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

**FORM 8-K/A**
**(Amendment No. 1)**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (date of earliest event reported): July 17, 2019

# The Joint Corp.

(Exact name of registrant as specified in its charter)

| Delaware<br>(State or other juris-<br>diction of incorporation) | 001-36724<br>(Commission file<br>number) | 90-0544160<br>(IRS employer<br>identification number) |
|---|---|---|

16767 N. Perimeter Drive, Suite 240
Scottsdale, AZ 85260
(Address of principal executive offices)

Registrant’s telephone number, including area code:
(480) 245-5960

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Securities registered under Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.001 Par Value Per Share | JYNT | The NASDAQ Capital Market LLC |

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

This Amendment No. 1 on Form 8-K/A ("Form 8-K/A") amends the Current Report on Form 8-K filed by The Joint Corp. ("we" or the "Company") with the Securities and Exchange Commission ("SEC") on July 23, 2019 ("July Form 8-K"). The July Form 8-K reported under Item 2.01 that the Company had completed its repurchase of two franchises in Georgia and one franchise in South Carolina, which was accomplished pursuant to an Asset and Franchise Purchase Agreement (the "Purchase Agreement") among the Company, TJ of Savannah – Twelve Oaks, LLC, a Georgia limited liability company ("TJS"), TJ of Pooler, LLC, a Georgia limited liability company ("TJP"), and TJ of Bluffton, LLC, a South Carolina limited liability company ("TJB") (TJS, TJP and TJB referred to herein as 'Sellers"), and Robyn Meglin and Allen Meglin (together, the "Shareholders").

The description of the Purchase Agreement found in this Form 8-K/A is not intended to be complete and is qualified in its entirety by reference to the agreements attached to the July Form 8-K.

This Form 8-K/A provides the financial statements and pro forma financial information as required by Item 9.01 of Form 8-K. No other modification to the July Form 8-K is being made by this Form 8-K/A. The information previously reported in or filed with the July Form 8-K is hereby incorporated by reference into this Form 8-K/A.

**Item 9.01 Financial Statements and Exhibits.**

(a)(1) Financial Statements of Businesses Acquired.

The audited combined financial statements of the Sellers as of December 31, 2018, and December 31, 2017 and for the years ended December 31, 2018 and 2017, and accompanying notes, and the unaudited condensed combined financial statements of the Sellers as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018 are attached hereto as Exhibit 99.1 and 99.2, respectively, and are incorporated by reference into this Form 8-K/A.

(b)(1) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial statements of the Company as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and the year ended December 31, 2018, and accompanying notes, are attached hereto as Exhibit 99.3 and are incorporated by reference into this Form 8-K/A.

(d) Exhibits.

| Exhibit No. | Description |
| --- | --- |
| 99.1 | Audited Combined Financial Statements of the Sellers as of December 31, 2018, and December 31, 2017 and for the years ended December 31, 2018 and 2017 |
| 99.2 | Unaudited Condensed Combined Financial Statements of the Sellers as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018 |
| 99.3 | Unaudited Pro Forma Condensed Combined Financial Statements of the Company as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and the year ended December 31, 2018 |

**Signature**

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

Date: September 27, 2019.

**The Joint Corp.**

By /s/ Peter D. Holt
Peter D. Holt
President and Chief Executive Officer

**EXHIBIT INDEX**

| Exhibit No. | Description |
|---|---|
| 99.1 | Audited Combined Financial Statements of the Sellers as of December 31, 2018, and December 31, 2017 and for the years ended December 31, 2018 and 2017 |
| 99.2 | Unaudited Condensed Combined Financial Statements of the Sellers as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018 |
| 99.3 | Unaudited Pro Forma Condensed Combined Financial Statements of the Company as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and the year ended December 31, 2018 |

# Meglin Clinics

**Combined Financial Statements**
**as of December 31, 2018, and December 31, 2017 and**
**for the years ended December 31, 2018 and 2017**

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## Report of Independent Auditors

To the Board of Directors
Meglin Clinics

We have audited the accompanying combined financial statements of Twelve Oaks, LLC, TJ of Pooler, LLC, and TJ of Bluffton, LLC, collectively referred to as the “Meglin Clinics” (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of operations, members' equity, and cash flows for each of the years then ended, and the related notes to the combined financial statements.

***Management’s Responsibility for the Combined financial statements***

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

***Auditor’s Responsibility***

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

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

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

***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Meglin Clinics as of December 31, 2018 and 2017 and the results of their operations and their cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 27, 2019
Denver, Colorado

**MEGLIN CLINICS**
**COMBINED STATEMENTS OF FINANCIAL POSITIONS**

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 77,133 | $ 39,601 |
| Prepaid expenses and other current assets | 7,957 | - |
| Total current assets | 85,090 | 39,601 |
| Property and equipment, net | 147,350 | 182,698 |
| Franchise fees, net | 33,351 | 42,051 |
| Deposits and other assets | 12,270 | 12,270 |
| Total assets | $ 278,061 | $ 276,620 |
| | | |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 27,456 | $ 30,733 |
| Deferred revenue | 149,521 | 136,345 |
| Other current liabilities | 10,169 | 9,410 |
| Total current liabilities | 187,146 | 176,488 |
| Other liabilities | 53,446 | 55,996 |
| Total liabilities | 240,592 | 232,484 |
| | | |
| Commitments and contingencies (Note 4) | | |
| | | |
| Members' equity | 37,469 | 44,136 |
| Total liabilities and members' equity | $ 278,061 | $ 276,620 |

**The accompanying notes are an integral part of these combined financial statements**

**MEGLIN CLINICS**
**COMBINED STATEMENTS OF OPERATIONS**

| | Year Ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| **Revenues:** | | |
| Revenues | $ 1,477,588 | $ 1,395,980 |
| **Expenses:** | | |
| Selling and marketing expenses | 71,792 | 36,360 |
| Depreciation and amortization | 44,048 | 63,479 |
| General and administrative expenses | 1,203,933 | 1,137,641 |
| Total selling, general and administrative expenses | 1,319,773 | 1,237,480 |
| **Income from operations** | 157,815 | 158,500 |
| Other expense, net | (1,391) | (2,271) |
| **Net income and comprehensive income** | $ 156,424 | $ 156,229 |

**The accompanying notes are an integral part of these combined financial statements**

**MEGLIN CLINICS**
**COMBINED STATEMENTS OF CASH FLOWS**

| | Year Ended December 31, | |
|---|---|---|
| | **2018** | **2017** |
| Cash flows from operating activities: | | |
| Net income | $ 156,424 | $ 156,229 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 44,048 | 63,479 |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other current assets | (7,958) | 15,321 |
| Other liabilities | (5,067) | (119,435) |
| Deferred revenue | 13,176 | 1,081 |
| Net cash provided by operating activities | 200,623 | 116,675 |
| | | |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | - | - |
| Net cash used in investing activities | - | - |
| | | |
| Cash flows from financing activities: | | |
| Distributions to owners | (163,091) | (105,066) |
| Net cash used in financing activities | (163,091) | (105,066) |
| | | |
| Increase in cash | 37,532 | 11,609 |
| Cash, beginning of period | 39,601 | 27,992 |
| Cash, end of period | $ 77,133 | $ 39,601 |

**The accompanying notes are an integral part of these combined financial statements**

**MEGLIN CLINICS**
**COMBINED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**

| | Total members' equity |
|---|---|
| Balances, January 1, 2017 | $ (7,027) |
| Distributions to owners | (105,066) |
| Net income | 156,229 |
| Balances, December 31, 2017 | $ 44,136 |
| Distributions to owners | (163,091) |
| Net income | 156,424 |
| Balances, December 31, 2018 | $ 37,469 |

**The accompanying notes are an integral part of these combined financial statements**

## MEGLIN CLINICS

## NOTES TO COMBINED FINANCIAL STATEMENTS

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

***Basis of Presentation and Principles of Combination***

The accompanying Meglin Clinics combined financial statements include the accounts of the following entities, all of which are under common control and ownership: TJ of Savannah – Twelve Oaks, LLC, a Georgia limited liability company ("TJS"), TJ of Pooler, LLC, a Georgia limited liability company ("TJP"), and TJ of Bluffton, LLC, a South Carolina limited liability company ("TJB") (TJS, TJP and TJB are referred to herein collectively, as the "Company" or the "Meglin Clinics"). All significant inter-clinic accounts and transactions between the three clinics have been eliminated in combination.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amount of assets, liabilities, revenue, costs, expenses and other (expenses) income that are reported in the combined financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates.

***Comprehensive Income***

Net income and comprehensive income are the same for the years ended December 31, 2018 and 2017.

***Nature of Operations***

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

On July 17, 2019, the Company entered into an agreement with The Joint in which it sold substantially all of the assets of three developed franchises and terminated its franchise rights under the Company's three franchise agreements for consideration of $1,650,000.

***Cash and Cash Equivalents***

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and credit quality of, the financial institutions with which it invests. The Company had no cash equivalents as of December 31, 2018 and 2017.

***Franchise Fees***

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

***Property and Equipment***

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

***Long-Lived Assets***

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to estimated undiscounted future cash flows in its assessment of whether or not long-lived assets are recoverable. No impairments of long-lived assets were recorded for the years ended December 31, 2018 and 2017.

***Revenue Recognition***

The Company earns revenues from clinics that it owns and operates, and revenues are recognized when services are performed. The Company offers a variety of membership and wellness packages which feature discounted pricing as compared with its single-visit pricing. Amounts collected in advance for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed.

***Royalties and Advertising Fees***

Pursuant to the franchise agreements, the Company is required to pay royalties and advertising fees to The Joint based on a percentage of sales, including 7% for royalties and 2% for advertising fees. Total royalties and advertising fees for the years ended December 31, 2018 and 2017 were $135,412, and $126,681, respectively.

***Advertising Costs***

The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2018 and 2017 were $71,792, and $36,360, respectively.

***Income Taxes***

The Company has elected to be treated as a limited liability company for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the members', and no provision for federal income taxes has been recorded on the accompanying financial statements.

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

***Recent Accounting Pronouncements***

***Newly Issued Accounting Standards Not Yet Adopted***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 - Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard also calls for additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard becomes effective for the Company as of the acquisition date by The Joint.

In February 2016, the FASB issued the guidance of Accounting Standards Codification 842 – Leases ("ASC 842"). The new guidance will require lessees to recognize a right-of-use asset and a lease liability for virtually all leases, other than leases with a term of 12 months or less, and to provide additional disclosures about leasing arrangements. The Company will adopt this standard using the modified retrospective approach. The Company is still finalizing its adoption procedures, but it anticipates that the adoption of this standard will result in the recognition of additional right-of-use assets and lease liabilities for minimum commitments under noncancelable operating leases of approximately $425,000 as of the date of adoption.

The Company reviewed other newly issued accounting pronouncements and concluded that they either are not applicable to the Company's operations or that no material effect is expected on the Company's financial statements upon future adoption.

**Note 2: Property and Equipment**

Property and equipment consist of the following:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Leasehold improvements | $ 296,077 | $ 296,077 |
| Furniture and fixtures | 126,926 | 126,926 |
| Office equipment | 65,927 | 65,927 |
| | 488,930 | 488,930 |
| Less accumulated depreciation | (341,580) | (306,232) |
| Total property and equipment, net | $ 147,350 | $ 182,698 |

Depreciation expense was $35,348 and $54,779 for the years ended December 31, 2018, and 2017, respectively.

**Note 3: Franchise fees**

Franchise fees consist of the following:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Franchise fee | $ 87,000 | $ 87,000 |
| Less accumulated amortization | (53,649) | (44,949) |
| Franchise fee, net | $ 33,351 | $ 42,051 |

Amortization expense related to the Company's franchise fees were $8,700 and $8,700 for the years ended December 31, 2018 and 2017, respectively.

Estimated amortization expense for 2019 and subsequent years is as follows:

| Future amortization expense | |
|---|---|
| 2019 | $ 8,700 |
| 2020 | 8,700 |
| 2021 | 8,700 |
| 2022 | 6,767 |
| 2023 | 484 |
| Total | $ 33,351 |

**Note 4: Commitments and Contingencies**

The Company leases facilities under non-cancelable operating leases. Rent expenses for the years ended December 31, 2018 and 2017 were $150,095, and $144,299, respectively.

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

| Future minimum lease payments | |
|---|---|
| 2019 | $ 121,228 |
| 2020 | 123,623 |
| 2021 | 126,110 |
| 2022 | 127,370 |
| 2023 | 77,011 |
| Thereafter | 4,958 |
| Total | $ 580,300 |

***Litigation***

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

**Meglin Clinics**

**Condensed Combined Financial Statements**
**as of June 30, 2019 and December 31, 2018 and**
**for the three and six months ended June 30, 2019 and 2018**

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**MEGLIN CLINICS**
**CONDENSED COMBINED STATEMENTS OF FINANCIAL POSITIONS**

| | (Unaudited) June 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 68,316 | $ 77,133 |
| Prepaid expenses and other current assets | 9,000 | 7,957 |
| Total current assets | 77,316 | 85,090 |
| Property and equipment, net | 130,649 | 147,350 |
| Franchise fees, net | 29,000 | 33,351 |
| Deposits and other assets | 12,270 | 12,270 |
| Total assets | $ 249,235 | $ 278,061 |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 56,213 | $ 27,456 |
| Deferred revenue | 145,043 | 149,521 |
| Other current liabilities | 10,358 | 10,169 |
| Total current liabilities | 211,614 | 187,146 |
| Other liabilities | 49,207 | 53,446 |
| Total liabilities | 260,821 | 240,592 |
| Commitments and contingencies (Note 4) | | |
| Members' (deficit) equity | (11,586) | 37,469 |
| Total liabilities and members' equity | $ 249,235 | $ 278,061 |

The accompanying notes are an integral part of these combined financial statements

**MEGLIN CLINICS**
**COMBINED STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Revenues:** | | | | |
| Revenues | $ 411,027 | $ 362,534 | $ 822,725 | $ 711,752 |
| | | | | |
| **Expenses:** | | | | |
| Selling and marketing expenses | 23,319 | 21,449 | 42,026 | 27,891 |
| Depreciation and amortization | 10,430 | 11,428 | 21,052 | 22,856 |
| General and administrative expenses | 334,923 | 299,301 | 657,628 | 604,731 |
| Total selling, general and administrative expenses | 368,672 | 332,178 | 720,706 | 655,478 |
| | | | | |
| **Income from operations** | 42,355 | 30,356 | 102,019 | 56,274 |
| | | | | |
| Other (expense) income, net | - | (74) | 37,979 | (665) |
| | | | | |
| **Net income and comprehensive income** | $ 42,355 | $ 30,282 | $ 139,998 | $ 55,609 |

The accompanying notes are an integral part of these combined financial statements

**MEGLIN CLINICS**
**COMBINED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| Cash flows from operating activities: | | |
| Net income | $ 139,998 | $ 55,609 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 21,052 | 22,856 |
| Prepaid expenses and other current assets | (42) | (32,953) |
| Other liabilities | 23,706 | - |
| Deferred revenue | (4,478) | 6,467 |
| Net cash provided by operating activities | 180,236 | 51,979 |
| | | |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | - | - |
| Net cash used in investing activities | - | - |
| | | |
| Cash flows from financing activities: | | |
| Distributions to owners | (189,053) | (45,255) |
| Net cash used in financing activities | (189,053) | (45,255) |
| | | |
| (Decrease) Increase in cash | (8,817) | 6,724 |
| Cash, beginning of period | 77,133 | 39,601 |
| Cash, end of period | $ 68,316 | $ 46,325 |

The accompanying notes are an integral part of these combined financial statements

**MEGLIN CLINICS**
**COMBINED STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)**
**(Unaudited)**

| | Total members' equity (deficit) |
|---|---|
| Balances, December 31, 2017 | $ 44,136 |
| Distributions to owners | (45,255) |
| Net income | 55,609 |
| Balances, June 30, 2018 | $ 54,490 |
| | |
| Balances, December 31, 2018 | $ 37,469 |
| Distributions to owners | (189,053) |
| Net income | 139,998 |
| Balances, June 30, 2019 | $ (11,586) |

The accompanying notes are an integral part of these combined financial statements

MEGLIN CLINICS

NOTES TO COMBINED FINANCIAL STATEMENTS

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

***Basis of Presentation and Principles of Combination***

The accompanying Meglin Clinics condensed combined financial statements include the accounts of the following entities, all of which are under common control and ownership: TJ of Savannah – Twelve Oaks, LLC, a Georgia limited liability company (“TJS”), TJ of Pooler, LLC, a Georgia limited liability company (“TJP”), and TJ of Bluffton, LLC, a South Carolina limited liability company (“TJB”) (TJS, TJP and TJB are referred to herein collectively, as the “Company” or the “Meglin Clinics”). All significant inter-clinic accounts and transactions between the three clinics have been eliminated in combination.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the amount of assets, liabilities, revenue, costs, expenses and other (expenses) income that are reported in the combined financial statements and accompanying disclosures. These estimates are based on management’s best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates.

***Comprehensive Income***

Net income and comprehensive income are the same for the three and six months ended June 30, 2019 and 2018.

***Nature of Operations***

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

On July 17, 2019, the Company entered into an agreement with The Joint in which it sold substantially all of the assets of three developed franchises and terminated its franchise rights under the Company's three franchise agreements for consideration of $1,650,000.

***Cash and Cash Equivalents***

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and credit quality of, the financial institutions with which it invests. The Company had no cash equivalents as of June 30, 2019 and December 31, 2018.

***Franchise Fees***

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

***Property and Equipment***

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

***Long-Lived Assets***

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to estimated undiscounted future cash flows in its assessment of whether or not long-lived assets are recoverable. No impairments of long-lived assets were recorded for the three and six months ended June 30, 2019 and 2018.

***Revenue Recognition***

The Company earns revenues from clinics that it owns and operates, and revenues are recognized when services are performed. The Company offers a variety of membership and wellness packages which feature discounted pricing as compared with its single-visit pricing. Amounts collected in advance for membership and wellness packages are recorded as deferred revenue and recognized when the service is performed.

***Royalties and Advertising Fees***

Pursuant to the franchise agreements, the Company is required to pay royalties and advertising fees based on a percentage of sales, including 7% for royalties and 2% for advertising fees. Total royalties and advertising fees for the three and six months ended June 30, 2019 were $36,664, and $74,467, respectively. Total royalties and advertising fees for the three and six months ended June 30, 2018 were $33,413, and $65,168, respectively.

***Advertising Costs***

The Company expenses advertising costs as incurred. Advertising expenses for the three and six months ended June 30, 2019 were $23,319, and $42,026, respectively. Advertising expenses for the three and six months ended June 30, 2018 were $21,449, and $27,891, respectively.

***Income Taxes***

The Company has elected to be treated as a limited liability company for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the members', and no provision for federal income taxes has been recorded on the accompanying financial statements.

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

***Recent Accounting Pronouncements***

***Newly Issued Accounting Standards Not Yet Adopted***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 - Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard also calls for additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard becomes effective for the Company as of the acquisition date by The Joint.

In February 2016, the FASB issued the guidance of Accounting Standards Codification 842 – Leases ("ASC 842"). The new guidance will require lessees to recognize a right-of-use asset and a lease liability for virtually all leases, other than leases with a term of 12 months or less, and to provide additional disclosures about leasing arrangements. The Company will adopt this using the modified retrospective approach. The Company is still finalizing its adoption procedures, but it anticipates that the adoption of this standard will result in the recognition of additional right-of-use assets and lease liabilities for minimum commitments under noncancelable operating leases of approximately $425,000 as of the date of adoption.

The Company reviewed other newly issued accounting pronouncements and concluded that they either are not applicable to the Company's operations or that no material effect is expected on the Company's financial statements upon future adoption.

**Note 2: Property and Equipment**

Property and equipment consist of the following:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Leasehold improvements | $ 296,077 | $ 296,077 |
| Furniture and fixtures | 126,926 | 126,926 |
| Office equipment | 65,927 | 65,927 |
| | 488,930 | 488,930 |
| Less accumulated depreciation | (358,281) | (341,580) |
| Total property and equipment, net | $ 130,649 | $ 147,350 |

Depreciation expense was $8,255 and $16,702 for the three and six months ended June 30, 2019, respectively.
Depreciation expense was $9,253 and $18,506 for the three and six months ended June 30, 2018, respectively.

**Note 3: Franchise fees**

Franchise fees consist of the following:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Franchise fee | $ 87,000 | $ 87,000 |
| Less accumulated amortization | (58,000) | (53,649) |
| Franchise fee, net | $ 29,000 | $ 33,351 |

Amortization expense related to the Company's franchise fees were $2,175 and $4,350 for the three and six months ended June 30, 2019, respectively.

Amortization expense related to the Company's franchise fees were $2,175 and $4,350 for the three and six months ended June 30, 2018, respectively.

Estimated amortization expense for the remainder of 2019 and subsequent years is as follows:

| Future amortization expense | |
|---|---|
| 2019 (remainder) | $ 4,350 |
| 2020 | 8,700 |
| 2021 | 8,700 |
| 2022 | 6,767 |
| 2023 | 483 |
| Total | $ 29,000 |

**Note 4: Commitments and Contingencies**

***Litigation***

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

# THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
# UNAUDITED PRO FORMA
# CONDENSED COMBINED FINANCIAL STATEMENTS

On July 17, 2019, The Joint Corp. (the "Company") completed the purchase of three franchisee clinics from its stockholders (the "acquisition"), which consisted of: TJ of Savannah – Twelve Oaks, LLC, a Georgia limited liability company ("TJS"), TJ of Pooler, LLC, a Georgia limited liability company ("TJP"), and TJ of Bluffton, LLC, a South Carolina limited liability company ("TJB") (TJS, TJP and TJB are referred to herein collectively, as the "Meglin Clinics"). The purchase price of $1,650,000 consisted of $1,500,000 paid in cash and a $150,000 note issued to the seller pursuant to the terms and conditions set forth in the Share Purchase Agreement. The Share Purchase Agreement was filed with the Securities and Exchange Commission (the "SEC") as an exhibit to the Company's Current Report on Form 8-K filed on July 23, 2019.

Included herein are the unaudited pro forma condensed combined financial statements, which are not necessarily indicative of what the Company's financial position or results of operations would have been had the Company completed the acquisition at the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the Company after the acquisition. The pro forma information is based on the assumptions, adjustments and eliminations described in the accompanying notes to the unaudited pro forma condensed combined financial statements, which form an integral part of the statements.

The following unaudited pro forma condensed combined financial statements combine the historical consolidated financial statements of the Company and the historical financial statements of the Meglin clinics adjusted to give effect to the impact of the acquisition and related financing transactions. The unaudited pro forma condensed combined balance sheet presents the combined financial position giving effect to the acquisition and related financing transactions as if they had occurred on June 30, 2019. Because the Company acquired only certain assets from the Meglin Clinics, the Company have presented the acquisition of such assets in the pro forma adjustments column. The assets acquired were the assets that derived all of Meglin Clinics' revenue, and therefore, the Company has included a separate column for the combined statements of operations pro forma presentation. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2019 and for the year ended December 31, 2018 present the combined results of operations as if the acquisition had occurred on January 1, 2018. These unaudited pro forma condensed combined financial statements have been prepared in accordance with Regulation S-X Article 11.

These unaudited pro forma condensed combined financial statements should be read in connection with:

- Separate historical financial statements of the Company as of and for the year ended December 31, 2018, which are incorporated by reference to its Annual Report on Form 10-K; and
- Separate historical financial statements of the Company as of and for the six months ended June 30, 2019, which are incorporated by reference to its Quarterly Report on Form 10-Q for the six months ended June 30, 2019.

**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES**
**UNAUDITED PRO FORMA**
**CONDENSED COMBINED BALANCE SHEET**

**As of June 30, 2019**

| | The Joint Corp. | Pro Forma Adjustments | | Pro Forma Condensed Combined |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 9,485,212 | $ (1,500,000) | (a) | $ 7,985,212 |
| Restricted cash | 129,220 | - | | 129,220 |
| Accounts receivable, net | 1,033,479 | - | | 1,033,479 |
| Income taxes receivable | - | - | | - |
| Notes receivable - current portion | 163,573 | - | | 163,573 |
| Deferred franchise costs - current portion | 710,796 | (4,590) | (g) | 706,206 |
| Prepaid expenses and other current assets | 887,676 | - | | 887,676 |
| Total current assets | 12,409,956 | (1,504,590) | | 10,905,366 |
| Property and equipment, net | 4,963,037 | 48,418 | (b) | 5,011,455 |
| Operating lease right-of-use asset | 10,030,737 | 511,257 | (h) | 10,615,386 |
| Notes receivable, net of current portion | 41,683 | - | | 41,683 |
| Deferred franchise costs, net of current portion | 3,485,644 | (10,429) | (g) | 3,475,215 |
| Intangible assets, net | 1,975,835 | 1,072,000 | (c) | 3,047,835 |
| Goodwill | 3,225,145 | 483,862 | (d) | 3,635,615 |
| Deposits and other assets | 337,379 | - | | 337,379 |
| Total assets | $ 36,469,416 | $ 600,518 | | $ 37,069,934 |
| | | | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 1,199,341 | $ - | | $ 1,199,341 |
| Accrued expenses | 178,949 | - | | 178,949 |
| Co-op funds liability | 129,220 | - | | 129,220 |
| Payroll liabilities | 1,602,916 | - | | 1,602,916 |
| Notes payable - current portion | 1,000,000 | 150,000 | (a) | 1,150,000 |
| Operating lease liability - current portion | 1,827,233 | 86,815 | (h) | 1,914,048 |
| Finance lease liability - current portion | 23,075 | - | | 23,075 |
| Deferred franchise revenue - current portion | 2,697,669 | (8,700) | (f) | 2,688,969 |
| Deferred revenue from company clinics | 2,677,782 | 53,928 | (e) | 2,731,710 |
| Other current liabilities | 540,279 | - | | 540,279 |
| Total current liabilities | 11,876,464 | 282,043 | | 12,158,507 |
| Operating lease liability - net of current portion | 9,049,948 | 338,243 | (h) | 9,388,191 |
| Finance lease liability - net of current portion | 46,826 | - | | 46,826 |
| Deferred franchise revenue, net of current portion | 12,652,780 | (19,768) | (f) | 12,633,012 |
| Deferred tax liability | 83,294 | - | | 83,294 |
| Other liabilities | 27,230 | - | | 27,230 |
| Total liabilities | 33,736,542 | 600,518 | | 34,337,060 |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Series A preferred stock, $0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of December 31, 2018 and 2017 | - | - | | - |
| Common stock | 13,838 | - | | 13,838 |
| Additional paid-in capital | 38,779,538 | - | | 38,779,538 |
| Treasury stock | (90,856) | - | | (90,856) |
| Accumulated deficit | (35,969,746) | - | | (35,969,746) |
| Total The Joint Corp. stockholders' equity | 2,732,774 | - | | 2,732,774 |
| Non-controlling Interest | 100 | - | | 100 |
| Total equity | 2,732,874 | - | | 2,732,874 |
| Total liabilities and stockholders' equity | $ 36,469,416 | $ 600,518 | | $ 37,069,934 |

**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES**
**UNAUDITED PRO FORMA**
**CONDENSED COMBINED STATEMENTS OF OPERATIONS**

**Year Ended December 31, 2018**

| | The Joint Corp. (as adjusted) | Meglin Clinics | Pro Forma Adjustments | | Pro Forma Adjustments | Pro Forma Adjustments | Pro Forma Condensed Combined |
|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | |
| Revenues from company-owned or managed clinics | $ 19,545,276 | $ 1,477,588 | $ - | | $ - | $ - | $ 21,022,864 |
| Royalty fees | 10,141,036 | - | (135,412) | (i) | - | - | 10,005,624 |
| Franchise fees | 1,688,039 | - | 43,983 | (f) | (8,700)(j) | - | 1,723,322 |
| Advertising fund revenue | 2,862,244 | - | - | | - | - | 2,862,244 |
| Software fees | 1,290,135 | - | (9,900) | (k) | - | - | 1,280,235 |
| Regional developer fees | 599,370 | - | - | | - | - | 599,370 |
| Other revenues | 535,560 | - | - | | - | - | 535,560 |
| Total revenues | 36,661,660 | 1,477,588 | (101,329) | | (8,700) | - | 38,029,219 |
| Cost of revenues: | | | | | | | |
| Franchise cost of revenues | 3,956,530 | - | 18,615 | (g) | - | - | 3,975,145 |
| IT cost of revenues | 353,719 | - | - | | - | - | 353,719 |
| Total cost of revenues | 4,310,249 | - | 18,615 | | - | - | 4,328,864 |
| Selling and marketing expenses | 4,819,555 | 71,792 | - | | - | - | 4,891,347 |
| Depreciation and amortization | 1,556,240 | 44,048 | 368,833 | (c) | (8,700)(j) | - | 1,960,421 |
| General and administrative expenses | 25,238,121 | 1,203,933 | 43,983 | (f) | (135,412)(i) | (9,900)(k) | 26,340,725 |
| Total selling, general and administrative expenses | 31,613,916 | 1,319,773 | 412,816 | | (144,112) | (9,900) | 33,192,493 |
| Net (gain) loss on disposition or impairment | 593,960 | - | - | | - | - | 593,960 |
| Income (loss) from operations | 143,535 | 157,815 | (532,760) | | 135,412 | 9,900 | (86,098) |
| | | | | | | | |
| Other income (expense): | | | | | | | |
| Bargain purchase gain | 13,198 | - | - | | - | - | 13,198 |
| Other income (expense), net | (47,765) | (1,391) | - | | - | - | (49,156) |
| Total other income (expense) | (34,567) | (1,391) | - | | - | - | (35,958) |
| | | | | | | | |
| Income (loss) before income tax expense | 108,968 | 156,424 | (532,760) | | 135,412 | 9,900 | (122,056) |
| | | | | | | | |
| Income tax benefit | 37,728 | - | - | (l) | - | - | 37,728 |
| | | | | | | | |
| Net income (loss) and comprehensive income (loss) | $ 146,696 | $ 156,424 | $ (532,760) | | $ 135,412 | $ 9,900 | $ (84,328) |
| | | | | | | | |
| Earnings (loss) per share: | | | | | | | |
| | | | | | | | |
| Basic earnings (loss) per share | $ 0.01 | | | | | | $ (0.01) |
| Diluted earnings (loss) per share | $ 0.01 | | | | | | $ (0.01) |
| | | | | | | | |
| Basic weighted average shares | 13,669,107 | | | | | | 13,669,107 |
| Diluted weighted average shares | 14,031,717 | | | | | | 14,031,717 |

**THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES**
**UNAUDITED PRO FORMA**
**CONDENSED COMBINED STATEMENTS OF OPERATIONS**

**Six Months Ended June 30, 2019**

| | The Joint Corp. | Meglin Clinics | Pro Forma Adjustments | | Pro Forma Adjustments | Pro Forma Condensed Combined |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Revenues from company-owned or managed clinics | $ 11,416,365 | $ 822,725 | $ - | | $ - | $ 12,239,090 |
| Royalty fees | 6,290,346 | - | (74,467) | (i) | - | 6,215,879 |
| Franchise fees | 864,339 | - | (4,350) | (j) | - | 859,989 |
| Advertising fund revenue | 1,819,367 | - | - | | - | 1,819,367 |
| Software fees | 742,361 | - | (4,950) | (k) | - | 737,411 |
| Regional developer fees | 384,381 | - | - | | - | 384,381 |
| Other revenues | 332,197 | - | - | | - | 332,197 |
| Total revenues | 21,849,356 | 822,725 | (83,767) | | - | 22,588,314 |
| Cost of revenues: | | | | | | |
| Franchise cost of revenues | 2,315,431 | - | (2,295) | (g) | - | 2,313,136 |
| IT cost of revenues | 189,659 | - | - | | - | 189,659 |
| Total cost of revenues | 2,505,090 | - | (2,295) | | - | 2,502,795 |
| Selling and marketing expenses | 3,275,356 | 42,026 | - | | - | 3,317,382 |
| Depreciation and amortization | 770,143 | 21,052 | 184,417 | (c) | (4,350)(j) | 971,262 |
| General and administrative expenses | 13,780,566 | 657,628 | (74,467) | (i) | (4,950)(k) | 14,358,777 |
| Total selling, general and administrative expenses | 17,826,065 | 720,706 | 109,950 | | (9,300) | 18,647,421 |
| Net (gain) loss on disposition or impairment | 86,927 | - | - | | - | 86,927 |
| Income (loss) from operations | 1,431,274 | 102,019 | (191,422) | | 9,300 | 1,351,171 |
| | | | | | | |
| Other income (expense): | | | | | | |
| Bargain purchase gain | 19,298 | - | - | | - | 19,298 |
| Other income (expense), net | (26,771) | 37,979 | - | | - | 11,208 |
| Total other income (expense) | (7,473) | 37,979 | - | | - | 30,506 |
| | | | | | | |
| Income (loss) before income tax expense | 1,423,801 | 139,998 | (191,422) | | 9,300 | 1,381,677 |
| | | | | | | |
| Income tax expense | (8,896) | - | - | (l) | - | (8,896) |
| | | | | | | |
| Net income (loss) and comprehensive income (loss) | $ 1,414,905 | $ 139,998 | $ (191,422) | | $ 9,300 | $ 1,372,781 |
| | | | | | | |
| Earnings per share: | | | | | | |
| | | | | | | |
| Basic earnings per share | $ 0.10 | | | | | $ 0.10 |
| Diluted earnings per share | $ 0.10 | | | | | $ 0.10 |
| | | | | | | |
| Basic weighted average shares | 13,774,474 | | | | | 13,774,474 |
| Diluted weighted average shares | 14,390,320 | | | | | 14,390,320 |

**NOTES TO UNAUDITED PRO FORMA**
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1:** ***Background and Basis of Presentation***

On July 17, 2019, the Company completed the purchase of the Meglin Clinics for $1,650,000, which consisted of $1,500,000 paid in cash (less $13,450 of deferred revenue) and a $150,000 note issued to the seller.

The historical condensed financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are i) directly attributable to the acquisition and related financing transactions, ii) factually supportable and iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the acquisition.

The unaudited pro forma condensed combined financial statements are not necessarily indicative of what the Company's financial position or results of operations would have been had the Company completed the acquisition and related financing transactions at the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the Company after the acquisition. The pro forma information is based on the assumptions, adjustments and eliminations described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The pro forma adjustments are preliminary and are subject to change as more information becomes available and after final analysis of fair values of tangible and intangible assets acquired and liabilities assumed are complete. A final determination of the fair value for certain assets and liabilities will be completed as soon as the information necessary to complete the analysis is obtained, but no later than one year from the acquisition date. Differences between all preliminary estimates included herein and the final acquisition accounting may occur and these differences could be material.

**Note 2:** ***Estimate of Assets Acquired***

The acquisition will be accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification 805 - Business Combinations ("ASC 805"), which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded to goodwill.

The total purchase price for the transaction to acquire the Meglin clinics was $1,650,00, less $13,450 of deferred revenue resulting in total purchase consideration of $1,636,550. Total The purchase price consideration was allocated to assets as follows:

| | | |
|---|---|---|
| Property and equipment | $ | 48,418 |
| Intangible assets | | 1,072,000 |
| Operating lease right-of-use asset | | 511,257 |
| Operating lease liability - current portion | | (86,815) |
| Operating lease liability - net of current portion | | (338,244) |
| Deferred revenue | | (53,928) |
| Total net assets acquired | | 1,152,688 |
| Goodwill | | 483,862 |
| Net purchase price | $ | 1,636,550 |

The pro forma purchase price allocation is subject to further adjustment as additional information becomes available and analyses are completed. The final allocation of amounts to assets acquired and liabilities assumed could differ materially from the preliminary amounts presented in these unaudited pro forma condensed combined financial statements. A decrease in the fair value of assets acquired or an increase in the fair value of liabilities assumed from the preliminary valuations presented in these unaudited pro forma condensed combined financial statements would likely result in a dollar-for-dollar corresponding increase in the amount of goodwill that will result from the acquisition. In addition, if the value of the acquired assets is higher than the preliminary indication, it may result in higher amortization and depreciation expense than is presented in these unaudited pro forma condensed combined financial statements.

Intangible assets consist of reacquired franchise rights of $819,000 and customer relationships of $253,000 and will be amortized over their estimated useful lives of three to four 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 the Company's consolidated financial statements.

**Note 3: Pro forma adjustments**

(a) Adjustment to cash and note payable in connection with the purchase consideration paid.

(b) Adjustment to record property, plant and equipment at the preliminary fair market value which consisted of leasehold improvement of $48,418 to be depreciated over approximately five years.

(c) Adjustment to record intangible assets and the related additional amortization expense. Intangible assets consist of reacquired franchise rights of $819,000 amortized over an estimated useful life of three to four years and customer relationships of $253,000 amortized over an estimated useful life of two years.

(d) Adjustment to record goodwill as a result of the acquisition. Goodwill represents the excess of the consideration transferred over the preliminary fair value of the assets acquired and liabilities assumed as described in Note 2. The goodwill will not be amortized, but instead will be tested for impairment annually and whenever events and circumstances have occurred that may indicate a possible impairment exists. In the event management determines that the value of goodwill has become impaired, the Company will incur an accounting charge for the amount of the impairment during the period in which the determination is made.

(e) Adjustment to record deferred revenue related to the wellness packages sold by the Meglin clinics as a result of the acquisition.

(f) Adjustment to eliminate deferred franchise revenue related to the Meglin clinics.

(g) Adjustment to eliminate deferred franchise costs and related amortization expense associated with the Meglin clinics.

(h) Adjustment to record the impact of the adoption of Accounting Standards Codification 842 – Leases related to assumed leases, resulting in a preliminary estimated fair value of acquired right of use lease assets of $511,257 (including the impact of favorable leases assumed), assumed short-term lease liabilities of $86,815, and long-term lease liabilities of $338,244.

(i) Adjustment to eliminate royalty fees (including advertising fee) paid to the Company by the Meglin clinics that are intercompany in nature on a combined basis.

(j) Adjustment to eliminate franchise fees recognized by the Company that are intercompany in nature on a combined basis.

(k) Adjustment to eliminate software fees paid to the Company by the Meglin clinics that are intercompany in nature on a combined basis.

(l) No pro forma adjustment to income taxes was made to the condensed combined statements of operations, as any income tax benefit generated would be fully reserved for, resulting in a net zero impact to income taxes.