\$ 10.50	\$ 6.16
June 30, 2015	\$ 12.29	\$ 7.29
September 30, 2015	\$ 10.78	\$ 5.99
December 31, 2015 (through November 13, 2015)	\$ 7.90	\$ 5.65

On November 13, 2015, the last reported sale price of our common stock on The NASDAQ Capital Market was \$6.82 per share. As of November 13, 2015, there were approximately 25 stockholders of record of our common stock. These figures do not reflect the beneficial ownership or shares held in nominee name, nor do they include holders of any restricted stock awards.

DIVIDEND POLICY

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.

TABLE OF CONTENTS**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2015:

on an actual basis; and

on an as adjusted basis to reflect the sale of 1,760,000 shares of our common stock at the assumed public offering price of \$6.82 per share (the last reported sale price of our common stock on The NASDAQ Capital Market on November 13, 2015), less estimated underwriting discounts and commissions and estimated offering expenses.

You should read this information in conjunction with the section entitled, Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and the related notes appearing elsewhere in this prospectus.

	As of September 30, 2015	
	Actual	As Adjusted
Cash and cash equivalents	\$9,522	\$20,310
Stockholders' equity:		
Series A Preferred Stock; \$0.001 par value; 50,000 shares authorized; no shares issued and outstanding (actual) and no shares issued and outstanding (as adjusted)		
Common stock; \$0.001 par value; 20,000,000 shares authorized (actual); 9,868,047 shares outstanding (actual) and 11,628,047 shares outstanding (as adjusted)	10	12
Additional paid-in capital	22,067	32,853
Treasury stock (534,000 shares at cost)	(792)	(792)
Accumulated deficit	(10,428)	(10,428)
Total stockholders' equity	10,857	21,645
Total capitalization	\$10,857	\$21,645

This table excludes the following shares as of September 30, 2015:

524,600 shares of common stock issuable as of September 30, 2015 upon the exercise of outstanding options at a weighted-average exercise price of \$4.69 per share;

534,000 shares of common stock issuable upon exercise of a purchase option at a current exercise price per share of \$0.68;

1,028,640 shares of common stock reserved for future issuance under our 2014 stock plan;
90,000 shares of common stock issuable upon exercise of warrants issued to the representative of the underwriters in connection with our initial public offering, at an exercise price per share of \$8.125; and

393,339 shares of restricted stock awards issued under our 2012 stock plan which are not vested.

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If you invest in our stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the as adjusted net tangible book value per share of our common stock after this offering.

The net tangible book value of our common stock on September 30, 2015 was \$5.6 million or \$0.57 per share of common stock. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of 1,760,000 million shares of common stock offered by this prospectus at an assumed public offering price of \$6.82 per share (the last reported sale price of our common stock on The NASDAQ Capital Market on November 13, 2015), and after deducting estimated underwriting discounts and commissions and estimated offering and expenses payable by us, our as adjusted net tangible book value will be \$16.4 million, or approximately \$1.41 per share. This represents an immediate increase in as adjusted net tangible book value of \$0.84 per share to existing stockholders and an immediate dilution in net tangible book value of \$5.41 per share to new investors. The following table illustrates the per share dilution:

Assumed public offering price per share		\$ 6.82
Net tangible book value per share as of September 30, 2015	\$ 0.57	
Increase in net tangible book value per share attributable to new investors	0.84	
As adjusted net tangible book value per share after this offering		1.41
Dilution in net tangible book value per share to new investors		\$ 5.41

Each \$1.00 increase (decrease) in the assumed public offering price of \$6.82 per share, the last reported sale price of our common stock on The NASDAQ Capital Market on November 13, 2015, would increase (decrease) our as adjusted net tangible book value after this offering by approximately \$1.7 million, or approximately \$0.14 per share, and the dilution per share to new investors by approximately \$0.14 per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase of 1,000,000 shares in the number of shares offered by us would increase our as adjusted net tangible book value after this offering by approximately \$6.4 million, or \$0.40 per share, and the dilution per share to new investors would be \$0.40 per share, assuming that the assumed public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a decrease of 1,000,000 shares in the number of shares offered by us would decrease our as adjusted net tangible book value after this offering by approximately \$6.4 million, or \$0.47 per share, and the dilution per share to new investors would be \$0.47 per share, assuming that the assumed public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. The information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

If the underwriters exercise in full their option to purchase up to 264,000 additional shares of common stock at the assumed public offering price of \$6.82 per share, the as adjusted net tangible book value after this offering would be \$1.52 per share, representing an increase in net tangible book value of \$0.95 per share to existing stockholders and immediate dilution in net tangible book value of \$5.30 per share to investors purchasing our common stock in this offering at the assumed public offering price.

This table excludes the following shares as of September 30, 2015:

524,600 shares of common stock issuable as of September 30, 2015 upon the exercise of outstanding options at a weighted-average exercise price of \$4.69 per share;
534,000 shares of common stock issuable upon exercise of a purchase option at a current exercise price per share of \$0.68;

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1,028,640 shares of common stock reserved for future issuance under our 2014 stock plan;
90,000 shares of common stock issuable upon exercise of warrants issued to the representative of the underwriters in connection with our initial public offering, at an exercise price per share of \$8.125; and

393,339 shares of restricted stock awards issued under our 2012 stock plan which are not vested.

The following table sets forth, on an as adjusted basis at September 30, 2015, the differences in the total consideration and average price per share paid by existing stockholders, and by new investors, before deducting estimated offering and expenses payable by us, using an assumed public offering price of \$6.82 per share, the last reported sale price of our common stock on The NASDAQ Capital Market on November 13, 2015.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percentage	Amount	Percentage	
Existing stockholders	9,868,047	84.9 %	\$20,500,100	63.1 %	\$ 2.08
New investors	1,760,000	15.1	12,003,200	36.9	\$ 6.82
Total	11,628,047	100.0 %	\$32,503,300	100.0 %	

If the underwriters were to fully exercise their option to purchase 264,000 additional shares of our common stock from us, the percentage of shares of our common stock held by existing stockholders would be 83.0% and the percentage of shares of our common stock held by new investors would be 17.0%.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed financial statements reflect the following acquisitions (collectively the Acquisitions or the Acquired Entities):

The repurchase of six franchises, which consisted of four developed franchises and two franchises which were closed upon acquisition, from The Joint RRC Corp. for a purchase price of \$900,000, which occurred on December 31, 2014.

The repurchase of nine franchises, which consisted of two developed franchises and seven undeveloped franchises, from The Joint San Gabriel Valley Group, Inc. for a purchase price of \$300,000, which occurred on March 6, 2015.

The repurchase of five franchises, consisting of three developed franchises and two undeveloped franchises, from First Light Junction, Inc. for a purchase price of \$751,375, which occurred on May 18, 2015.

The repurchase of six franchises, which consisted of two developed franchises and four undeveloped franchises, from WHB Franchise Inc. for a purchase price of \$500,000, which occurred on June 3, 2015.

The repurchase of six franchises, which consisted of three developed franchises and three undeveloped franchises, from Clear Path Ventures, Inc. for a purchase price of \$585,000, which occurred on June 5, 2015.

The Company made additional acquisitions during the periods presented, however, such acquisitions were excluded from the pro forma information set forth herein as they, either individually or in the aggregate, were deemed insignificant under Rule 3-05 of Regulation S-X.

The unaudited pro forma combined condensed financial statements were prepared using the acquisition method of accounting. The pro forma adjustments are based upon available information and assumptions that we believe are reasonable. The pro forma adjustments are preliminary and have been prepared to illustrate the estimated effect of the Acquisitions. Final adjustments may differ from the pro forma adjustments presented herein. The unaudited pro forma combined condensed financial statements are based on historical results and do not include any adjustments to reflect expected future cost savings from consolidation and efficiencies or the effects of any other cost reduction actions, nor do these statements include any pro forma adjustments relating to costs of integration that the combined company may incur, as such adjustments would be forward-looking.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2014 illustrates the effect of the Acquisitions as if they had occurred on January 1, 2014, and was derived from the historical audited statement of operations of each of the Acquired Entities, combined with our historical audited statement of operations for the year ended December 31, 2014.

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2015 illustrates the effect of the Acquisitions as if they had occurred on January 1, 2014, and was derived from the historical unaudited statements of operations of each of the Acquired Entities, combined with our historical unaudited statements of operations for the nine months ended September 30, 2015.

The historical consolidated financial information has been adjusted to give effect to pro forma events that are (i) directly attributable to the Acquisitions, (ii) factually supportable and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results.

Intercompany transactions between us and the respective Acquisition Entities have been eliminated within the condensed combined statements of operations. The assumptions used to prepare the pro forma financial information are contained in the notes to the unaudited pro forma combined condensed financial statements.

The unaudited pro forma combined condensed financial statements should be read in conjunction with the historical audited financial statements and notes thereto of our Annual Report on Form 10-K, the historical unaudited financial statements and notes thereto contained in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, and the historical audited financial statements for the year ended

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December 31, 2014 and notes thereto of The Joint San Gabriel Valley Group, Inc., First Light Junction, Inc., WHB Franchise, Inc. and Clear Path Ventures, Inc. included elsewhere in this prospectus.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if we had operated the Acquired Entities or if the Acquisitions had occurred as of the date or during the period presented, nor is it necessarily indicative of future operating results or financial position.

Certain reclassifications have been made from the Acquired Entities financial statements to conform with the presentation of our financial statements.

THE JOINT CORP.

Unaudited Pro Forma Condensed Combined Statement of Operations For the Year Ended December 31, 2014

	Historical The Joint Corp.	Historical Acquired Entities	Pro Forma Adjustments	Pro Forma Combined
Revenues:				
Royalty fees	\$3,194,286	\$	\$(180,911) ^(a)	3,013,375
Franchise fees	1,933,500		(116,000) ^(b)	1,817,500
Revenues and management fees from company clinics		1,023,437		1,023,437
IT related income and software fees	840,825		(47,983) ^(c)	792,842
Regional developer fees	478,500			478,500
Advertising fund revenue	459,493		(14,963) ^(f)	444,530
Other income	210,058			210,058
Total revenues	7,116,662	1,023,437	(359,857)	7,780,242
Cost of revenues:				
Franchise cost of revenues	2,081,382			2,081,382
IT cost of revenues	165,057			165,057
Total cost of revenues	2,246,439			2,246,439
Selling and marketing expenses	1,188,016	434,041	(184,549) ^{(a)(g)}	1,437,508
Depreciation and amortization	210,123	483,933	35,026 ^{(d)(e)(g)}	729,082
General and administrative expenses	5,098,793	2,386,228	(189,402) ^{(c)(f)(g)(h)}	7,295,619
Total selling, general and administrative expenses	6,496,932	3,304,202	(338,925)	9,462,209
Loss from operations	(1,626,709)	(2,280,765)	(20,932)	(3,928,406)
Other expense	(64,075)			(64,075)
Loss before income taxes	(1,690,784)	(2,280,765)	(20,932)	(3,992,481)
Income tax expense	(1,340,436)			(1,340,436)
Net loss	\$(3,031,220)	\$(2,280,765)	\$(20,932)	\$(5,332,917)

Loss per share:

Basic and diluted loss per share	\$ (0.56)	\$ (0.98)
Weighted average common shares outstanding	5,451,851	5,451,851

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**Unaudited Pro Forma Condensed Combined
Statement of Operations
For the Nine Months Ended September 30, 2015**

	Historical The Joint Corp.	Historical Acquired Entities	Pro Forma Adjustments	Pro Forma Combined
Revenues:				
Royalty fees	\$3,264,278	\$	\$(50,876) ^(a)	3,213,402
Franchise fees	1,862,259		(29,000) ^(b)	1,833,259
Revenues and management fees from company clinics	2,368,866	382,385	(907) ^(g)	2,750,344
Advertising fund revenue	955,480		(7,839) ^(f)	947,641
IT related income and software fees	598,758		(11,990) ^(c)	586,768
Regional developer fees	799,600			799,600
Other income	223,419			223,419
Total revenues	10,072,660	382,385	(100,612)	10,354,433
Cost of revenues:				
Franchise cost of revenues	1,948,328			1,948,328
IT cost of revenues	134,233			134,233
Total cost of revenues	2,082,561			2,082,561
Selling and marketing expenses	2,450,976	126,225	(48,829) ^{(a)(g)}	2,528,372
Depreciation and amortization	822,489	98,527	10,491) ^{(d)(e)(g)}	931,507
General and administrative expenses	10,528,817	526,278	(57,712) ^{(c)(f)(g)}	10,997,383
Total selling, general and administrative expenses	13,802,282	751,030	(96,050)	14,457,262
Loss from operations	(5,812,183)	(368,645)	(4,562)	(6,185,390)
Other income	402,014	22,724		424,738
Loss before income taxes	(5,410,169)	(345,921)	(4,562)	(5,760,652)
Income tax expense	(6,148)			(6,148)
Net loss	\$(5,416,317)	\$(345,921)	\$(4,562)	\$(5,766,800)
Loss per share:				
Basic and diluted loss per share	\$(0.55)			\$(0.59)
Weighted average common shares outstanding	9,777,119			9,777,119

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The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2015 and for the year ended December 31, 2014 are based on our historical financial statements and the Acquired Entities, after giving effect to the Acquisitions, and after applying the assumptions, reclassifications and adjustments described in the these accompanying notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements should be read in conjunction with our historical consolidated financial statements included in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, and the historical financial statements of the Acquired Entities included elsewhere in this prospectus.

The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The unaudited pro forma condensed combined financial statements are not intended to represent or be indicative of what the combined Company's results of operations or financial position that would have reported had the Acquisition been completed as of the dates presented, and should not be taken as a representation of the combined Company's future consolidated results of operations or financial position.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting. As such, identifiable assets acquired and liabilities assumed are recognized at fair value as of the acquisition date. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net amounts of the identifiable assets acquired and the liabilities assumed.

The unaudited pro forma condensed combined financial statements do not reflect any adjustments for restructuring activities or expected operating efficiencies or cost savings that may be achieved with respect to the combined companies or the costs necessary to achieve such restructuring activities, cost savings and operating synergies.

2. Estimate of Assets Acquired

The purchase price allocation for these acquisitions are preliminary and subject to further adjustment upon finalization of the opening balance sheet. The consideration paid for the Acquired Entities was allocated to assets acquired and liabilities assumed as follows:

Property and equipment	\$ 978,904
Intangible assets	567,900
Goodwill	1,457,105
Unfavorable lease liability	(227,834)
Total consideration paid	\$ 2,776,075

Intangible assets consist of reacquired franchise rights of \$355,000 and customer relationships of \$212,900 and will be amortized over their estimated useful lives of seven years, and two years, respectively. These preliminary estimates of fair value and useful lives could be different from the final acquisition accounting, and the difference could have a material impact on our consolidated financial statements. The combined effect of any such changes could also result

in a significant increase or decrease to our estimate of associated amortization expense within the accompanying condensed combined statements of operations.

3. Description of Pro Forma Adjustments

- a) Adjustment to eliminate royalty fees paid to us from the Acquired Entities that are intercompany in nature on a combined basis.
- b) Adjustment to eliminate franchise fees recognized by us that are intercompany in nature on a combined basis.
- c) Adjustment to eliminate software fees paid to us from the Acquired Entities that are intercompany in nature on a combined basis.

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NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

3. Description of Pro Forma Adjustments (continued)

- d) Adjustment to recognize the amortization of intangible assets of reacquired franchise rights and customer relationships arising from the Acquisitions, which are being amortized over useful lives of seven and two years, respectively.
- e) Adjustment to eliminate the Acquired Entities amortization of franchise fees which are intercompany in nature on a combined basis.
- f) Adjustment to eliminate advertising fund revenue paid to us from the Acquired Entities that are intercompany in nature on a combined basis.
- g) Adjustment to eliminate activity associated with any franchised clinics that were included in the historical audited financial statements of the Acquired Entities which were not acquired.
- h) Record amortization of unfavorable lease liabilities that were recognized in connection with acquisition.

No pro forma adjustments to income taxes were made as any income tax benefit generated would be fully reserved for, resulting in a net zero impact to income taxes.

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The following table presents our selected historical consolidated financial data and certain other financial data. The historical consolidated balance sheet data as of December 31, 2014 and 2013, and the consolidated statement of operations and consolidated statement of cash flows data for the years ended December 31, 2014 and 2013, have been derived from our historical audited consolidated financial statements. The consolidated balance sheet data as of September 30, 2015 and 2014, and the consolidated statement of operations and consolidated statement of cash flows data for the nine months ended September 30, 2015 and 2014 have been derived from our historical unaudited consolidated financial statements included elsewhere in this prospectus.

The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, and is qualified by reference to the financial statements and notes thereto.

(in thousands except per share data)	Year Ended		Nine Months Ended	
	December 31, 2014	2013	September 30, 2015	2014 (unaudited)
Consolidated Statement of Operations Data:				
Franchise and regional developer fees	\$ 2,412	\$ 3,279	\$ 2,662	\$ 1,847
Royalties	3,194	1,531	3,264	2,233
Revenues and management fees from company clinics			2,369	
Other income	1,511	1,148	1,778	982
Total revenues	7,117	5,958	10,073	5,061
Cost of revenues	2,246	2,006	(2,083)	(1,739)
Selling, general and administrative expense	6,498	3,512	(13,802)	(4,012)
Other (income) expense	64	32	402	(58)
Provision (benefit) for income taxes	1,340	252	(6)	285
Net income (loss)	\$(3,031)	\$ 156	\$(5,416)	\$(464)
Earnings per share:				
Basic earnings per share	\$(0.56)	\$ 0.03	(0.55)	(0.10)
Diluted earnings per share	\$(0.56)	\$ 0.02	(0.55)	(0.10)
Non-GAAP adjusted EBITDA				
Net income (loss)	\$(3,031)	\$ 156	\$(5,416)	\$(464)
Interest expense			10	
Depreciation and amortization expense	210			