

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36724

The Joint Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

90-0544160
(IRS Employer Identification No.)

16767 N. Perimeter Drive, Suite 110, Scottsdale
Arizona
(Address of principal executive offices)

85260
(Zip Code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to 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 |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No "

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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. "

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Act). Yes No

As of September 11, 2023, the registrant had 14,754,553 shares of Common Stock (\$0.001 par value) outstanding.

**THE JOINT CORP.
FORM 10-Q**

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PART I: FINANCIAL INFORMATION

ITEM 1. UNAUDITED FINANCIAL STATEMENTS

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

| | June 30, 2023 | December 31, 2022 |
|---|--------------------------|------------------------------|
| | (unaudited) | (as restated) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 13,602,515 | \$ 9,745,066 |
| Restricted cash | 848,831 | 805,351 |
| Accounts receivable, net | 3,534,828 | 3,911,272 |
| Deferred franchise and regional development costs, current portion | 1,058,704 | 1,054,060 |
| Prepaid expenses and other current assets | 3,306,964 | 2,098,359 |
| Assets held for sale | 215,722 | — |
| Total current assets | 22,567,564 | 17,614,108 |
| Property and equipment, net | 17,627,933 | 17,475,152 |
| Operating lease right-of-use asset | 22,641,632 | 20,587,199 |
| Deferred franchise and regional development costs, net of current portion | 5,605,760 | 5,707,678 |
| Intangible assets, net | 10,050,360 | 10,928,295 |
| Goodwill | 8,493,407 | 8,493,407 |
| Deferred tax assets | 11,450,998 | 11,928,152 |
| Deposits and other assets | 768,943 | 756,386 |
| Total assets | \$ 99,206,597 | \$ 93,490,377 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,576,085 | \$ 2,966,589 |
| Accrued expenses | 2,342,744 | 1,069,610 |
| Co-op funds liability | 848,832 | 805,351 |
| Payroll liabilities (\$0.6 million and \$0.6 million attributable to VIE) | 2,845,800 | 2,030,510 |
| Operating lease liability, current portion | 5,880,954 | 5,295,830 |
| Finance lease liability, current portion | 24,956 | 24,433 |
| Deferred franchise fee revenue, current portion | 2,503,294 | 2,468,601 |
| Deferred revenue from company clinics (\$5.0 million and \$4.7 million attributable to VIE) | 7,689,448 | 7,471,549 |
| Upfront Regional Developer Fees, current portion | 406,965 | 487,250 |
| Other current liabilities | 693,427 | 597,294 |
| Liabilities to be disposed of | 155,622 | — |
| Total current liabilities | 24,968,127 | 23,217,017 |
| Operating lease liability, net of current portion | 20,029,654 | 18,672,719 |
| Finance lease liability, net of current portion | 50,896 | 63,507 |
| Debt under the Credit Agreement | 2,000,000 | 2,000,000 |
| Deferred franchise revenue, net of current portion | 14,210,441 | 14,161,134 |
| Upfront Regional Developer Fees, net of current portion | 1,183,106 | 1,500,278 |
| Other liabilities | 1,287,879 | 1,287,879 |
| Total liabilities | 63,730,103 | 60,902,534 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Series A preferred stock, \$0.001 par value; 50,000 shares authorized, 0 issued and outstanding, as of June 30, 2023 and December 31, 2022 | — | — |
| Common stock, \$0.001 par value; 20,000,000 shares authorized, 14,772,520 shares issued and 14,740,485 shares outstanding as of June 30, 2023 and 14,560,353 shares issued and 14,528,487 outstanding as of December 31, 2022 | 14,772 | 14,560 |
| Additional paid-in capital | 46,443,706 | 45,558,305 |
| Treasury stock 32,035 shares as of June 30, 2023 and 31,866 shares as of December 31, 2022, at cost | (859,279) | (856,642) |
| Accumulated deficit | (10,147,705) | (12,153,380) |
| Total The Joint Corp. stockholders' equity | 35,451,494 | 32,562,843 |
| Non-controlling Interest | 25,000 | 25,000 |
| Total equity | 35,476,494 | 32,587,843 |
| Total liabilities and stockholders' equity | \$ 99,206,597 | \$ 93,490,377 |

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

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

| | Three Months Ended | | Six Months Ended | |
|---|---------------------|---------------------|---------------------|---------------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| | (as restated) | | (as restated) | |
| Revenues: | | | | |
| Revenues from company-owned or managed clinics | \$ 17,802,838 | \$ 14,492,972 | \$ 34,930,795 | \$ 27,099,971 |
| Royalty fees | 7,172,159 | 6,411,214 | 14,038,182 | 12,420,146 |
| Franchise fees | 671,368 | 686,886 | 1,425,794 | 1,327,851 |
| Advertising fund revenue | 2,041,050 | 1,825,757 | 3,993,455 | 3,536,474 |
| Software fees | 1,234,812 | 1,099,981 | 2,444,817 | 2,056,979 |
| Regional developer fees | — | — | — | — |
| Other revenues | 384,957 | 370,555 | 774,962 | 682,695 |
| Total revenues | 29,307,184 | 24,887,365 | 57,608,005 | 47,124,116 |
| Cost of revenues: | | | | |
| Franchise and regional development cost of revenues | 2,236,442 | 1,904,936 | 4,377,277 | 3,705,961 |
| IT cost of revenues | 359,070 | 352,156 | 692,920 | 662,115 |
| Total cost of revenues | 2,595,512 | 2,257,092 | 5,070,197 | 4,368,076 |
| Selling and marketing expenses | 4,707,818 | 3,839,724 | 8,868,062 | 7,127,212 |
| Depreciation and amortization | 2,329,267 | 1,461,870 | 4,544,322 | 2,798,527 |
| General and administrative expenses | 19,904,796 | 18,570,301 | 39,943,272 | 34,103,726 |
| Total selling, general and administrative expenses | 26,941,881 | 23,871,895 | 53,355,656 | 44,029,465 |
| Net loss on disposition or impairment | 144,345 | 88,844 | 209,815 | 95,749 |
| Loss from operations | (374,554) | (1,330,466) | (1,027,663) | (1,369,174) |
| Other income (expense), net | (106,520) | (19,286) | 3,714,642 | (35,434) |
| (Loss) income before income tax expense | (481,074) | (1,349,752) | 2,686,979 | (1,404,608) |
| Income tax (benefit) expense | (160,585) | (477,884) | 681,304 | (536,960) |
| Net (loss) income | \$ (320,489) | \$ (871,868) | \$ 2,005,675 | \$ (867,648) |
| Earnings per share: | | | | |
| Basic earnings per share | \$ (0.02) | \$ (0.06) | \$ 0.14 | \$ (0.06) |
| Diluted earnings per share | \$ (0.02) | \$ (0.06) | \$ 0.13 | \$ (0.06) |
| Basic weighted average shares | 14,684,035 | 14,475,825 | 14,625,435 | 14,454,738 |
| Diluted weighted average shares | 14,952,363 | 14,842,816 | 14,907,593 | 14,887,238 |

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

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

| | Common Stock | | Additional Paid In Capital | Treasury Stock | | Accumulated Deficit | Total The Joint Corp. stockholders' equity | Non-controlling interest | Total |
|--|--------------|-----------|----------------------------|----------------|--------------|---------------------|--|--------------------------|---------------|
| | Shares | Amount | | Shares | Amount | | | | |
| Balances, December 31, 2022, as restated | 14,560,353 | \$ 14,560 | \$ 45,558,305 | 31,866 | \$ (856,642) | \$ (12,153,380) | \$ 32,562,843 | \$ 25,000 | \$ 32,587,843 |
| Stock-based compensation expense | — | — | 266,210 | — | — | — | 266,210 | — | 266,210 |
| Issuance of restricted stock | 95,386 | 95 | (95) | — | — | — | — | — | — |
| Exercise of stock options | 15,621 | 16 | 138,441 | — | — | — | 138,457 | — | 138,457 |
| Purchases of treasury stock under employee stock plans | — | — | — | 169 | (2,637) | — | (2,637) | — | (2,637) |
| Net income | — | — | — | — | — | 2,326,164 | 2,326,164 | — | 2,326,164 |
| Balances, March 31, 2023 as revised (unaudited) | 14,671,360 | \$ 14,671 | \$ 45,962,861 | 32,035 | \$ (859,279) | \$ (9,827,216) | \$ 35,291,037 | \$ 25,000 | \$ 35,316,037 |
| Stock-based compensation expense | — | — | 417,017 | — | — | — | 417,017 | — | 417,017 |
| Issuance of restricted stock | 91,158 | 91 | (91) | — | — | — | — | — | — |
| Exercise of stock options | 10,002 | 10 | 63,919 | — | — | — | 63,929 | — | 63,929 |
| Net loss | — | — | — | — | — | (320,489) | (320,489) | — | (320,489) |
| Balances, June 30, 2023 (unaudited) | 14,772,520 | \$ 14,772 | \$ 46,443,706 | 32,035 | \$ (859,279) | \$ (10,147,705) | \$ 35,451,494 | \$ 25,000 | \$ 35,476,494 |

| | Common Stock | | Additional Paid In Capital | Treasury Stock | | Accumulated Deficit | Total The Joint Corp. stockholders' equity | Non-controlling interest | Total |
|--|--------------|-----------|----------------------------|----------------|--------------|---------------------|--|--------------------------|---------------|
| | Shares | Amount | | Shares | Amount | | | | |
| Balances, December 31, 2021, as restated | 14,451,355 | \$ 14,450 | \$ 43,900,157 | 31,643 | \$ (850,838) | \$ (12,780,085) | \$ 30,283,684 | \$ 25,000 | \$ 30,308,684 |
| Stock-based compensation expense | — | — | 323,556 | — | — | — | 323,556 | — | 323,556 |
| Issuance of restricted stock | 36,722 | 37 | (37) | — | — | — | — | — | — |
| Exercise of stock options | 4,972 | 5 | 49,618 | — | — | — | 49,623 | — | 49,623 |
| Purchases of treasury stock under employee stock plans | — | — | — | 74 | (2,598) | — | (2,598) | — | (2,598) |
| Net loss | — | — | — | — | — | 4,220 | 4,220 | — | 4,220 |
| Balances, March 31, 2022, (unaudited) | 14,493,049 | \$ 14,492 | \$ 44,273,294 | 31,717 | \$ (853,436) | \$ (12,775,865) | \$ 30,658,485 | \$ 25,000 | \$ 30,683,485 |
| Stock-based compensation expense | — | — | 340,191 | — | — | — | 340,191 | — | 340,191 |
| Issuance of restricted stock | 28,758 | 29 | (29) | — | — | — | — | — | — |
| Exercise of stock options | 4,610 | 5 | 64,045 | — | — | — | 64,050 | — | 64,050 |
| Net loss | — | — | — | — | — | (871,868) | (871,868) | — | (871,868) |
| Balances, June 30, 2022, as restated(unaudited) | 14,526,417 | \$ 14,526 | \$ 44,677,501 | 31,717 | \$ (853,436) | \$ (13,647,733) | \$ 30,190,858 | \$ 25,000 | \$ 30,215,858 |

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

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

| | Six Months Ended June 30, | |
|--|------------------------------|-----------------------|
| | 2023 | 2022 (as restated) |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 2,005,675 | \$ (867,648) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,544,322 | 2,798,527 |
| Net loss on disposition or impairment | 209,815 | 95,749 |
| Net franchise fees recognized upon termination of franchise agreements | (20,050) | (15,218) |
| Deferred income taxes | 477,154 | (832,083) |
| Stock based compensation expense | 683,227 | 663,747 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 376,444 | 140,324 |
| Prepaid expenses and other current assets | (1,208,605) | (267,159) |
| Deferred franchise costs | 51,268 | (193,784) |
| Deposits and other assets | (12,557) | (132,379) |
| Accounts payable | (1,440,375) | (397,040) |
| Accrued expenses | 1,104,369 | (823,079) |
| Payroll liabilities | 815,290 | (2,043,788) |
| Deferred revenue | 245,363 | 864,213 |
| Upfront regional developer fees | (397,457) | (824,658) |
| Other liabilities | 59,259 | 649,436 |
| Net cash provided by operating activities | <u>7,493,142</u> | <u>(1,184,840)</u> |
| Cash flows from investing activities: | | |
| Acquisition of AZ clinics | — | (5,600,000) |
| Acquisition of CA clinics | (1,050,000) | — |
| Purchase of property and equipment | (2,729,875) | (3,164,961) |
| Net cash used in investing activities | <u>(3,779,875)</u> | <u>(8,764,961)</u> |
| Cash flows from financing activities: | | |
| Payments of finance lease obligation | (12,087) | (38,022) |
| Purchases of treasury stock under employee stock plans | (2,637) | (2,598) |
| Proceeds from exercise of stock options | 202,386 | 113,673 |
| Net cash provided by financing activities | <u>187,662</u> | <u>73,053</u> |
| Increase (decrease) in cash, cash equivalents and restricted cash | 3,900,929 | (9,876,748) |
| Cash, cash equivalents and restricted cash, beginning of period | 10,550,417 | 19,912,338 |
| Cash, cash equivalents and restricted cash, end of period | <u>\$ 14,451,346</u> | <u>\$ 10,035,590</u> |
| Reconciliation of cash, cash equivalents and restricted cash: | | |
| | June 30, | June 30, |
| | 2023 | 2022 |
| Cash and cash equivalents | \$ 13,602,515 | \$ 9,370,611 |
| Restricted cash | 848,831 | 664,979 |
| | <u>\$ 14,451,346</u> | <u>\$ 10,035,590</u> |

Supplemental cash flow disclosures:

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

| | Six Months Ended | |
|--|------------------|------------|
| | June 30, | |
| | 2023 | 2022 |
| Net cash paid for: | | |
| Interest | \$ 127,481 | \$ 23,982 |
| Income taxes | \$ 59,989 | \$ 59,271 |
| Non-cash investing and financing activity: | | |
| Unpaid purchases of property and equipment | \$ 79,871 | \$ 450,072 |
| Non-cash investment in acquisition of franchised clinics | \$ 28,997 | \$ 70,484 |

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

THE JOINT CORP. AND SUBSIDIARY AND AFFILIATES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation

These unaudited financial statements represent the condensed consolidated financial statements of The Joint Corp. (“The Joint”), which includes its variable interest entities (“VIEs”), and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC (collectively, the “Company”). The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments which are necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles (“GAAP”). Such unaudited condensed consolidated interim financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated interim financial statements should be read in conjunction with The JointCorp. and Subsidiary and Affiliates consolidated financial statements and the notes thereto as set forth in The Joint’s Amended and Restated Form 10-K as of and for the year ended December 31, 2022, filed with the SEC on [September 13, 2023] (“Form 10-K/A”), which included all disclosures required by GAAP. The results of operations for the periods ended June 30, 2023 and 2022 are not necessarily indicative of expected operating results for the full year. The information presented throughout the document as of and for the three and six-month periods ended June 30, 2023 and 2022 is unaudited.

The preparation of financial statements in conformity with 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 condensed consolidated 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. For a discussion of significant estimates and judgments made in recognizing revenue, accounting for leases, and accounting for income taxes, see Note 1, “Nature of Operations and Summary of Significant Accounting Policies.”

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of The Joint and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC, which was dormant for all periods presented. The Company consolidates VIEs in which the Company is the primary beneficiary in accordance with Accounting Standards Codification 810, Consolidations (“ASC 810”). Non-controlling interests represent third-party equity ownership interests in VIEs. All significant inter-affiliate accounts and transactions between The Joint and its VIEs have been eliminated in consolidation.

Comprehensive Income

Net income was the same as comprehensive income for the three and six months ended June 30, 2023 and 2022.

Restatement of Previously Issued Interim Consolidated Financial Statements (Unaudited and Restated)

Subsequent to the issuance of the Company’s consolidated financial statements as of and for the year ended December 31, 2022, included in the Form 10-K filed with the SEC on March 10, 2023, the following errors were identified:

- The Company has historically recorded the re-acquired Regional Developer Rights as an intangible asset and amortized the re-acquired Regional Developer Rights over the contractual terms under the RD Agreement remaining at the time of the re-acquisition. The Company has concluded that this treatment was incorrect in accordance with U.S. GAAP. The Company should not have capitalized the re-acquired Regional Developer Rights but instead should have recognized the full cost of the re-acquisition as an expense in the respective period.
- The Company has historically recorded the upfront fee paid by the regional developer as a deferred liability, which was then recognized ratably to revenue as the regional developer performed various service obligations. However, the Company concluded that the deferred liability should be ratably recognized against cost of revenue as an offset against future commissions instead of revenue.

- The Company has historically charged the VIEs a management fee for the benefit of the Company providing non-clinical administrative services needed by the professional corporation chiropractic practice. The economic compensation or profitability resulting from an intercompany transaction between two or more parties is based on each party’s relative contribution to the economic activity under analysis. The standalone professional corporations have not historically been profitable from an income tax perspective and are fully valuing their deferred tax assets and related attributes for ASC 740 purposes. The professional corporations’ earned annual losses were not consistent with their function, risk, and asset profile for transfer pricing. As such, the Company has estimated transfer pricing adjustments which were computed based on assumed targets of profitability. The resulting operating profit, after incorporating estimated transfer pricing adjustments, were further used as a means for computing overall potential tax exposure and correlative benefit.

The Company assessed the impact of these errors on its previously issued interim financial statements and determined them to be quantitatively and qualitatively material to the period ending June 30, 2022 based on its analysis of Staff Accounting Bulletin (“SAB”) No. 99, “Materiality,” and SAB No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements”. These errors have been corrected in the consolidated balance sheets as of December 31, 2022 and 2021 and the consolidated income statements, statements of changes in stockholders’ equity, and statements of cash flows for the years then ended.

The following table summarizes the effect of the errors on the Company’s consolidated balance sheet as of June 30, 2022:

| | June 30, 2022 | | June 30, 2022 |
|---|---------------------------|------------------|--------------------------|
| | As Previously Reported | Adjustments | As Restated |
| Intangible assets, net | \$ 9,114,701 | \$ (2,356,584) | \$ 6,758,117 |
| Deferred tax assets | 9,116,248 | 3,202,634 | 12,318,882 |
| Total assets | 86,235,794 | 846,050 | 87,081,844 |
| Current liabilities: | | | |
| Deferred franchise and regional development fee revenue, current portion | 2,981,534 | (2,981,534) | — |
| Deferred franchise fee revenue, current portion | — | 2,393,993 | 2,393,993 |
| Upfront regional developer fees, current portion | — | 587,541 | 587,541 |
| Other current liabilities | 558,250 | 49,022 | 607,272 |
| Total current liabilities | 20,238,810 | 49,022 | 20,287,832 |
| Deferred franchise and regional development fee revenue, net of current portion | 15,447,554 | (15,447,554) | — |
| Deferred franchise fee revenue, net of current portion | — | 13,584,091 | 13,584,091 |
| Upfront regional developer fees, net of current portion | — | 1,863,463 | 1,863,463 |
| Other liabilities | 27,230 | 1,064,565 | 1,091,795 |
| Total liabilities | 55,752,399 | 1,113,587 | 56,865,986 |
| Accumulated deficit | (13,380,196) | (267,537) | (13,647,733) |
| Total The Joint Corp. stockholders’ equity | 30,458,395 | (267,537) | 30,190,858 |
| Total equity | 30,483,395 | (267,537) | 30,215,858 |
| Total liabilities and stockholders’ equity | 86,235,794 | 846,050 | 87,081,844 |

The following table summarizes the effect of the errors on the Company's consolidated income statement for the three and six months ended June 30, 2022:

| | <u>As Previously Reported</u> | | <u>Adjustments</u> | | <u>As Restated</u> | |
|--|----------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2022 | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2022 | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2022 |
| Revenues: | | | | | | |
| Regional developer fees | \$ 169,953 | \$ 371,740 | \$ (169,953) | \$ (371,740) | \$ — | \$ — |
| Total revenues | 25,057,318 | 47,495,856 | (169,953) | (371,740) | 24,887,365 | 47,124,116 |
| Cost of revenues: | | | | | | |
| Franchise and regional developer cost of revenues | 2,074,889 | 4,077,701 | (169,953) | (371,740) | 1,904,936 | 3,705,961 |
| Total cost of revenues | 2,427,045 | 4,739,816 | (169,953) | (371,740) | 2,257,092 | 4,368,076 |
| Depreciation and amortization | 1,700,476 | 3,329,653 | (238,606) | (531,126) | 1,461,870 | 2,798,527 |
| General and administrative expenses | 16,528,022 | 31,906,644 | 2,042,279 | 2,197,082 | 18,570,301 | 34,103,726 |
| Total selling, general and administrative expenses | 22,068,222 | 42,363,509 | 1,803,673 | 1,665,956 | 23,871,895 | 44,029,465 |
| Income from operations | 473,207 | 296,782 | (1,803,673) | (1,665,956) | (1,330,466) | (1,369,174) |
| Income before income tax expense (benefit) | 453,921 | 261,348 | (1,803,673) | (1,665,956) | (1,349,752) | (1,404,608) |
| Income tax expense (benefit) | 109,179 | 122,403 | (587,063) | (659,363) | (477,884) | (536,960) |
| Net income (loss) | 344,742 | 138,945 | (1,216,610) | (1,006,593) | (871,868) | (867,648) |
| Earnings per share: | | | | | | |
| Basic earnings (loss) per share | \$ 0.02 | \$ 0.01 | \$ (0.08) | \$ (0.07) | \$ (0.06) | \$ (0.06) |
| Diluted earnings (loss) per share | \$ 0.02 | \$ 0.01 | \$ (0.08) | \$ (0.07) | \$ (0.06) | \$ (0.06) |

The following table summarizes the effect of the errors on the Company's consolidated statements of stockholders' equity as of June 30, 2022, March 31, 2022 and December 31, 2021:

| | Accumulated Deficit | Total The Joint Corp. stockholder's equity | Total Equity |
|--|------------------------|---|----------------------|
| Balances, December 31, 2021 (as previously reported) | \$ (13,519,142) | \$ 29,544,627 | \$ 29,569,627 |
| Adjustment due to cumulative error correction | 739,057 | 739,057 | 739,057 |
| Balances, December 31, 2021 (as restated) | <u>\$ (12,780,085)</u> | <u>\$ 30,283,684</u> | <u>\$ 30,308,684</u> |
| | | | |
| Balances, March 31, 2022 (as previously reported) | \$ (13,724,938) | \$ 29,709,412 | \$ 29,734,412 |
| Adjustment due to cumulative error correction | 949,073 | 949,073 | 949,073 |
| Balances, March 31, 2022 | <u>\$ (12,775,865)</u> | <u>\$ 30,658,485</u> | <u>\$ 30,683,485</u> |
| | | | |
| Balances, June 30, 2022 (as previously reported) | \$ (13,380,196) | \$ 30,458,395 | \$ 30,483,395 |
| Adjustment due to cumulative error correction | (267,537) | (267,537) | (267,537) |
| Balances, June 30, 2022 (as restated) | <u>\$ (13,647,733)</u> | <u>\$ 30,190,858</u> | <u>\$ 30,215,858</u> |

The following table summarizes the effect of the errors on the Company's consolidated statement of cash flows for the six-month period ended June 30, 2022:

| | Six Months Ended June 30, 2022 | | Six Months Ended June 30, 2022 |
|--|---|-------------|---|
| | As Previously Reported | Adjustments | As Restated |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ 138,945 | (1,006,593) | \$ (867,648) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 3,329,653 | (531,126) | 2,798,527 |
| Deferred income taxes | 72,386 | (904,469) | (832,083) |
| Changes in operating assets and liabilities: | | | |
| Upfront regional developer fees | — | (824,658) | (824,658) |
| Deferred revenue | 492,473 | 371,740 | 864,213 |
| Other liabilities | 404,329 | 245,106 | 649,435 |
| Net cash provided by (used in) operating activities | 1,465,160 | (2,650,000) | (1,184,840) |
| Cash flows from investing activities: | | | |
| Reacquisition and termination of regional developer rights | (2,650,000) | 2,650,000 | — |
| Net cash used in investing activities | (11,414,961) | 2,650,000 | (8,764,961) |
| Decrease in cash | (9,876,748) | — | (9,876,748) |

Correction of Immaterial Error

During the second quarter of 2023, the Company identified immaterial errors related to the first quarter of 2023 in the following: (i) the accounting for upfront regional developer fees as revenue as opposed to a reduction of cost of revenue, and (ii) the accounting for uncertain tax positions related to the Joint and VIEs transfer pricing calculation for income tax purposes.

The table below sets forth the impact of the revision on the previously issued consolidated balance sheet for the interim period ended March 31, 2023.

| | March 31, 2023 | | |
|---|-----------------------------------|----------------------------|----------------------|
| | As Previously Reported | (i) Adjustments | As Adjusted |
| ASSETS | | | |
| Intangible assets, net | 11,905,176 | (1,914,106) | 9,991,070 |
| Deferred tax assets | 7,708,323 | 3,486,439 | 11,194,762 |
| Total assets | \$ 98,050,712 | \$ 1,572,333 | \$ 99,623,045 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Deferred franchise and regional development fee revenue, current portion | 2,978,937 | (2,978,937) | — |
| Deferred franchise fee revenue, current portion | — | 2,487,795 | 2,487,795 |
| Upfront regional developer fees, current portion | — | 491,142 | 491,142 |
| Other current liabilities | 494,250 | 98,043 | 592,293 |
| Total current liabilities | 24,969,858 | 98,043 | 25,067,901 |
| Deferred franchise and regional development fee revenue, net of current portion | 15,682,833 | (15,682,833) | — |
| Deferred franchise fee revenue, net of current portion | — | 14,233,564 | 14,233,564 |
| Upfront regional developer fees, net of current portion | — | 1,449,270 | 1,449,270 |
| Other liabilities | 27,230 | 1,260,649 | 1,287,879 |
| Total liabilities | 62,948,315 | 1,358,693 | 64,307,008 |
| Stockholders' equity: | | | |
| Accumulated deficit | (10,040,856) | 213,640 | (9,827,216) |
| Total The Joint Corp. stockholders' equity | 35,077,397 | 213,640 | 35,291,037 |
| Total equity | 35,102,397 | 213,640 | 35,316,037 |
| Total liabilities and stockholders' equity | \$ 98,050,712 | \$ 1,572,333 | \$ 99,623,045 |

The table below sets forth the impact of the revision on the previously issued consolidated income statement for the interim period ended March 31, 2023.

| | Three Months Ended March, 31 2023 | | Three Months Ended March, 31 2023 | |
|--|--|------------------|--|--|
| | As Previously Reported | Adjustments | As Adjusted | |
| Revenues: | | | | |
| Regional developer fees | \$ 149,478 | \$ (149,478) | \$ — | |
| Total revenues | <u>28,450,298</u> | <u>(149,478)</u> | <u>28,300,820</u> | |
| Cost of revenues: | | | | |
| Franchise and regional developer cost of revenues | 2,290,313 | (149,478) | 2,140,835 | |
| Total cost of revenues | <u>2,624,163</u> | <u>(149,478)</u> | <u>2,474,685</u> | |
| Depreciation and amortization | 2,342,544 | (127,489) | 2,215,055 | |
| General and administrative expenses | 19,936,115 | 102,361 | 20,038,476 | |
| Total selling, general and administrative expenses | <u>26,438,903</u> | <u>(25,128)</u> | <u>26,413,775</u> | |
| Loss from operations | (678,237) | 25,128 | (653,109) | |
| Income before income tax expense (benefit) | 3,142,925 | 25,128 | 3,168,053 | |
| Income tax expense | 841,889 | — | 841,889 | |
| Net income | <u>\$ 2,301,036</u> | <u>\$ 25,128</u> | <u>\$ 2,326,164</u> | |
| Earnings per share: | | | | |
| Basic earnings per share | \$ 0.16 | \$ — | \$ 0.16 | |
| Diluted earnings per share | \$ 0.15 | \$ 0.01 | \$ 0.16 | |

Nature of Operations

The Joint Corp., a Delaware corporation, was formed on March 10, 2010 for the principal purpose of franchising and developing chiropractic clinics, selling regional developer rights, supporting the operations of franchised chiropractic clinics, and operating and managing corporate chiropractic clinics at locations throughout the United States of America. The franchising of chiropractic clinics is regulated by the Federal Trade Commission and various state authorities.

The following table summarizes the number of clinics in operation under franchise agreements and as company-owned or managed clinics for the three and six months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Franchised clinics: | | | | |
| Clinics open at beginning of period | 740 | 636 | 712 | 610 |
| Opened during the period | 23 | 31 | 52 | 58 |
| Sold during the period | (3) | (4) | (3) | (4) |
| Closed during the period | (4) | (1) | (5) | (2) |
| Clinics in operation at the end of the period | 756 | 662 | 756 | 662 |
| Company-owned or managed clinics: | | | | |
| Clinics open at beginning of period | 130 | 100 | 126 | 96 |
| Opened during the period | 3 | 3 | 7 | 7 |
| Acquired during the period | 3 | 4 | 3 | 4 |
| Closed during the period | (2) | — | (2) | — |
| Clinics in operation at the end of the period | 134 | 107 | 134 | 107 |
| Total clinics in operation at the end of the period | 890 | 769 | 890 | 769 |
| Clinic licenses sold but not yet developed | 171 | 229 | 171 | 229 |
| Licenses for future clinics subject to executed letters of intent | 43 | 41 | 43 | 41 |

Variable Interest Entities

Certain states prohibit the “corporate practice of chiropractic,” which restricts business corporations from practicing chiropractic care by exercising control over clinical decisions by chiropractic doctors. In states which prohibit the corporate practice of chiropractic, the Company typically enters into long-term management agreements with professional corporations (“PCs”) that are owned by licensed chiropractic doctors, which, in turn, employ or contract with doctors who provide professional chiropractic care in its clinics. Under these management agreements with PCs, the Company provides, on an exclusive basis, all non-clinical services of the chiropractic practice. The Company has entered into such management agreements with four PCs, including one in New Jersey, in connection with the opening of company-managed clinics in April 2023. If an entity is deemed to be the primary beneficiary of a VIE, the entity is required to consolidate the VIE in its financial statements. An entity is deemed to be the primary beneficiary of a VIE if it has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb the majority of losses of the VIE or the right to receive the majority of benefits from the VIE. In accordance with relevant accounting guidance, these PCs were determined to be VIEs as fees paid by the PCs to the Company as its management service provider are considered variable interests because the fees do not meet all the following criteria: 1) The fees are compensation for services provided and are commensurate with the level of effort required to provide those services; 2) The decision maker or service provider does not hold other interests in the VIE that individually, or in the aggregate, would absorb more than an insignificant amount of the VIE's

expected losses or receive more than an insignificant amount of the VIE's expected residual returns; and 3) The service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm's length. Additionally, the Company has determined that it has the ability to direct the activities that most significantly impact the performance of these PCs and has an obligation to absorb losses or receive benefits which could potentially be significant to the PCs. Accordingly, the PCs are VIEs for which the Company is the primary beneficiary and are consolidated by the Company.

VIE total revenue and general and administrative expenses for the three and six months ended June 30, 2023 and 2022 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--|------------------------------|--------------------------------------|------------------------------|
| | 2023 | 2022 (as restated) | 2023 | 2022 (as restated) |
| Revenues | \$ 10,426,826 | \$ 8,480,265 | \$ 20,309,117 | \$ 16,283,304 |
| General and administrative expenses | 4,491,638 | 3,720,307 | 9,088,906 | 7,133,208 |

The carrying amount of the VIEs' assets and liabilities was immaterial as of June 30, 2023 and December 31, 2022, except for their payroll liability balances and amounts collected in advance for membership and wellness packages, which are recorded as deferred revenue. The VIEs' payroll liability and deferred revenue from company managed clinics balances as of June 30, 2023 and December 31, 2022 were as follows:

| | June 30, 2023 | December 31, 2022 |
|---|--------------------------|------------------------------|
| Payroll liabilities | \$ 621,735 | \$ 586,960 |
| Deferred revenue from company managed clinics | \$ 4,985,654 | \$ 4,702,044 |

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less at date of purchase to be cash equivalents. The Company continually monitors its positions with, and credit quality of, the financial institutions with which it invests. As of the balance sheet date and periodically throughout the period, the Company has maintained balances in various operating accounts in excess of federally insured limits. The Company has invested substantially all its cash in short-term bank deposits. The Company had no cash equivalents as of June 30, 2023 and December 31, 2022.

Restricted Cash

Restricted cash relates to cash that franchisees and company-owned or managed clinics contribute to the Company's National Marketing Fund and cash that franchisees provide to various voluntary regional Co-Op Marketing Funds. Cash contributed by franchisees to the National Marketing Fund is to be used in accordance with the Company's Franchise Disclosure Document with a focus on regional and national marketing and advertising. While such cash balance is not legally segregated and restricted as to withdrawal or usage, the Company's accounting policy is to classify these funds as restricted cash.

Accounts Receivable

Accounts receivable primarily represents amounts due from franchisees for royalty fees. The Company records an allowance for credit losses as a reduction to its accounts receivables for amounts that the Company does not expect to recover. An allowance for credit losses is determined through assessments of collectability based on historical trends, the financial condition of the Company's franchisees, including any known or anticipated bankruptcies, and an evaluation of current economic conditions, as well as the

Company's expectations of conditions in the future. Actual losses ultimately could differ materially in the near term from the amounts estimated in determining the allowance. As of June 30, 2023 and December 31, 2022, the Company had an allowance for doubtful accounts of \$0.

Property and Equipment

Property and equipment are stated at cost or for property acquired as part of franchise acquisitions at fair value at the date of closing. Depreciation is computed using the straight-line method over estimated useful lives, which is generally three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives 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. The losses on disposed of or retired property or equipment were recorded in net loss on disposition or impairment of \$144,345 and \$209,815 for the three and six months ended June 30, 2023, respectively. The losses on disposed of or retired property or equipment were recorded in net loss on disposition or impairment of \$88,844 and \$95,749 for the three and six months ended June 30, 2022, respectively.

Leases

The Company leases property and equipment under operating and finance leases. The Company leases its corporate office space and the space for each of the company-owned or managed clinics in the portfolio. The Company recognizes a right-of-use ("ROU") asset and lease liability for all leases. Certain leases include one or more renewal options, generally for the same period as the initial term of the lease. The exercise of lease renewal options is generally at the Company's sole discretion and, as such, the Company typically determines that exercise of these renewal options is not reasonably certain. As a result, the Company does not include the renewal option period in the expected lease term and the associated lease payments are not included in the measurement of the right-of-use asset and lease liability. When available, the Company uses the rate implicit in the lease to discount lease payments; however, the rate implicit in the lease is not readily determinable for substantially all of its leases. In such cases, the Company estimates its incremental borrowing rate as the interest rate it would pay to borrow an amount equal to the lease payments over a similar term, with similar collateral as in the lease, and in a similar economic environment. The Company estimates these rates using available evidence such as rates imposed by third-party lenders to the Company in recent financings or observable risk-free interest rate and credit spreads for commercial debt of a similar duration, with credit spreads correlating to the Company's estimated creditworthiness.

For operating leases that include rent holidays and rent escalation clauses, the Company recognizes lease expense on a straight-line basis over the lease term from the date it takes possession of the leased property. Pre-opening costs are recorded as incurred in general and administrative expenses. Variable lease payments, such as percentage rentals based on location sales, periodic adjustments for inflation, reimbursement of real estate taxes, any variable common area maintenance and any other variable costs associated with the leased property are expensed as incurred and are also included in general and administrative expenses on the accompanying consolidated income statements.

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. The Company records an impairment loss when the carrying amount of the asset is not recoverable and exceeds its fair value. During the three and six months ended June 30, 2022, the Company recorded a noncash impairment loss of \$60,580 in connection with reporting the long-lived assets held for sale at two company-managed clinics at the lower of their carrying value or fair value as of June 30, 2022.

In connection with the planned sale of a company-managed clinic, the Company reclassified \$159,472 of property and equipment and \$116,451 of ROU assets to Assets held for sale, and reclassified \$148,846 of ROU liability and \$6,776 of deferred revenue from company clinics to Liabilities to be disposed of, in the consolidated balance sheet as of June 30, 2023. Long-lived assets that meet the held for sale criteria are reported at the lower of their carrying value or fair value, less estimated costs to sell. As a result, the

Company recorded a valuation allowance of \$60,201 to adjust the carrying value of the disposal group to fair value less cost to sell during the three and six months ended June 30, 2023.

Revenue Recognition

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

Revenues from Company-Owned or Managed Clinics. The Company earns revenues from clinics that it owns and operates or manages throughout the United States. 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. Any unused visits associated with monthly memberships are recognized on a month-to-month basis. The Company recognizes a contract liability (or a deferred revenue liability) related to the prepaid treatment plans for which the Company has an ongoing performance obligation. The Company derecognizes this contract liability, and recognizes revenue, as the patient consumes his or her visits related to the package and the Company transfers its services. If the Company determines that it is not subject to unclaimed property laws for the portion of wellness package that it does not expect to be redeemed (referred to as “breakage”) then it recognizes breakage revenue in proportion to the pattern of exercised rights by the patient.

Royalties and Advertising Fund Revenue. The Company collects royalties from its franchisees, as stipulated in the franchise agreement, equal to 7% of gross sales and a marketing and advertising fee currently equal to 2% of gross sales. Royalties, including franchisee contributions to advertising funds, are calculated as a percentage of clinic sales over the term of the franchise agreement. The revenue accounting standard provides an exception for the recognition of sales-based royalties promised in exchange for a license (which generally requires a reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price). Franchise agreement royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company’s performance obligation under the franchise agreement, and therefore, such royalties are recognized as franchisee clinic level sales occur. Royalties are collected semi-monthly, two working days after each sales period has ended.

Franchise Fees. The Company requires the entire non-refundable initial franchise fee to be paid upon execution of a franchise agreement, which typically has an initial term of ten years. Initial franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement. The Company’s services under the franchise agreement include training of franchisees and staff, site selection, construction/vendor management and ongoing operations support. The Company provides no financing to franchisees and offers no guarantees on their behalf. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Renewal franchise fees, as well as transfer fees, are also recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

Software Fees. The Company collects a monthly fee from its franchisees for use of its proprietary chiropractic software, computer support, and internet services support. These fees are recognized ratably on a straight-line basis over the term of the respective franchise agreement.

Capitalized Sales Commissions. Sales commissions earned by the regional developers and the Company’s sales force are considered incremental and recoverable costs of obtaining a franchise agreement with a franchisee. These costs are deferred and then amortized as the respective franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement.

Regional Developer Fees

The Company has a regional developer program where regional developers are granted an exclusive geographical territory and commit to a minimum development obligation within that defined territory. Regional developer fees paid to the Company are non-refundable and are amortized on a straight-line basis over the term of the regional developer agreement and recognized as a decrease to franchise cost of revenues.

In addition, regional developers receive fees which are funded by the initial franchise fees collected from franchisees upon the sale of franchises within their exclusive geographical territory and a royalty of 3% of sales generated by franchised clinics in their exclusive geographical territory. Initial fees related to the sale of franchises within their exclusive geographical territory are initially deferred as deferred franchise costs and are recognized as an expense in franchise cost of revenues when the respective revenue is recognized, which is generally over the term of the related franchise agreement. Royalties of 3% of sales generated by franchised clinics in their regions are also recognized as franchise cost of revenues as franchisee clinic level sales occur. This 3% fee is funded by the 7% royalties collected from the franchisees in their regions. Certain regional developer agreements result in the regional developer acquiring the rights to existing royalty streams from clinics already open in the respective territory. In those instances, the revenue associated from the sale of the royalty stream is recognized over the remaining life of the respective franchise agreements. The Company did not enter into any new regional developer agreements during the six months ended June 30, 2023 and 2022.

Advertising Costs

Advertising costs are advertising and marketing expenses incurred by the Company, primarily through advertising funds. The Company expenses production costs of commercial advertising upon first airing and expenses the costs of communicating the advertising in the period in which the advertising occurs. Advertising expenses were \$1,977,678 and \$3,578,291 for the three and six months ended June 30, 2023, respectively. Advertising expenses were \$1,104,156 and \$2,318,568 for the three and six months ended June 30, 2022, respectively.

Income Taxes

Income tax expense during interim periods is based on applying an estimated annual effective income tax rate to year-to-date pre-tax income, plus any significant unusual or infrequently occurring items which are recorded in the interim period. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected pre-tax income for the year and permanent differences. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is obtained, additional information becomes known or as the tax environment changes.

Earnings per Common Share

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------------|------------------------------|-----------------------|
| | 2023 | 2022 (as restated) | 2023 | 2022 (as restated) |
| Net (loss) income | \$ (320,489) | \$ (871,868) | \$ 2,005,675 | \$ (867,648) |
| Weighted average common shares outstanding - basic | 14,684,035 | 14,475,825 | 14,625,435 | 14,454,738 |
| Effect of dilutive securities: | | | | |
| Unvested restricted stock and stock options | 268,328 | 366,991 | 282,158 | 432,500 |
| Weighted average common shares outstanding - diluted | 14,952,363 | 14,842,816 | 14,907,593 | 14,887,238 |
| Basic (loss) earnings per share | \$ (0.02) | \$ (0.06) | \$ 0.14 | \$ (0.06) |
| Diluted (loss) earnings per share | \$ (0.02) | \$ (0.06) | \$ 0.13 | \$ (0.06) |

The following common stock equivalents were excluded from the computation of diluted earnings (loss) per share for the periods presented because including them would have been antidilutive:

| Weighted average dilutive securities: | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------------|--------------------------------|--------|------------------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| Restricted stocks | — | — | — | — |
| Stock options | 87,983 | 43,120 | 90,953 | 42,064 |

Stock-Based Compensation

The Company accounts for share-based payments by recognizing compensation expense based upon the estimated fair value of the awards on the date of grant. The Company determines the estimated grant-date fair value of restricted shares using the closing price on the date of the grant and the grant-date fair value of stock options using the Black-Scholes-Merton model. In order to calculate the fair value of the options, certain assumptions are made regarding the components of the model, including risk-free interest rate, volatility, expected dividend yield and expected option life. Changes to the assumptions could cause significant adjustments to the valuation. The Company recognizes compensation costs ratably over the period of service using the straight-line method. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%.

Loss Contingencies

ASC Topic 450 governs the disclosure of loss contingencies and accrual of loss contingencies in respect of litigation and other claims. The Company records an accrual for a potential loss when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. When the reasonable estimate of the potential loss is within a range of amounts, the minimum of the range of potential loss is accrued, unless a higher amount within the range is a better estimate than any other amount within the range. Moreover, even if an accrual is not required, the Company provides additional disclosure related to litigation and other claims when it is reasonably possible (i.e., more than

remote) that the outcomes of such litigation and other claims include potential material adverse impacts on the Company. Legal costs to be incurred in connection with a loss contingency are expensed as such costs are incurred.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Items subject to significant estimates and assumptions include the allowance for credit losses, loss contingencies, share-based compensations, useful lives and realizability of long-lived assets, deferred revenue and revenue recognition related to breakage, deferred franchise costs, calculation of ROU assets and liabilities related to leases, realizability of deferred tax assets, impairment of goodwill, intangible assets, other long-lived assets, and purchase price allocations and related valuations.

Recent Accounting Pronouncements Adopted and Not Yet Adopted

The Company reviewed 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: Revenue Disclosures

Company-owned or Managed Clinics

The Company earns revenues from clinics that it owns and operates or manages throughout the United States. 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 or in accordance with the Company's breakage policy as discussed in Note 1, *Revenue Recognition*.

Franchising Fees, Royalty Fees, Advertising Fund Revenue, and Software Fees

The Company currently franchises its concept across 41 states, the District of Columbia and Puerto Rico. The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all of the utility is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); (c) advertising fees; and (d) software fees. The revenue accounting standard provides an exception for the recognition of sales-based royalties promised in exchange for a license (which otherwise requires a reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price).

The Company recognizes the primary components of the transaction price as follows:

- Initial and renewal franchise fees, as well as transfer fees, are recognized as revenue ratably on a straight-line basis over the term of the respective franchise agreement, commencing with the execution of the franchise, renewal, or transfer agreement. As these fees are typically received in cash at or near the beginning of the contract term, the cash received is initially recorded as a contract liability until recognized as revenue over time.
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's sales occur. Depending on timing within a fiscal period, the recognition of revenue results in either what is considered a contract asset (unbilled receivable) or, once billed, accounts receivable, on the balance sheet.
- The Company is entitled to a software fee, which is charged monthly. The Company recognizes revenue related to software fees ratably on a straight-line basis over the term of the franchise agreement.

In determining the amount and timing of revenue from contracts with customers, the Company exercises significant judgment with respect to collectability of the amount; however, the timing of recognition does not require significant judgment as it is based on either the franchise term or the reported sales of the franchisee, none of which require estimation. The Company believes its franchising arrangements do not contain a significant financing component.

The Company recognizes advertising fees received under franchise agreements as advertising fund revenue.

Capitalized Sales Commissions

Sales commissions earned by the regional developers and the Company's sales force are considered incremental and recoverable costs of obtaining a franchise agreement with a franchisee. These costs are deferred and then amortized as the respective franchise fees are recognized ratably on a straight-line basis over the term of the franchise agreement.

Disaggregation of Revenue

The Company believes that the captions contained on the condensed consolidated income statements appropriately reflect the disaggregation of its revenue by major type for the three and six months ended June 30, 2023 and 2022. Other revenues primarily consist of preferred vendor royalties associated with franchisees' credit card transactions.

The following table shows the Company's revenues disaggregated according to the timing of transfer of services:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------------|--------------------------------|-----------------------|------------------------------|-----------------------|
| | 2023 | 2022 (as restated) | 2023 | 2022 (as restated) |
| Revenue recognized at a point in time | \$ 27,401,004 | \$ 23,100,498 | \$ 53,737,394 | \$ 43,739,286 |
| Revenue recognized over time | 1,906,180 | 1,786,867 | 3,870,611 | 3,384,830 |
| Total Revenues | \$ 29,307,184 | \$ 24,887,365 | \$ 57,608,005 | \$ 47,124,116 |

Rollforward of Contract Liabilities and Contract Assets

Changes in the Company's contract liability for deferred revenue from company clinics during the six months ended June 30, 2023 were as follows:

| | Deferred Revenue from company clinics |
|---|---|
| Balance at December 31, 2022 | \$ 7,471,549 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (5,202,787) |
| Net increase during the six months ended June 30, 2023 | 5,420,686 |
| Balance at June 30, 2023 | <u>\$ 7,689,448</u> |

Changes in the Company's contract liability for deferred franchise fees during the six months ended June 30, 2023 were as follows:

| | Deferred Revenue short and long-term |
|---|---|
| Balance at December 31, 2022, as restated | \$ 16,629,735 |
| Revenue recognized that was included in the contract liability at the beginning of the year | (1,363,506) |
| Net increase during the six months ended June 30, 2023 | 1,447,506 |
| Balance at June 30, 2023 | <u>\$ 16,713,735</u> |

The Company's deferred franchise and development costs represent capitalized sales commissions. Changes during the six months ended June 30, 2023 were as follows:

| | Deferred Franchise and Development Costs short and long-term |
|---|---|
| Balance at December 31, 2022 | \$ 6,761,738 |
| Recognized as cost of revenue during the six months ended June 30, 2023 | (490,939) |
| Net increase during the six months ended June 30, 2022 | 393,665 |
| Balance at June 30, 2023 | <u>\$ 6,664,464</u> |

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of June 30, 2023:

| Contract liabilities expected to be recognized in | Amount |
|--|----------------------|
| 2023 (remainder) | \$ 1,272,496 |
| 2024 | 2,459,511 |
| 2025 | 2,322,249 |
| 2026 | 2,228,012 |
| 2027 | 2,154,886 |
| Thereafter | 6,276,581 |
| Total | \$ 16,713,735 |

Note 3: Acquisitions and Assets Held for Sale

2023 Acquisition

On May 22, 2023, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the sellers three operating franchised clinics in California (the “CA Clinics Purchase”). As of the acquisition date, the Company operates the franchises as company-managed clinics. The total purchase price for the transactions was \$1,188,764 to the seller (of which \$109,767 is to be paid in the third quarter of 2023), less \$28,997 of net deferred revenue, resulting in total purchase consideration of \$1,159,767.

Based on the terms of the purchase agreement, the CA Clinics Purchase has been treated as an asset purchase under GAAP as there were no outputs or processes to generate outputs acquired as part of these transactions. Under an asset purchase, assets are recognized based on their cost to the acquiring entity. Cost is allocated to the individual assets acquired or liabilities assumed based on their relative fair values and does not give rise to goodwill.

The allocation of the total purchase price of the CA Clinics Purchase was as follows:

| | |
|--|--------------|
| Property and equipment | \$ 313,995 |
| Operating lease right-of-use asset | 317,662 |
| Intangible assets | 1,004,513 |
| Total assets acquired | 1,636,170 |
| Deferred revenue | (158,365) |
| Operating lease liability - current portion | (118,081) |
| Operating lease liability - net of current portion | (199,957) |
| Net purchase consideration | \$ 1,159,767 |

Intangible assets in the table above primarily consist of reacquired franchise rights of \$0.7 million amortized over their estimated useful lives of six to seven years, customer relationships of \$0.1 million amortized over an estimated useful life of two years, and assembled workforce of \$0.2 million amortized over an estimated useful life of two years.

2022 Acquisition

On May 19, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller four operating franchises in Arizona (the “Acquisition”). The Company operates the franchises as company-owned clinics. The total purchase price for the transaction was \$5,761,256, less \$70,484 of net deferred revenue, resulting in total purchase consideration of \$5,690,772. Based on the terms of the purchase agreement, the Acquisition was treated as a business combination under GAAP using the acquisition method of accounting, which requires that assets acquired and liabilities assumed

be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

The allocation of the purchase price was as follows:

| | | |
|--|----|-----------|
| Property and equipment | \$ | 235,558 |
| Operating lease right-of-use asset | | 823,869 |
| Intangible assets | | 2,983,200 |
| Total identifiable assets acquired | | 4,042,627 |
| Goodwill | | 2,965,375 |
| Deferred revenue | | (493,060) |
| Operating lease liability – current portion | | (107,694) |
| Operating lease liability – net of current portion | | (716,476) |
| Net purchase consideration | \$ | 5,690,772 |

Intangible assets in the table above consist of re-acquired franchise rights of \$2,422,500 amortized over estimated useful lives of approximately four to eight years and customer relationships of \$560,700 amortized over estimated useful lives of two years. The fair value of re-acquired franchise rights are estimated using the multi-period excess earnings method. The multi-period excess earnings method model estimates revenues and cash flows derived from the primary asset and then deducts portions of the cash flow that can be attributed to supporting assets, such as assembled workforce and working capital that contributed to the generation of the cash flows. The resulting cash flow, which is attributable solely to the primary asset acquired, is then discounted at a rate of return commensurate with the risk of the asset to calculate a present value. Customer relationships are also calculated using the multi-period excess earnings method.

Goodwill represents the excess of the purchase consideration over the fair value of the underlying acquired net tangible and intangible assets. The factors that contributed to the recognition of goodwill included synergies and benefits expected to be gained from leveraging the Company's existing operations and infrastructures, as well as the expected associated revenue and cash flow projections. Goodwill has been allocated to the Company's Corporate Clinics segment based on such expected benefits. Goodwill related to the acquisition is expected to be deductible for income tax purposes over 15 years.

Pro Forma Results of Operations (Unaudited)

The following table summarizes selected unaudited pro forma consolidated income statements for three and six months ended June 30, 2023 and 2022 for the 2023 and 2022 acquisitions, as if the CA Clinics Purchase (which has been accounted for as an asset purchase) in 2023 and the AZ clinics acquired (which have been accounted for as a business combination) had both been completed on January 1, 2022.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------|--------------------------------|---------------|------------------------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| | | (as restated) | | (as restated) |
| Revenues, net | \$ 29,684,349 | \$ 25,601,056 | \$ 58,346,746 | \$ 48,910,697 |
| Net income (loss) | (304,758) | (1,022,274) | 1,983,969 | (1,196,652) |
| | \$ 29,379,591 | \$ 24,578,782 | \$ 60,330,715 | \$ 47,714,045 |

The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the purchases had taken place on January 1, 2022 or of results that may occur in the future. For 2022 and 2023, this information includes actual data recorded in the Company's consolidated financial statements for the period subsequent to the dates of the respective acquisitions.

The Company's consolidated income statements for the three and six months ended June 30, 2023 include \$168,719 in net revenue and \$42,036 in net income, excluding corporate clinics segment overhead costs, of the acquired CA clinics. The

Company's condensed consolidated income statements for the three and six months ended June 30, 2022 include net revenue and net income of \$68,971 and \$307,497, respectively, attributable to the AZ Acquisition.

Assets Held for Sale

In June 2023, the Company entered into negotiations to sell one of its company-managed clinics in California to a franchisee for a total of \$0.1 million. The sale is expected to close during the third quarter of 2023, subject to the execution of the purchase agreement and other customary closing conditions contained in the purchase agreement. This transaction does not represent a strategic shift for the Company, and, therefore, it does not meet the criteria to be classified as a discontinued operation. As a result, the results of this clinic will continue to be reported in the Company's operating results and in its Corporate Clinics segment until the sale is finalized. Effective with the designation as held for sale in June 2023, the Company discontinued recording depreciation on property and equipment, net and amortization of ROU assets for the clinic as required by GAAP. The Company also separately classified the related assets and liabilities of the clinics as held for sale in its June 30, 2023 condensed consolidated balance sheet.

Long-lived assets that meet the criteria for the held for sale designation are reported at the lower of their carrying value or fair value less estimated cost to sell. As a result of its evaluation of the recoverability of the carrying value of the assets and liabilities held for sale relative to the agreed upon sales price, the Company recorded an estimated loss on disposal of \$60,201 during the three and six months ended June 30, 2023 as Net loss on disposition or impairment in its condensed consolidated income statement and a valuation allowance included in assets held for sale on its condensed consolidated balance sheet.

The principal components of the held for sale assets and liabilities as of June 30, 2023 were as follows:

| | June 30, 2023 |
|--|----------------------|
| <u>Assets</u> | |
| Property and equipment, net | 159,472 |
| Operating lease right-of-use asset | 116,451 |
| Valuation allowance | \$ (60,201) |
| Total assets held for sale | <u>\$ 215,722</u> |
| <u>Liabilities</u> | |
| Operating lease liability, current and non-current | 148,846 |
| Deferred revenue from company clinics | 6,776 |
| Total liabilities to be disposed of | <u>\$ 155,622</u> |

Note 4: Property and Equipment

Property and equipment consist of the following, excluding amounts related to properties classified as held for sale:

| | June 30, 2023 | December 31, 2022 |
|---|------------------|----------------------|
| Office and computer equipment | \$ 5,814,911 | \$ 5,207,833 |
| Leasehold improvements | 19,325,917 | 17,842,901 |
| Software developed | 6,163,961 | 5,843,758 |
| Finance lease assets | 151,396 | 151,396 |
| | 31,456,185 | 29,045,888 |
| Accumulated depreciation and amortization | (14,931,581) | (12,675,085) |
| | 16,524,604 | 16,370,803 |
| Construction in progress | 1,103,329 | 1,104,349 |
| Property and equipment, net | \$ 17,627,933 | \$ 17,475,152 |

Depreciation expense was \$1,376,474 and \$941,121 for the three months ended June 30, 2023 and 2022, respectively. Depreciation expense was \$2,646,735 and \$1,820,251 for the six months ended June 30, 2023 and 2022, respectively.

Amortization expense related to finance lease assets was \$7,570 and \$18,636 for the three months ended June 30, 2023 and 2022, respectively. Amortization expense related to finance lease assets was \$15,139 and \$40,432 for the six months ended June 30, 2023 and 2022, respectively.

Construction in progress at June 30, 2023 and December 31, 2022 principally related to development and construction costs for the company-owned or managed clinics

Note 5: Fair Value Measurements

The Company's financial instruments include cash, restricted cash, accounts receivable, accounts payable, accrued expenses and debt under the Credit Agreement (defined in Note 7). The carrying amounts of its financial instruments, except for debt, approximate their fair value due to their short maturities. The carrying value of the Company's debt under the Credit Agreement approximates fair value due to its interest rate being calculated from observable quoted prices for similar instruments, which is considered a Level 2 fair value measurement.

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on reliability of the inputs as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of June 30, 2023 and December 31, 2022, the Company did not have any financial instruments that were measured on a recurring basis as Level 1, 2 or 3.

The Company's non-financial assets, which primarily consist of goodwill, intangible assets, property, plant and equipment, and operating lease right-of-use assets, are not required to be measured at fair value on a recurring basis, and instead are reported at their carrying amount. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying

amount may not be fully recoverable (and at least annually for goodwill), non-financial assets are assessed for impairment. If the fair value is determined to be lower than the carrying amount, an impairment charge is recorded to write down the asset to its fair value, which is considered Level 3 within the fair value hierarchy.

The assets and liabilities resulting from the Acquisitions (reference Note 3) were recorded at fair values on a nonrecurring basis and are considered Level 3 within the fair value hierarchy.

In connection with the planned sale of a company-managed clinic to a franchisee, the Company reclassified \$159,472 of net property and equipment and \$116,451 of ROU assets to Assets held for sale and reclassified \$148,846 of lease liability and \$6,776 of deferred revenue from Company clinics to Liabilities to be disposed of in the consolidated balance sheet as of June 30, 2023. Long-lived assets that meet the held for sale criteria are reported at the lower of their carrying value or fair value, less estimated costs to sell. As a result, the Company recorded a valuation allowance of \$60,201 to adjust the carrying value of the disposal group to fair value less cost to sell during the three and six months ended June 30, 2023. The estimated fair value of assets held for sale is based upon Level 2 inputs, which includes a potential buyer agreed upon selling price.

Note 6: Intangible Assets

In May 2022, the Company recognized \$2.4 million and \$0.6 million of reacquired franchise rights and customer relationships, respectively, from the Acquisition (reference Note 3).

In May 2023, the Company recognized \$0.7 million, \$0.1 million and \$0.2 million of reacquired franchise rights, customer relationships and acquired workforce, respectively, from the Acquisition (reference Note 3).

Intangible assets consisted of the following:

| | As of June 30, 2023 | | |
|--|-----------------------|--------------------------|----------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Intangible assets subject to amortization: | | | |
| Reacquired franchise rights | \$ 13,594,191 | \$ (5,802,132) | \$ 7,792,059 |
| Customer relationships | 4,444,849 | (2,937,539) | 1,507,310 |
| Assembled workforce | 1,137,569 | (386,578) | 750,991 |
| | <u>\$ 19,176,609</u> | <u>\$ (9,126,249)</u> | <u>\$ 10,050,360</u> |

| | As of December 31, 2022 | | |
|--|-------------------------|--------------------------|----------------------|
| | As Restated | | |
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Intangible assets subject to amortization: | | | |
| Reacquired franchise rights | \$ 12,881,894 | \$ (4,755,286) | \$ 8,126,608 |
| Customer relationships | 4,330,365 | (2,352,500) | 1,977,865 |
| Assembled workforce | 959,837 | (136,015) | 823,822 |
| | <u>\$ 18,172,096</u> | <u>\$ (7,243,801)</u> | <u>\$ 10,928,295</u> |

Amortization expense related to the Company's intangible assets was \$945,223 and \$502,113 for the three months ended June 30, 2023 and 2022, respectively. Amortization expense was \$1,882,448 and \$937,844 for the six months ended June 30, 2023 and 2022, respectively.

Estimated amortization expense for 2023 and subsequent years is as follows:

| | Amount |
|------------------|---------------|
| 2023 (remainder) | \$ 1,911,358 |
| 2024 | 2,824,441 |
| 2025 | 1,699,025 |
| 2026 | 1,324,974 |
| 2027 | 769,942 |
| Thereafter | \$ 1,520,620 |
| Total | \$ 10,050,360 |

Note 7: Debt

Credit Agreement

On February 28, 2020, the Company entered into a Credit Agreement (the "Credit Agreement"), with JPMorgan Chase Bank, N.A., individually, and as Administrative Agent and Issuing Bank ("JPMorgan Chase" or the "Lender"). The Credit Agreement provided for senior secured credit facilities (the "Credit Facilities") in the amount of \$7,500,000, including a \$2,000,000 revolver (the "Revolver") and \$5,500,000 development line of credit (the "Line of Credit"). The Revolver included amounts available for letters of credit of up to \$1,000,000 and an uncommitted additional amount of \$2,500,000. All outstanding principal and interest on the Revolver were due on February 28, 2022.

On February 28, 2022, the Company entered into an amendment to its Credit Facilities (as amended, the "2022 Credit Facility") with the Lender. Under the 2022 Credit Facility, the Revolver increased to \$20,000,000 (from \$2,000,000), the portion of the Revolver available for letters of credit increased to \$5,000,000 (from \$1,000,000), the uncommitted additional amount increased to \$30,000,000 (from \$2,500,000) and the developmental line of credit of \$5,500,000 was terminated. The Revolver will be used for working capital needs, general corporate purposes and for acquisitions, development and capital improvement uses. At the option of the Company, borrowings under the 2022 Credit Facility bear interest at: (i) the adjusted SOFR rate, plus 0.10%, plus 1.75%, payable on the last day of the selected interest period of one, three or six months, and on the three-month anniversary of the beginning of any six month interest period, if applicable; or (ii) an Alternative Base Rate (ABR), plus 1.00%, payable monthly. The ABR is the greatest of: (A) the prime rate (as published by the Wall Street Journal), (B) the Federal Reserve Bank of New York rate, plus 0.5%, and (C) the adjusted one-month term SOFR rate. Amounts outstanding under the Revolver on February 28, 2022 continued to bear interest at the rate selected under the Credit Facilities prior to the amendment until the last day of the interest period in effect, at which time, if not repaid, the amounts outstanding under the Revolver will bear interest at the 2022 Credit Facility rate. The 2022 Credit Facility will terminate and all principal and interest will become due and payable on the fifth anniversary of the amendment (February 28, 2027).

The Credit Facilities contain customary events of default, including but not limited to nonpayment; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; cross-default to material indebtedness; certain material judgments; and certain fundamental changes such as a merger or sale of substantially all assets (as further defined in the Credit Facilities). The Credit Facilities require the Company to comply with customary affirmative, negative and financial covenants, including minimum interest coverage and maximum net leverage. A breach of any of these operating or financial covenants would result in a default under the Credit Facilities. If an event of default occurs and is continuing, the lenders could elect to declare all amounts then outstanding, together with accrued interest, to be immediately due and payable. The Credit Facilities are collateralized by substantially all of the Company's assets, including the assets in the Company's company-owned or managed clinics. The interest rate on funds borrowed under the Revolver as of June 30, 2023 was 7.1%. As of June 30, 2023, the Company was in compliance with all applicable financial and non-financial covenants under the Credit Agreement, and \$2,000,000 remains outstanding as of June 30, 2023. Subsequent to June 30, 2023, a financial reporting covenant had not been met, which the lender waived the reporting requirement and extended the date for the report to be provided through September 30, 2023. Upon the filing of this form 10-Q, the Company is in compliance with its financial reporting covenant.

Note 8: Stock-Based Compensation

The Company grants stock-based awards under its Amended and Restated 2014 Incentive Stock Plan (the "2014 Plan"). The shares issued as a result of stock-based compensation transactions generally have been funded with the issuance of new shares of the Company's common stock. The Company may grant the following types of incentive awards under the 2014 Plan: (i) non-

qualified stock options; (ii) incentive stock options; (iii) stock appreciation rights; (iv) restricted stock; and (v) restricted stock units. Each award granted under the 2014 Plan is subject to an award agreement that incorporates, as applicable, the exercise price, the term of the award, the periods of restriction, the number of shares to which the award pertains, and such other terms and conditions as the plan committee determines. Awards granted under the 2014 Plan are classified as equity awards, which are recorded in stockholders' equity in the Company's consolidated balance sheets. Through June 30, 2023, the Company has granted under the 2014 Plan (i) non-qualified stock options; (ii) incentive stock options; and (iii) restricted stock. There were no stock appreciation rights and restricted stock units granted under the 2014 Plan as of June 30, 2023.

Stock Options

The Company's closing price on the date of grant is the basis of fair value of its common stock used in determining the value of share-based awards. To the extent the value of the Company's share-based awards involves a measure of volatility, the Company uses available historical volatility of the Company's common stock over a period of time corresponding to the expected stock option term. The Company historically has used the simplified method to calculate the expected term of stock option grants to employees as the Company did not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term of stock options granted to employees. Accordingly, the expected life of the options granted is based on the average of the vesting term, which is generally four years and the contractual term, which is generally ten years. The Company will continue to evaluate the appropriateness of utilizing such method. The risk-free interest rate is based on United States Treasury yields in effect at the date of grant for periods corresponding to the expected stock option term. Forfeitures are estimated based on historical and forecasted turnover, which is approximately 5%.

The Company did not grant options during the three and six months ended June 30, 2023 and 2022.

The information below summarizes the stock options activity for the six months ended June 30, 2023:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
|----------------------------------|---------------------|--|---|
| Outstanding at December 31, 2022 | 531,923 | \$ 9.20 | 4.7 |
| Granted | — | — | |
| Exercised | (25,623) | 7.90 | |
| Cancelled | (7,375) | 28.58 | |
| Expired | (2,591) | 36.19 | |
| Outstanding at June 30, 2023 | 496,334 | \$ 8.84 | 4.1 |
| Exercisable at June 30, 2023 | 462,490 | \$ 7.27 | 3.9 |

For the three months ended June 30, 2023 and 2022, stock-based compensation expense for stock options was \$5,724 and \$136,352, respectively. For the six months ended June 30, 2023 and 2022, stock-based compensation expense for stock options was \$150,606 and \$307,355, respectively.

Restricted Stock

Restricted stock granted to employees generally vests in four equal annual installments, although on May 25, 2023, the Company granted 51,401 shares of restricted stock as part of a special award to certain high performing employees that vest in one installment on the first anniversary of the grant. Restricted stock granted to non-employee directors typically vests in full one year after the date of grant.

The information below summarizes the restricted stock activity for the six months ended June 30, 2023:

| Restricted Stock Awards | Shares | Weighted Average Grant-Date Fair Value per Award |
|---------------------------------|---------------|---|
| Non-vested at December 31, 2022 | 70,312 | \$ 29.05 |
| Granted | 189,569 | 14.84 |
| Vested | (33,474) | 22.00 |
| Cancelled | (5,348) | 37.01 |
| Non-vested at June 30, 2023 | 221,059 | \$ 17.74 |

For the three months ended June 30, 2023 and 2022, stock-based compensation expense for restricted stock was \$31,293 and \$203,839, respectively. For the six months ended June 30, 2023 and 2022, stock-based compensation expense for restricted stock was \$532,621 and \$356,392, respectively.

Note 9: Income Taxes

During the three months ended June 30, 2023 and 2022, the Company recorded income tax benefit of \$60,585 and income tax benefit of \$477,884, respectively. During the six months ended June 30, 2023 and 2022, the Company recorded income tax expense of \$681,304 and income tax benefit of \$536,960, respectively. The Company's effective tax rates differ from the federal statutory tax rate due to permanent differences, discrete items and state taxes. The Company's effective tax rate differs from the statutory rate for the six months ended June 30, 2023 primarily due to the company's ERC refunds from the Internal Revenue Service. The tax effect of the refund amount, net of the related consulting fees, is treated as a discrete item for the six months ended June 30, 2023 (See Note 11 "Employee Retention Credit"). The effective tax rate for the three months ended June 30, 2023 and for the three and six months ended June 30, 2022 differs from the statutory rate primarily due to the pre-tax income reported by the Joint Corp., without the VIEs.

Note 10: Commitments and Contingencies

Leases

The table below summarizes the components of lease expense and income statement location for the three and six months ended June 30, 2023 and 2022:

| | Line Item in the Company's Condensed Consolidated Income Statements | Three Months Ended June 30, 2023 | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|-------------------------------|--|---|---|---------------------------------------|---------------------------------------|
| Finance lease costs: | | | | | |
| Amortization of assets | Depreciation and amortization | \$ 7,570 | \$ 18,636 | \$ 15,139 | \$ 40,432 |
| Interest on lease liabilities | Other expense, net | 825 | 1,112 | 1,713 | 2,549 |
| Total finance lease costs | | 8,395 | 19,748 | 16,852 | 42,981 |
| Operating lease costs | General and administrative expenses | 1,639,749 | \$ 1,375,574 | 3,253,595 | \$ 2,730,884 |
| Total lease costs | | \$ 1,648,144 | \$ 1,395,322 | \$ 3,270,447 | \$ 2,773,865 |

Supplemental information and balance sheet location related to leases is as follows:

| | June 30, 2023 | December 31, 2022 |
|--|---------------|-------------------|
| Operating Leases: | | |
| Operating lease right-of-use asset | \$22,641,632 | \$20,587,199 |
| Operating lease liability - current portion | \$5,880,954 | \$5,295,830 |
| Operating lease liability - net of current portion | 20,029,654 | 18,672,719 |
| Total operating lease liability | \$25,910,608 | \$23,968,549 |
| Finance Leases: | | |
| Property and equipment, at cost | \$151,396 | \$151,396 |
| Less accumulated amortization | (102,792) | (87,652) |
| Property and equipment, net | \$48,604 | \$63,744 |
| Finance lease liability - current portion | 24,956 | 24,433 |
| Finance lease liability - net of current portion | 50,896 | 63,507 |
| Total finance lease liabilities | \$75,852 | \$87,940 |
| Weighted average remaining lease term (in years): | | |
| Operating leases | 5.2 | 5.4 |
| Finance lease | 2.9 | 3.4 |
| Weighted average discount rate: | | |
| Operating leases | 5.1 % | 4.8 % |
| Finance leases | 4.3 % | 4.3 % |

Supplemental cash flow information related to leases is as follows:

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|-----------------------------------|-----------------------------------|
| Cash paid for amounts included in measurement of liabilities: | | |
| Operating cash flows from operating leases | \$ 3,465,890 | \$ 2,822,523 |
| Operating cash flows from finance leases | 1,713 | 2,549 |
| Financing cash flows from finance leases | 12,087 | 38,022 |
| Non-cash transactions: ROU assets obtained in exchange for lease liabilities | | |
| Operating lease | \$ 3,859,696 | \$ 2,071,960 |
| Finance lease | — | — |

Maturities of lease liabilities as of June 30, 2023 were as follows:

| | Operating Leases | Finance Lease |
|----------------------------|-------------------------|----------------------|
| 2023 (remainder) | \$ 3,545,028 | \$ 13,800 |
| 2024 | 6,743,929 | 27,600 |
| 2025 | 6,127,339 | 27,600 |
| 2026 | 4,277,431 | 11,500 |
| 2027 | 3,271,135 | — |
| Thereafter | 5,583,282 | — |
| Total lease payments | <u>\$ 29,548,144</u> | <u>\$ 80,500</u> |
| Less: Imputed interest | <u>(3,637,536)</u> | <u>(4,647)</u> |
| Total lease obligations | 25,910,608 | 75,852 |
| Less: Current obligations | <u>(5,880,954)</u> | <u>(24,956)</u> |
| Long-term lease obligation | <u>\$ 20,029,654</u> | <u>\$ 50,896</u> |

During the second quarter of 2023, the Company entered into various operating leases that have not yet commenced for spaces to be used by the Company's new corporate clinics. These leases are expected to result in additional ROU assets and liabilities of approximately \$0.4 million. These leases are expected to commence during the third and the fourth quarters of 2023, with lease terms of five to ten years.

Guarantee in Connection with the Sale of the Divested Business

In connection with the sale of a company-managed clinic in 2022, the Company guaranteed one future operating lease commitment assumed by the buyers. The Company is obligated to perform under the guarantee if the buyers fail to perform under the lease agreement at any time during the remainder of the lease agreement, which expires on May 31, 2027. At the date of sale, the undiscounted maximum potential future payments totaled \$247,296. As of June 30, 2023, the undiscounted remaining lease payments under the agreement totaled \$209,496. The Company had not recorded a liability with respect to the guarantee obligation as of June 30, 2023, as the Company concluded that payment under the lease guarantee was not probable.

Litigation

In the normal course of business, the Company is party to litigation and claims from time to time. The Company maintains insurance to cover certain litigation and claims.

Note 11: Segment Reporting

An operating segment is defined as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the Chief Operating Decision Maker ("CODM") to evaluate performance and make operating decisions. The Company has identified its CODM as the Chief Executive Officer.

The Company has two operating business segments and one non-operating business segment. The Corporate Clinics segment is composed of the operating activities of the company-owned or managed clinics. As of June 30, 2023, the Company operated or managed 134 clinics under this segment. The Franchise Operations segment is composed of the operating activities of the franchise business unit. As of June 30, 2023, the franchise system consisted of 756 clinics in operation. Corporate is a non-operating segment that develops and implements strategic initiatives and supports the Company's two operating business segments by centralizing key administrative functions such as finance and treasury, information technology, insurance and risk management, legal and human resources. Corporate also provides the necessary administrative functions to support the Company as a publicly-traded company. A portion of the expenses incurred by Corporate are allocated to the operating segments.

The tables below present financial information for the Company's two operating business segments.

| | Three Months Ended | | Six Months Ended | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | June 30, | | June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | (as restated) | | (as restated) |
| Corporate clinics | \$ 17,802,838 | \$ 14,492,972 | \$ 34,930,795 | \$ 27,099,971 |
| Franchise operations | 11,504,346 | 10,394,393 | 22,677,210 | 20,024,145 |
| Total revenues | <u>\$ 29,307,184</u> | <u>\$ 24,887,365</u> | <u>\$ 57,608,005</u> | <u>\$ 47,124,116</u> |
| Depreciation and amortization: | | | | |
| Corporate clinics | 2,032,666 | 1,191,694 | 3,959,758 | 2,275,370 |
| Franchise operations | 207,717 | 186,247 | 406,690 | 359,735 |
| Corporate administration | 88,884 | 83,929 | 177,874 | 163,422 |
| Total depreciation and amortization | <u>\$ 2,329,267</u> | <u>\$ 1,461,870</u> | <u>\$ 4,544,322</u> | <u>\$ 2,798,527</u> |
| Segment operating income (loss): | | | | |
| Corporate clinics | \$ 21,790 | \$ 551,223 | \$ (400,263) | \$ 405,680 |
| Franchise operations | 4,232,245 | 2,162,769 | 8,774,144 | 6,411,204 |
| Total segment operating income | <u>\$ 4,254,035</u> | <u>\$ 2,713,992</u> | <u>\$ 8,373,881</u> | <u>\$ 6,816,884</u> |
| Reconciliation of total segment operating income to consolidated earnings before income taxes: | | | | |
| Total segment operating income | \$ 4,254,035 | \$ 2,713,992 | \$ 8,373,881 | \$ 6,816,884 |
| Unallocated corporate | (4,628,589) | (4,044,458) | (9,401,544) | (8,186,058) |
| Consolidated income from operations | (374,554) | (1,330,466) | (1,027,663) | (1,369,174) |
| Other income (expense), net | (106,520) | (19,286) | 3,714,642 | (35,434) |
| (Loss) income before income tax expense | <u>\$ (481,074)</u> | <u>\$ (1,349,752)</u> | <u>\$ 2,686,979</u> | <u>\$ (1,404,608)</u> |
| Segment assets: | | June 30, 2023 | December 31, 2022 | |
| Corporate clinics | | \$ 56,791,939 | \$ 56,008,234 | |
| Franchise operations | | 13,716,157 | 12,360,878 | |
| Total segment assets | | <u>70,508,096</u> | <u>68,369,112</u> | |
| Unallocated cash and cash equivalents and restricted cash | | 14,451,346 | 10,550,417 | |
| Unallocated property and equipment | | 734,432 | 915,216 | |
| Other unallocated assets | | 13,512,723 | 13,655,632 | |
| Total assets | | <u>\$ 99,206,597</u> | <u>\$ 93,490,377</u> | |

“Unallocated cash and cash equivalents and restricted cash” relates primarily to corporate cash and cash equivalents and restricted cash (see Note 1), “unallocated property and equipment” relates primarily to corporate fixed assets, and “other unallocated assets” relates primarily to deposits, prepaid and other assets.

Note 12: Employee Retention Credit

The employee retention credit ("ERC"), as originally enacted through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020, is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The Disaster Tax Relief Act, enacted on December 27, 2020, extended the ERC for qualified wages paid from January 1, 2021 to June 30, 2021, and the credit was

increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the ERC through December 31, 2021.

In October 2022, the Company filed an application with the IRS for the ERC. Employers are eligible for the credit if they experienced full or partial suspension or modification of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on a comparison of quarterly revenue results for 2020 and/or 2021 with the comparable quarter in 2019. The Company's ERC application was equal to 70% of qualified wages paid to employees during the period from January 1, 2021 to June 30, 2021 for a maximum quarterly credit of \$7,000 per employee. In March 2023, the Company received notice and refunds from the IRS related to the overpayment of Federal Employment Tax plus interest in the amount of \$4.8 million related to the ERC application. The \$4.8 million ERC is subject to a 20% consulting fee. The Company's eligibility remains subject to audit by the IRS for a period of five years.

Since there are no generally accepted accounting principles for for-profit business entities that receive government assistance that is not in the form of a loan, an income tax credit or revenue from a contract with a customer, we determined the appropriate accounting treatment by analogy to other guidance. We accounted for the ERC by analogy to International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance, of International Financial Reporting Standards (IFRS).

Under an IAS 20 analogy, a business entity would recognize the ERC on a systematic basis over the periods in which the entity recognizes the payroll expenses for which the grant (i.e., tax credit) is intended to compensate when there is reasonable assurance (i.e., it is probable) that the entity will comply with any conditions attached to the grant and the grant (i.e., tax credit) will be received.

We have accounted for the \$3.8 million ERC, net of the consulting fee, for the six months ended June 30, 2023 as other income on the Statement of Income when the Company was reasonably assured that the Company met all requirements of the ERC and the grant would be received. The ERC refund is not taxable; however, the credit is subject to expense disallowance rules which increased income tax expense as a discrete item by \$0.9 million, net of the consulting expense deduction, for the six months ended June 30, 2023.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated interim financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2022 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Amended Annual Report on Form 10-K/A.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, especially in this Management's Discussion and Analysis or MD&A, contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to the "safe harbor" created by those sections. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q could be deemed forward-looking statements, particularly statements about our plans, strategies and prospects under the headings "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," "intend," "seek," "strive," or the negative of these terms, "mission," "goal," "objective," or "strategy," or other comparable terminology. All forward-looking statements in this Form 10-Q are made based on our current expectations, forecasts, estimates and assumptions, and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in the forward-looking statements. In evaluating these statements, you should specifically consider various factors, uncertainties and risks that could affect our future results or operations as described from time to time in our SEC reports, including those risks outlined under "Risk Factors" which are contained in Part I, Item 1A of our Form 10-K/A for the year ended December 31, 2022 and in Part II, Item 1A of this or any subsequent quarterly reports on Form 10-Q. These factors, uncertainties and risks may cause our actual results to differ materially from any forward-looking statement set forth in this Form 10-Q. You should carefully consider the trends, risks and uncertainties described below and other information contained in the reports we file with or furnish to the SEC before making any investment decision with respect to our securities. We undertake no obligation to update or revise publicly any forward-looking statements, other than in accordance with legal and regulatory obligations. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement. Some of the important factors

that could cause our actual results to differ materially from those projected in any forward-looking statements include, but are not limited to, the following:

- *the nationwide labor shortage has negatively impacted our ability to recruit chiropractors and other qualified personnel, which may limit our growth strategy, and the measures we have taken in response to the labor shortage have reduced our net revenues;*
- *inflation, exacerbated by COVID-19 and the Ukraine War, has led to increased labor costs and interest rates and may lead to reduced discretionary spending, all of which may negatively impact our business;*
- *the COVID-19 pandemic has caused significant disruption to our operations and may continue to impact our business, key financial and operating metrics, and results of operations in numerous ways that remain unpredictable; future widespread outbreaks of contagious disease could similarly disrupt our business;*
- *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 in those geographic areas where we currently have few or no 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;*
- *short-selling strategies and negative opinions posted on the internet may drive down the market price of our common stock and could result in class action lawsuits;*
- *we have identified material weaknesses in our internal controls over financial reporting and we may fail to remediate material weaknesses in our internal controls over financial reporting or may otherwise be unable to maintain an effective system of internal control over financial reporting, which might negatively impact our ability to accurately report our financial results, prevent fraud, or maintain investor confidence;*
- *we may fail to successfully design and maintain our proprietary and third-party management information systems or implement new systems;*
- *we have restated our prior consolidated financial statements, which may lead to additional risks and uncertainties, including loss of investor confidence and negative impacts on our stock price;*
- *we may fail to properly maintain the integrity of our data or to strategically implement, upgrade or consolidate existing information systems;*
- *franchised clinic acquisitions that we make could disrupt our business and harm our financial condition if we cannot continue their operational success or successfully integrate them;*
- *we may not be able to continue to sell franchises to qualified franchisees, and our franchisees may not succeed in developing profitable territories and clinics;*
- *new clinics may not reach the point of profitability, 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 independent competitors, which could prevent us from increasing our market share or result in reduction in our market share;*
- *state administrative actions and rulings regarding the corporate practice of chiropractic and prepayment of chiropractic services may jeopardize our business model;*
- *expected new federal regulations and state laws and regulations regarding joint employer responsibility could negatively impact the franchise business model, increasing our potential liability for employment law violations by our franchisees and the likelihood that we may be required to participate in collective bargaining with our franchisees' employees;*

- *an increased regulatory focus on the establishment of fair franchise practices could increase our risk of liability in disputes with franchisees and the risk of enforcement actions and penalties;*
- *adverse developments affecting institutions, including bank failures, could adversely affect our liquidity and financial performance;*
- *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, could adversely impact our operations and financial position;*
- *our IT security systems and those of our third-party service providers (as recently experienced by one of our marketing vendors) may be breached, and we may face civil liability and public perception of our security measures could be diminished, either of which would negatively affect our ability to attract and retain patients;*
- *new SEC regulations governing disclosure about risk management, strategy and governance regarding cybersecurity risks and new requirements for reporting of cybersecurity incidents may increase our compliance costs;*
- *legislation, regulations, as well as new medical procedures and techniques, could reduce or eliminate our competitive advantages; and*
- *the delayed filing of our quarterly report has made us currently ineligible to use a registration statement on Form S-3 to register the offer and sale of securities, which could adversely affect our ability to raise future capital or complete acquisitions.*

Additionally, there may be other risks that are otherwise described from time to time in the reports that we file with the Securities and Exchange Commission. Any forward-looking statements in this report should be considered in light of various important factors, including the risks and uncertainties listed above, as well as others.

Overview

Our principal business is to develop, own, operate, support and manage chiropractic clinics through direct ownership, management arrangements, franchising and regional developers throughout the United States.

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 and potentially abroad.

Key Performance Measures. We receive monthly performance reports from our system and our clinics which include key performance indicators per clinic including gross sales, comparable same-store sales growth, or “Comp Sales,” number of new patients, conversion percentage, and membership attrition. In addition, we review monthly reporting related to system-wide sales, clinic openings, clinic license sales, adjusted EBITDA, and various earnings metrics in the aggregate and per clinic. We believe these indicators provide us with useful data with which to measure our performance and to measure our franchisees’ and clinics’ performance. Comp Sales include the sales from both company-owned or managed clinics and franchised clinics that in each case have been open at least 13 full months and exclude any clinics that have closed. System-wide sales include sales at all clinics, whether operated by us or by franchisees. While franchised clinic sales are not recorded as revenues by us, management believes the information is important in understanding the overall brand’s financial performance, because these sales are the basis on which we calculate and record royalty fees and are indicative of the financial health of the franchisee base. Adjusted EBITDA consists of net income before interest, income taxes, depreciation and amortization, acquisition related expenses, stock-based compensation expense, bargain purchase gain, and (gain) loss on disposition or impairment. There was no bargain purchase gain for the three and six months ended June 30, 2023 and 2022.

Key Clinic Development Trends. As of June 30, 2023, we and our franchisees operated or managed 890 clinics, of which 756 were operated or managed by franchisees and 134 were operated as company-owned or managed clinics. Of the 134 company-owned or managed clinics, 63 were constructed and developed by us, and 71 were acquired from franchisees.

Our current strategy is to grow through the sale and development of additional franchises, build upon our regional developer strategy, and continue to expand our corporate clinic portfolio within clustered locations. The number of franchise licenses sold for the year ended December 31, 2022 was 75, compared with 156 and 121 licenses for the years ended December 31, 2021 and

2020, respectively. We ended the first half of 2023 with 17 regional developers who were responsible for 58% of the 38 licenses sold during the period. This strong result reflects the power of the regional developer program to accelerate the number of clinics sold, and eventually opened, across the country.

In addition, we believe that we can accelerate the development of, and revenue generation from, company-owned or managed clinics through the accelerated development of greenfield units and the further selective acquisition of existing franchised clinics. We will seek to acquire existing franchised clinics that meet our criteria for demographics, site attractiveness, proximity to other clinics and additional suitability factors. During the quarter ended June 30, 2023, we opened three greenfield clinics.

We believe that The Joint has a sound concept, which was further validated through its resiliency during the pandemic and will benefit from the fundamental changes taking place in the manner in which Americans access chiropractic care and their growing interest in seeking effective, affordable natural solutions for general wellness. These trends join with the preference we have seen among chiropractic doctors to reject the insurance-based model to produce a combination that benefits the consumer and the service provider alike. We believe that these forces create an important opportunity to accelerate the growth of our network.

Recent Events

Recent events that may impact our business include unfavorable global economic or political conditions, such as a resurgence of COVID-19, the Ukraine War, labor shortages, and inflation and other cost increases. We anticipate that 2023 will continue to be a volatile macroeconomic environment. As of the date of this Quarterly Report on Form 10-Q, we have not experienced a significant negative impact on our revenues and profitability due to the direct impact of the pandemic, and the impact of Covid-19 in general on the business environment has largely moderated. However, there still remains uncertainty around the pandemic, including its effect on labor or other macroeconomic factors and the spread of new Covid-19 variants and resurgences.

The primary inflationary factor affecting our operations is labor costs. For the three and six months ended June 30, 2023, company-owned or managed clinics were negatively impacted by labor shortages and wage increases, which increased our general and administrative expenses. Further, should we fail to continue to increase our wages competitively in response to increasing wage rates, the quality of our workforce could decline, causing our patient service to suffer. We expect elevated levels of cost inflation to persist in 2023, although at lower levels than experienced in 2022. While the effects of inflation on our labor costs have been partially mitigated by pricing actions we have taken in response, there can be no assurance that we will be able to continue to take such pricing actions. A continued increase in labor costs could have an adverse effect on our operating costs, financial condition and results of operations.

Also, the Ukraine War and the sanctions imposed on Russia in response to this conflict have increased global economic and political uncertainty. In addition, the increase in interest rates and the expectation that interest rates will continue to rise may adversely affect patients' financial conditions, resulting in reduced spending on our services. While the impact of these factors continues to remain uncertain, we will continue to evaluate the extent to which these factors will impact our business, financial condition, or results of operations. These and other uncertainties with respect to these recent events could result in changes to our current expectations.

Other Significant Events and/or Recent Developments

For the three months ended June 30, 2023, compared to the prior year period:

- System-wide comp Sales of clinics that have been open for at least 13 full months increased 5.0%.
- System-wide comp Sales for mature clinics open 48 months or more decreased 1.0%.
- System-wide sales for all clinics open for any amount of time grew 13.3%.

On June 15, 2023, we entered into an agreement under which we repurchased the right to develop franchises in various counties in Wisconsin. The total consideration for the transaction was \$1.0 million. We carried an upfront regional developer fee liability balance associated with this transaction of \$0.3 million, representing the unrecognized fee collected upon the execution of the regional developer agreement. We accounted for the termination of development rights associated with unsold or undeveloped franchises as a cancellation, and the associated upfront regional developer fee liability was netted against the aggregate purchase price. We recognized the net amount of \$0.7 million as a general and administrative expense on June 15, 2023.

On May 22, 2023, we entered into an Asset and Franchise Purchase Agreement under which we repurchased from the sellers three operating franchised clinics in California. We operate the franchises as company-managed clinics. The total purchase price for the transaction was \$1,188,764, less \$28,997 of net deferred revenue, resulting in total purchase consideration of \$1,159,767. Based on the terms of the purchase agreement, the acquisition has been treated as an asset purchase.

For the three months ended June 30, 2023, we constructed and developed three new corporate clinics.

Factors Affecting Our Performance

Our operating results may fluctuate significantly as a result of a variety of factors, including the timing of new clinic sales, openings, closures, markets in which they are contained and related expenses, general economic conditions, cost inflation, labor shortages, consumer confidence in the economy, consumer preferences, competitive factors, and disease epidemics and other health-related concerns, such as a resurgence of COVID-19.

Critical Accounting Estimates

There were no changes in our critical accounting estimates during the six months ended June 30, 2023 from those set forth in “Significant Accounting Policies and Estimates” in our Form 10-K/A for the year ended December 31, 2022.

Restatement of Previously Issued Consolidated Financial Statements

The Company concluded that the Company’s previously issued financial statements for the years ended December 31, 2022 and 2021 and interim periods, except for the three month periods ended March 31, 2023 and 2022, should be restated to correct historical errors related principally to the accounting for the purchase of reacquired Regional Developer Rights and impact of certain transfer pricing adjustments for the Company’s consolidated VIEs. The discussion of financial results presented herein is reflective of the restatement adjustments for 2022 and 2021.

Default Under Credit Agreement

On September 8, 2023, JP Morgan Chase waived, on a one-time only basis, a default that occurred under the Credit Agreement. The default occurred as of the close of business on September 6, 2023. The default resulted from the Company’s inability to deliver in a timely manner the financial statements in this Quarterly Report on Form 10-Q. The Company’s inability to produce and file this Quarterly Report on Form 10-Q in a timely manner (which filing constitutes delivery to JP Morgan Chase of the Company’s financial statements) was the result of the discovery of errors in the US GAAP accounting treatment for re-acquired regional developer rights and for transfer pricing for its variable interest entities. JP Morgan Chase waived this default until September 30, 2023. The filing of this Quarterly Report on Form 10-Q prior to September 30, 2023 cures the default.

Results of Operations

The following discussion and analysis of our financial results encompasses our consolidated results and results of our two business segments: Corporate Clinics and Franchise Operations.

Total Revenues - three months ended June 30, 2023 compared with three months ended June 30, 2022

Components of revenues were as follows:

| | Three Months Ended June 30, | | Change from Prior Year | Percent Change from Prior Year |
|--|--------------------------------|-----------------------|---------------------------|-----------------------------------|
| | 2023 | 2022 (as restated) | | |
| Revenues: | | | | |
| Revenues from company-owned or managed clinics | \$ 17,802,838 | \$ 14,492,972 | \$ 3,309,866 | 22.8 % |
| Royalty fees | 7,172,159 | 6,411,214 | \$ 760,945 | 11.9 % |
| Franchise fees | 671,368 | 686,886 | \$ (15,518) | (2.3) % |
| Advertising fund revenue | 2,041,050 | 1,825,757 | \$ 215,293 | 11.8 % |
| IT related income and software fees | 1,234,812 | 1,099,981 | \$ 134,831 | 12.3 % |
| Other revenues | 384,957 | 370,555 | \$ 14,402 | 3.9 % |
| Total revenues | \$ 29,307,184 | \$ 24,887,365 | \$ 4,419,819 | 17.8 % |

Consolidated Results

Total revenues increased by \$4.4 million, primarily due to the continued expansion and revenue growth of our franchise base and the continued revenue growth and expansion of our company-owned or managed clinics portfolio.

Corporate Clinics

Revenues from company-owned or managed clinics increased, primarily due to the expansion of our corporate-owned or managed clinics portfolio, as well as due to improved same-store sales growth of newer clinics. As of June 30, 2023 and 2022, there were 134 and 107 company-owned or managed clinics in operation, respectively.

Franchise Operations

- Royalty fees and advertising fund revenue increased due to an increase in the number of franchised clinics in operation during the current period, along with continued sales growth in existing franchised clinics. As of June 30, 2023 and 2022, there were 756 and 662 franchised clinics in operation, respectively.
- Franchise fees remained relatively flat due to a slight decrease in executed franchise agreements in the current quarter period compared to the prior period, as these fees are recognized ratably over the term of the respective franchise agreement, partially offset by the impact of greater accelerated revenue recognition resulting from the terminated franchise license agreements in the current quarter period compared to the prior period.
- Software fees revenue increased due to an increase in our franchised clinic base and the related revenue recognition over the term of the franchise agreement as described above.
- Other revenues primarily consisted of merchant income associated with credit card transactions.

Total Revenues - six months ended June 30, 2023 compared with six months ended June 30, 2022

Components of revenues were as follows:

| | Six Months Ended June 30, | | Change from Prior Year | Percent Change from Prior Year |
|--|------------------------------|-----------------------|---------------------------|-----------------------------------|
| | 2023 | 2022 (as restated) | | |
| Revenues: | | | | |
| Revenues from company-owned or managed clinics | \$ 34,930,795 | \$ 27,099,971 | \$ 7,830,824 | 28.9 % |
| Royalty fees | 14,038,182 | 12,420,146 | \$ 1,618,036 | 13.0 % |
| Franchise fees | 1,425,794 | 1,327,851 | \$ 97,943 | 7.4 % |
| Advertising fund revenue | 3,993,455 | 3,536,474 | \$ 456,981 | 12.9 % |
| IT related income and software fees | 2,444,817 | 2,056,979 | \$ 387,838 | 18.9 % |
| Other revenues | 774,962 | 682,695 | \$ 92,267 | 13.5 % |
| Total revenues | \$ 57,608,005 | \$ 47,124,116 | \$ 10,483,889 | 22.2 % |

Consolidated Results

Total revenues increased by \$10.5 million, primarily due to the continued expansion and revenue growth of our franchise base and of our company-owned or managed clinics portfolio.

Corporate Clinics

Revenues from company-owned or managed clinics increased, primarily due to the expansion of our corporate-owned or managed clinics portfolio, as well as due to improved same-store sales growth in newer clinics. As of June 30, 2023 and 2022, there were 134 and 107 company-owned or managed clinics in operation, respectively.

Franchise Operations

- Royalty fees and advertising fund revenue increased due to an increase in the number of franchised clinics in operation during the current period, along with continued sales growth in existing franchised clinics. As of June 30, 2023 and 2022, there were 756 and 662 franchised clinics in operation, respectively.
- Franchise fees increased primarily due to the increase in number of franchise licenses from the prior period in addition to accelerated revenue recognition resulting from the terminated franchise license agreements in the current year period compared to the prior period.
- Software fees revenue increased due to an increase in our franchised clinic base and the related revenue recognition over the term of the franchise agreement as described above.
- Other revenues primarily consisted of merchant income associated with credit card transactions.

| Cost of Revenues | 2023 | 2022 | Change from Prior Year | Percent Change from Prior Year |
|-----------------------------|-------------|---------------|-----------------------------------|---|
| | | (as restated) | | |
| Three Months Ended June 30, | 2,595,512 | 2,257,092 | \$ 338,420 | 15.0 % |
| Six Months Ended June 30, | 5,070,197 | 4,368,076 | \$ 702,121 | 16.1 % |

For the three months ended June 30, 2023, as compared with the three months ended June 30, 2022, the total cost of revenues increased primarily due to an increase in regional developer royalties and sales commissions of \$0.3 million. For the six months ended June 30, 2023, as compared with the six months ended June 30, 2022, the total cost of revenues increased primarily due to an increase in regional developer royalties and sales commissions of \$0.7 million.

Selling and Marketing Expenses

| Selling and Marketing Expenses | 2023 | 2022 | Change from Prior Year | Percent Change from Prior Year |
|---------------------------------------|-------------|-------------|-----------------------------------|---|
| Three Months Ended June 30, | 4,707,818 | 3,839,724 | \$ 868,094 | 22.6 % |
| Six Months Ended June 30, | 8,868,062 | 7,127,212 | \$ 1,740,850 | 24.4 % |

Selling and marketing expenses increased for the three and six months ended June 30, 2023, as compared to the three and six months ended June 30, 2022, driven by an increase in advertising fund expenditures from a larger franchise base and an increase in local marketing expenditures by the company-owned or managed clinics.

Depreciation and Amortization Expenses

| Depreciation and Amortization Expenses | 2023 | 2022 | Change from Prior Year | Percent Change from Prior Year |
|---|-------------|---------------|-----------------------------------|---|
| | | (as restated) | | |
| Three Months Ended June 30, | 2,329,267 | 1,461,870 | \$ 867,397 | 59.3 % |
| Six Months Ended June 30, | 4,544,322 | 2,798,527 | \$ 1,745,795 | 62.4 % |

Depreciation and amortization expenses increased for the three and six months ended June 30, 2023, as compared to the three and six months ended June 30, 2022, driven by the depreciation and amortization expenses associated with the expansion of our corporate-owned or managed clinics portfolio in 2022 and 2023.

General and Administrative Expenses

| General and Administrative Expenses | 2023 | 2022 | Change from Prior Year | Percent Change from Prior Year |
|-------------------------------------|------------|---------------|---------------------------|-----------------------------------|
| | | (as restated) | | |
| Three Months Ended June 30, | 19,904,796 | 18,570,301 | \$ 1,334,495 | 7.2 % |
| Six Months Ended June 30, | 39,943,272 | 34,103,726 | \$ 5,839,546 | 17.1 % |

General and administrative expenses increased for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, primarily due to the increases in the following to support continued clinic count and revenue growth in both operating segments: (i) payroll and related expenses of \$1.8 million, (ii) utilities and facilities expenses in the corporate clinic segment of \$0.4 million, (iii) software and maintenance expense of \$0.2 million, and (iv) professional and advisory fees of \$0.2 million partially offset by a decrease in reacquisition of regional developer rights of \$1.3 million. General and administrative expenses increased for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, primarily due to the increases in the following to support continued clinic count and revenue growth in both operating segments: (i) payroll and related expenses of \$5.5 million, (ii) utilities and facilities expenses in the corporate clinic segment of \$0.9 million, (iii) professional and advisory fees of \$0.3 million, (iv) software and maintenance expense of \$0.3 million, and (v) general overhead and administrative expenses of \$0.2 million partially offset by a decrease in reacquisition of regional developer rights of \$1.4 million. As a percentage of revenue, general and administrative expenses during the six months ended June 30, 2023 and 2022 were 69% and 72%, respectively.

Income from Operations - three months ended June 30, 2023 compared with three months ended June 30, 2022

| Three Months Ended June 30, | 2023 | 2022 | Change from Prior Year | Percent Change from Prior Year |
|-----------------------------|-----------|---------------|---------------------------|-----------------------------------|
| | | (as restated) | | |
| Loss from Operations | (374,554) | (1,330,466) | \$ 955,912 | (71.8)% |

Consolidated Results

Consolidated loss from operations decreased by \$1.0 million for the three months ended June 30, 2023 compared with the three months ended June 30, 2022, primarily due to the increased expenses in the corporate clinics and unallocated corporate segments discussed below.

Corporate Clinics

Our corporate clinics segment had loss from operations of \$21,790 for the three months ended June 30, 2023, a decrease of \$0.5 million compared to income from operations of \$0.6 million for the prior year period. The decrease was primarily due to:

- A \$3.8 million increase in operating expenses due to the increases in the following: (i) payroll-related expenses of \$1.5 million due to a higher head count to support the expansion of our corporate clinic portfolio and general wage increases to remain competitive in the current labor market, (ii) depreciation and amortization expense associated with the expansion of our corporate-owned or managed clinics portfolio in 2022 and 2023 of \$0.8 million, (iii) selling and marketing expenses due to increased local marketing expenditures by the company-owned or managed clinics of \$0.9 million, and (iv) general overhead and administrative expenses to support the expansion of our corporate clinic portfolio of \$0.6 million; partially offset by
- An increase in revenues of \$3.3 million from company-owned or managed clinics.

Franchise Operations

Our franchise operations segment had income from operations of \$4.2 million for the three months ended June 30, 2023, an increase of \$2.1 million, compared to income from operations of \$2.2 million for the prior year period. This increase was primarily due to:

- An increase of \$1.1 million in total revenues; plus
- A decrease of general and administrative expenses related to reacquired regional developer rights of \$1.3 million; partially offset by
- An increase of \$0.3 million in cost of revenues primarily due to an increase in regional developer royalties and an increase of \$0.1 million in operating expenses due to an increase in payroll-related expenses.

Unallocated Corporate

Unallocated corporate expenses for the three months ended June 30, 2023 increased by \$0.6 million compared to the prior year period, primarily due to the increase in general and administrative expenses of \$0.6 million.

Income from Operations - six months ended June 30, 2023 compared with six months ended June 30, 2022

| Six Months Ended June 30, | 2023 | 2022 | Change from Prior Year | Percent Change from Prior Year |
|---------------------------|-------------|---------------|---------------------------|-----------------------------------|
| | | (as restated) | | |
| Loss from Operations | (1,027,663) | (1,369,174) | \$ 341,511 | (24.9)% |

Consolidated Results

Consolidated loss from operations decreased by \$0.3 million for the six months ended June 30, 2023 compared with the six months ended June 30, 2022, primarily due to the increased expenses in the corporate clinics and unallocated corporate segments discussed below.

Corporate Clinics

Our corporate clinics segment had a loss from operations of \$0.4 million for the six months ended June 30, 2023, a decrease of \$0.8 million compared to income from operations of \$0.4 million for the prior year period. The decrease was primarily due to:

- A \$8.6 million increase in operating expenses due to the increases in the following: (i) payroll-related expenses of \$4.2 million due to a higher head count to support the expansion of our corporate clinic portfolio and general wage increases to remain competitive in the current labor market, (ii) depreciation and amortization expense associated with the expansion of our corporate-owned or managed clinics portfolio in 2022 and 2023 of \$1.7 million, (iii) selling and marketing expenses due to increased local marketing expenditures by the company-owned or managed clinics of \$1.4 million, and (iv) general overhead and administrative expenses to support the expansion of our corporate clinic portfolio of \$1.3 million; partially offset by
- An increase in revenues of \$7.8 million from company-owned or managed clinics.

Franchise Operations

Our franchise operations segment had income from operations of \$8.8 million for the six months ended June 30, 2023, an increase of \$2.4 million, compared to income from operations of \$6.4 million for the prior year period. This increase was primarily due to:

- An increase of \$2.7 million in total revenues; plus
- A decrease of general and administrative expenses related to reacquired regional developer rights of \$1.4 million; partially offset by; partially offset by
- An increase of \$0.7 million in cost of revenues primarily due to an increase in regional developer royalties and an increase of \$1.0 million in operating expenses, primarily due to an increase in: (i) selling and marketing expenses resulting from a larger franchise base of \$0.3 million, (ii) payroll-related expenses of \$0.5 million, and (iii) travel-related expenses of \$0.1 million resulting from supporting franchise base regions previously supported by regional developers.

Unallocated Corporate

Unallocated corporate expenses for the six months ended June 30, 2023 increased by \$1.2 million compared to the prior year period, primarily due to the increases in payroll-related expenses of \$0.9 million and increases in professional and advisory fees of \$0.3 million.

Other Income (Expense), Net

| Three Months Ended June 30, | 2023 | 2022 | Change from Prior Year | Percent Change from Prior Year |
|------------------------------------|-------------|-------------|-----------------------------------|---|
| Other income (expense), net | (106,520) | (19,286) | \$ (87,234) | (452.3)% |

Other income (expenses), net decreased during the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due to the reduction of the estimated employee retention credits ("ERC") of \$92,000 and an increase in interest expense of \$33,000. These negative impacts were partially offset by an increase in interest income of \$54,000.

| Six Months Ended June 30, | 2023 | 2022 | Change from Prior Year | Percent Change from Prior Year |
|----------------------------------|-------------|-------------|-----------------------------------|---|
| Other income (expense), net | 3,714,642 | (35,434) | \$ 3,750,076 | 10,583.3 % |

Other income (expenses), net increased during the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily due to the recognition and receipt of the \$3.8 million of ERC, net of the consulting fee, in the first quarter of 2023, partially offset by net interest expense of \$0.1 million.

Non-GAAP Financial Measures

The table below reconciles net income (loss) to Adjusted EBITDA for the three and six months ended June 30, 2023 and 2022.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------------|------------------------------------|------------------------------|----------------------------------|------------------------------|
| | 2023 | 2022 (as restated) | 2023 | 2022 (as restated) |
| Non-GAAP Financial Data: | | | | |
| Net (loss) income | \$ (320,489) | \$ (871,868) | \$ 2,005,675 | \$ (867,648) |
| Net interest expense | 14,937 | 19,286 | 64,661 | 35,433 |
| Depreciation and amortization expense | 2,329,267 | 1,461,870 | 4,544,322 | 2,798,527 |
| Tax expense (benefit) | (160,585) | (477,884) | 681,304 | (536,960) |
| EBITDA | 1,863,130 | 131,404 | 7,295,962 | 1,429,352 |
| Stock compensation expense | 417,017 | 340,191 | 683,227 | 663,747 |
| Acquisition related expenses | 716,299 | 2,074,153 | 857,992 | 2,228,668 |
| Loss on disposition or impairment | 144,345 | 88,844 | 209,815 | 95,749 |
| Other (income), net | 91,583 | — | (3,779,304) | — |
| Adjusted EBITDA | \$ 3,232,374 | \$ 2,634,592 | \$ 5,267,692 | \$ 4,417,516 |

Adjusted EBITDA consists of net income before interest, income taxes, depreciation and amortization, acquisition related expenses, stock-based compensation expense, bargain purchase gain, and (gain) loss on disposition or impairment and other income related to the ERC. There was no bargain purchase gain for the three and six months ended June 30, 2023 and 2022. We have provided Adjusted EBITDA because it is a non-GAAP measure of financial performance commonly used for comparing companies in our industry. You should not consider Adjusted EBITDA as a substitute for operating profit or 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 manner.

Liquidity and Capital Resources

As of June 30, 2023, we had unrestricted cash and short-term bank deposits of \$13.6 million and \$18 million of available capacity under the Revolver. While the pandemic and the Ukraine War create potential liquidity risks, as discussed further below, we believe that our existing cash and cash equivalents, our anticipated cash flows from operations and amounts available under our line of credit will be sufficient to fund our anticipated operating and investment needs for at least the next twelve months.

While the interruptions, delays and/or cost increases resulting from the pandemic, political instability or geopolitical tensions, such as the Ukraine War, economic weakness, inflationary pressures or other factors have created uncertainty as to general economic conditions for 2023 and beyond, as of the date of this report, we believe we have adequate capital resources and sufficient access to external financing sources to satisfy our current and reasonably anticipated requirements for funds to conduct our operations and meet other needs in the ordinary course of our business. For the remainder of 2023, we expect to use or redeploy our cash resources to support our business within the context of prevailing market conditions, which, given the ongoing uncertainties described above, could rapidly and materially deteriorate or otherwise change. Our long-term capital requirements, primarily for acquisitions and other corporate initiatives, could be dependent on our ability to access additional funds through the debt and/or equity markets. If the equity or debt markets continue to deteriorate or do not improve, including as a result of economic weakness, a resurgence of COVID-19, political unrest or war, including the Ukraine War, or any other reason, it may make any necessary equity or debt financing more difficult to obtain in a timely manner and on favorable terms, if at all, and if obtained, it may be more costly or more dilutive. From time to time, we consider and evaluate transactions related to our portfolio and capital structure, including debt financings, equity issuances, purchases and sales of assets, and other transactions. Given the ongoing uncertainties described above, the levels of our cash flows from operations for 2023 may be impacted. There can be no assurance that we will be able to generate sufficient cash flows or obtain the capital necessary to meet our short and long-term capital requirements.

Analysis of Cash Flows

Net cash provided by operating activities increased by \$8.7 million to \$7.5 million for the six months ended June 30, 2023, compared to \$(1.2) million for the six months ended June 30, 2022. The increase was primarily attributable to an increase in revenue over the prior year period and the receipt of the \$4.8 million ERC, which was partially offset by an increase in general and administrative expenses over the prior year period.

Net cash used in investing activities was \$3.8 million and \$8.8 million for the six months ended June 30, 2023 and 2022, respectively. For the six months ended June 30, 2023, this included acquisitions of \$1.1 million, and purchases of property and equipment of \$2.7 million. For the six months ended June 30, 2022, this included acquisitions of \$5.6 million, and the purchases of property and equipment of \$3.2 million.

Net cash provided by financing activities for the six months ended June 30, 2023 was \$0.2 million, compared to less than \$100 thousand for the six months ended June 30, 2022. For the six months ended June 30, 2023, this included the proceeds from the exercise of stock options of \$0.2 million.

Recent Accounting Pronouncements

See Note 1, *Nature of Operations and Summary of Significant Accounting Policies*, to our condensed consolidated financial statements included in this report for information regarding recently issued accounting pronouncements that may impact our financial statements.

Off-Balance Sheet Arrangements

During the six months ended June 30, 2023, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2023, there were no material changes to the quantitative and qualitative disclosures about market risk appearing in Part II, Item 7(a), “Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K/A for the year ended December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2023. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act are accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures were designed to provide reasonable assurance of achieving such objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2023, our management concluded that as of such date, our disclosure controls and procedures were not effective at the reasonable assurance level.

Our management determined that the material weaknesses disclosed for the year ended December 31, 2022 and 2021 in its internal control over financial reporting continue to exist at June 30, 2023, specifically:

We failed to properly design controls to appropriately determine the proper treatment of complex accounting areas, including income taxes, revenue recognition and asset acquisition transactions.

Remediation Plan for Existing Material Weaknesses

We are in the process of and continue to focus on implementing measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include modifying internal controls to address completeness of documentation on uncertain tax positions, revenue and acquisition related transactions and adoptions of the appropriate respective accounting standards, specifically through the utilization of subject matter experts to review conclusions over complex accounting policies. While we expect that our remediation actions over the design of our affected controls for the material weakness will be completed during fiscal 2023, the material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

Except as described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we are a party to litigation from time to time. We maintain insurance to cover certain litigation and claims.

ITEM 1A. RISK FACTORS

We documented our risk factors in Item 1A of Part I of our Form 10-K/A for the year ended December 31, 2022. There have been no material changes to our risk factors since the filing of that report, except for the addition or modification of the following risk factors:

In RISKS RELATED TO OPERATING OUR BUSINESS:

Inflation, exacerbated by COVID-19 and the Ukraine War, has led to increased labor costs and interest rates and may lead to reduced discretionary spending, all of which may negatively impact our business.

The primary inflationary factor affecting our operations is labor costs. During 2022 and 2023, company-owned or managed clinics were negatively impacted by wage increases, which increased our general and administrative expenses and decreased profitability. A significant number of our clinic service personnel are paid at rates related to the applicable minimum wage, and increases in the minimum wage could increase our labor costs. As of January 1, 2023, the minimum wage increased in a number of states, the District of Columbia and local municipalities, with many of these wage increases triggered automatically by increases in the cost of living due to high inflation. Such wage increases likely will further increase our general and administrative expenses in the affected jurisdictions. A continued increase in labor costs is likely to continue to have an adverse impact on profitability and may result in additional price increases to offset their impact. Further, should we fail to continue to increase our wages competitively in response to any continued increase in wage rates, the quality of our workforce could decline, causing our patient services to suffer.

In addition to relief and recovery, our services emphasize preventive and maintenance care, which is generally not a medical necessity, and may be viewed as a discretionary medical expenditure. Discretionary spending is negatively impacted by, among other things, those factors disclosed in our Form 10-K/A for the year ended December 31, 2022 under the caption “Recent Events” in Management’s Discussion and Analysis of Financial Condition and Results of Operations -- unfavorable global economic or political conditions, such as the recent COVID-19 pandemic, the Ukraine War, inflation and other cost increases, and increases in interest rates. As further disclosed under the aforementioned caption, we anticipate that fiscal 2023 will continue to be a volatile macroeconomic environment and expect elevated levels of cost inflation to persist for 2023. Reductions in discretionary spending may adversely impact our business, financial condition, or results of operations. Rising interest rates also will make it more expensive for potential franchisees to finance new clinic acquisitions and thus may reduce the pool of available franchisees, which also could adversely impact our business. Borrowings under our credit facility bear interest at rates tied to certain benchmark interest rates. Increases in the federal funds rate has caused these benchmark rates to increase, and additional increases are likely to further increase such benchmark rates. Higher rates increase our borrowing costs and may reduce the amounts available under our credit facility for our corporate needs, including working capital, capital expenditures and acquisitions.

In the event that a further deterioration of economic conditions causes a significant decrease in demand for our services, this could negatively impact our ability to meet the financial covenants in our credit facility, although we were in compliance as of June 30, 2023. Furthermore, a deterioration of equity and credit markets may make other debt or equity financing difficult to obtain in a timely manner and on favorable terms, if at all, and if obtained, may be more costly or more dilutive. If we are unable to access our credit facility as a result of noncompliance with its covenants or are unable to obtain other debt or equity financing, this could limit our opportunity to acquire more clinics and regional developer rights and to pursue other corporate initiatives.

In FINANCIAL RISK FACTORS:

We maintain cash deposits in banks in excess of federally-insured limits. Adverse developments affecting financial institutions, including bank failures, could adversely affect our liquidity and financial performance.

We regularly maintain cash deposits in Federal Deposit Insurance Corporation (“FDIC”) insured banks that exceed the FDIC insurance limits. Bank failures, events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, or concerns or rumors about such events, may lead to liquidity constraints. For example, on March 10, 2023, Silicon Valley Bank failed and was taken into receivership by the FDIC. Although we did not have any funds in Silicon Valley Bank or other institutions that have been closed, we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues. The failure of a bank, or other adverse conditions in the financial or credit markets impacting financial institutions at which we maintain balances, could adversely impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S., or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis.

In RISKS RELATED TO OTHER LEGAL AND REGULATORY MATTERS:

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.

We, our franchisees 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: (i) federal and state laws governing the franchisor-franchisee relationship; (ii) state regulations on the practice of chiropractic; (iii) federal and state laws governing the collection, dissemination, use, security and confidentiality of sensitive personal information; (iv) federal and state laws which contain anti-kickback and fee-splitting provisions and restrictions on referrals; (v) 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; (vi) prepayment for chiropractic services; and (vii) federal and state labor laws, including wage and hour laws.

Some state regulations concerning the practice of chiropractic could limit the use of our business model or certain of our business practices in certain states, which may make expanding into those states less attractive. For example, some states prohibit payment in advance for chiropractic services. This has the effect of limiting or prohibiting the use of our membership model in any such states, given that our membership model provides for the payment in advance of a monthly membership fee prior to receipt of services and without regard to whether services are actually provided. We recently elected not to offer franchises in South Dakota and Wyoming because of such a prohibition.

Many of the above laws, rules and regulations applicable to us, our franchisees 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 regulations that govern our operations. Furthermore, a review of our business by judicial, law enforcement or regulatory authorities could result in a determination that could adversely affect 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 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.

In RISKS RELATED TO INFORMATION TECHNOLOGY, CYBERSECURITY AND DATA PRIVACY:

New SEC regulations governing disclosure about risk management, strategy and governance regarding cybersecurity risks and new requirements for reporting of cybersecurity incidents may increase our compliance costs.

The SEC recently adopted a rule, “Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure,” that enhances and standardizes disclosures regarding cybersecurity risk management and governance, as well as material cybersecurity incidents. Under this new rule, public companies will now be required to make annual disclosures describing their processes for identifying and managing material cybersecurity risks, management’s role in assessing and managing such risks, and the Board of Directors’ oversight of cybersecurity risks. Companies also must disclose in a Form 8-K the nature, scope and timing of any material cybersecurity incidents identified and the material impact or reasonably likely material impact on the company. We expect to face increased costs to comply with this new SEC cybersecurity rule, including increased costs for cybersecurity training and management. Furthermore, the requirement to report cybersecurity incidents within such a short time frame could mean that there will not be sufficient time to halt a breach before having to report it, potentially giving hackers an advantage.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Registered Securities

None.

ITEM 5. AMENDMENT AND RESTATEMENT OF BYLAW

Effective as of September 26, 2023, pursuant to the power granted by the certificate of incorporation as permitted by the Delaware General Corporation Law (the “DGCL”), the board of directors (the “Board”) of The Joint Corp., a Delaware corporation (the “Company”), approved the amendment and restatement of the Company’s Third Amended and Restated Bylaws pursuant to the Fourth Amended and Restated By-Laws attached hereto and incorporated herein by reference as Exhibit 3.2 (the “New Bylaws”), effective as of September 26, 2023. The following is a summary of the material amendments to the Company’s Third Amended and Restated Bylaws effected by the New Bylaws:

- amend certain provisions to align them with and conform them to amendments to the DGCL that have been effected since the Third Company’s Amended and Restated Bylaws were last materially amended, including, without limitation, to:
 - clarify that the Company may hold meetings of its stockholders by means of remote communications as permitted by Section 211 of the DGCL;
 - align the requirements for the list of stockholders entitled to vote at a meeting of stockholders to Section 219 of the DGCL;
 - align the provisions governing the fixing of the record date or dates for determining stockholders entitled to receive notice of or to vote at a meeting of stockholders or any adjournment thereof to Section 213 of the DGCL;
 - align the provisions governing the creation of committees of the Board to Section 141(c)(2) of the DGCL;
 - align the provisions governing director resignations to Section 141 of the DGCL;
 - align the provisions governing certificated and uncertificated shares to Section 158 of the DGCL;
 - align the provisions governing lost stock certificates to Section 167 of the DGCL;
 - align the requirements for waivers of notice of meetings of the Board and stockholders to Section 229 of the DGCL; and
 - permit stockholder action by consent in lieu of a meeting to be taken by “electronic transmission” in addition to “writing” as permitted by the DGCL;
- clarify the ability of the person presiding over a meeting of the Company’s stockholders to prescribe rules and regulations for the conduct of such meeting;
- include a “forum selection” clause to require (i) Delaware corporate law related claims to be adjudicated by the Delaware Court of Chancery as permitted by Section 115 of the DGCL and (ii) actions asserting a cause of action under the Securities Act of 1933, as amended, to be adjudicated by the federal district court in the State of Delaware;
- conform the provisions governing the calling of special meetings of stockholders to the Company’s certificate of incorporation;
- reduce the stockholder vote required for business (other than nominations for election of directors and where a higher vote is required by applicable law or the Company’s certificate of incorporation or bylaws) to a majority of the votes cast at a meeting at which a quorum is present;
- amend the provisions governing procedural and notice requirements for stockholders proposing to nominate individuals for election as directors or propose other business to be conducted (other than proposals to be included in the Company’s proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended) at annual meetings of stockholders or to nominate individuals for election as directors at special meetings of stockholders at which one or more directors are to be elected pursuant to the Company’s notice of such meeting, including, without limitation, to:
 - modify the deadlines for (i) stockholder nominations of individuals for election as directors at any annual meeting of stockholders or any special meeting of stockholders at which one or more directors are to be elected pursuant to the Company’s notice of such meeting or (ii) stockholder proposals of other business to be conducted at any annual meeting of stockholders, in each case, to align with the deadlines that are most prevalent among public companies;
 - modify the notice requirements for stockholder nominations of individuals for election as directors to align with Rule 14a-19 (i.e., the “universal proxy card rules”);

- modify the notice requirements for stockholder nominations of individuals for election as directors and stockholder proposals of other business to require notification of intent to solicit proxies or deliver a proxy statement; and
- clarify that a failure to comply with such notice and procedural requirements, including failing to appear at the meeting to present such nomination or business, will result in a stockholder's nomination or proposal of other business being disregarded;
- amend the provisions governing the Board to:
 - permit solely the Board to fill vacancies and newly created directorships on the Board (consistent with the Company's certificate of incorporation); and
 - revise the quorum requirements for Board meetings to be based on voting power (rather than number) of directors;
- amend the provisions governing meetings of stockholders to clarify that annual stockholders may be postponed by action of the Board at any time in advance of such meetings and that special meetings of stockholders may be postponed by action of the Board or by the person calling such meeting (if other than the Board) at any time in advance of such meeting; and
- amend the indemnification provisions to mandate future indemnification of litigation expenses solely for directors and officers (not also employees and agents).

The foregoing description of the amendments effected by the New Bylaws is qualified in its entirety by the full text of the New Bylaws attached hereto and incorporated herein by reference as Exhibit 3.2.

ITEM 6. EXHIBITS

EXHIBIT INDEX

| Exhibit Number | Description of Document |
|-----------------------|---|
| 3.1 | Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Commission File No. 333-198860) filed with the Securities and Exchange Commission on September 19, 2014) |
| 3.2* | Fourth Amended and Restated Bylaws of The Joint Corp |
| 10.1 | The Joint Corp. Amended and Restated 2014 Incentive Stock Plan, as amended (incorporated by reference to Exhibit 99.1 to the Company's registration statement on Form S-8 filed with the Securities and Exchange Commission on May 25, 2023) |
| 31.1* | Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, (filed herewith). |
| 31.2* | Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, (filed herewith). |
| 32** | Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith

** Furnished herewith, not filed

**FOURTH AMENDED AND RESTATED Ex. 3.2
BYLAWS
OF
THE JOINT CORP.**

ARTICLE I

Meetings of Stockholders

Section 1.1 Annual Meetings. If required by applicable law, an annual meeting of stockholders shall be held for the election of directors at such date, time and place, if any, either within or without the State of Delaware, as may be designated by resolution or resolutions of the Board of Directors (the “**Board of Directors**”) of The Joint Corp. (as such name may be changed from time to time in accordance with applicable law, the “**Corporation**”). Any annual meeting of stockholders may be postponed by action of the Board of Directors at any time in advance of such meeting.

Section 1.2 Special Meetings. Except as otherwise provided by or pursuant to the Corporation’s certificate of incorporation (including any certificate filed with the Secretary of State of the State of Delaware establishing a series of preferred stock of the Corporation) (as the same may be amended or amended and restated, the “**Certificate of Incorporation**”), special meetings of stockholders for any purpose or purposes may be called at any time solely and exclusively by the Board of Directors, the Chairperson of the Board of Directors, the Chief Executive Officer or the President. Except as provided in the foregoing sentence, special meetings of stockholders may not be called by any other person or persons. Any special meeting of stockholders may be postponed by action of the Board of Directors or by the person calling such meeting (if other than the Board of Directors) at any time in advance of such meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 1.3 Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a notice of the meeting shall be given that shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by applicable law, the Certificate of Incorporation or these Fourth Amended and Restated Bylaws (as the same may be further amended or amended and restated, these “**Bylaws**”), the notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, as of the record date for determining the stockholders entitled to notice of the meeting.

Section 1.4 Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, if any, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person or by proxy and vote at such adjourned meeting are (a) announced at the meeting at which the adjournment is taken, (b) displayed, during the time scheduled for the meeting, on the same electronic network used to enable stockholders and proxy holders to participate in the meeting by means of remote communication or (c) set forth in the notice of meeting given in accordance with Section 1.3 of these Bylaws. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be

given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 1.8 of these Bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

Section 1.5 Quorum. Except as otherwise provided by applicable law, by or pursuant to the Certificate of Incorporation or by these Bylaws, at each meeting of stockholders the presence in person or by proxy of the holders of a majority in voting power of the then outstanding shares of capital stock of the Corporation entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. In the absence of a quorum, the stockholders so present may, by a majority in voting power thereof, adjourn the meeting from time to time in the manner provided in Section 1.4 of these Bylaws until a quorum shall be present in person or represented by proxy. Shares of the Corporation's capital stock shall neither be entitled to vote nor be counted for quorum purposes if such shares belong to (a) the Corporation, (b) to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly by the Corporation or (c) any other entity, if a majority of the voting power of such other entity is held, directly or indirectly by the Corporation or if such other entity is otherwise controlled, directly or indirectly, by the Corporation; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own capital stock, held by it in a fiduciary capacity.

Section 1.6 Organization. Meetings of stockholders shall be presided over by the Chairperson of the Board of Directors, if any, or in his or her absence by the Chief Executive Officer, if any, or in his or her absence, by the President, if any, or in his or her absence, by a chairperson designated by the Board of Directors, or in the absence of such designation by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7 Voting; Proxies. Except as otherwise provided by or pursuant to the Certificate of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one (1) vote for each share of capital stock of the Corporation held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to consent to corporate action without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary a revocation of the proxy or a new proxy bearing a later date. Voting at meetings of stockholders need not be by written ballot. At all meetings of stockholders for the election of directors (other than any Class/Series Directors) (as defined below) at which a quorum is present, a majority of the votes cast shall be sufficient to elect; provided, however, that any meeting of stockholders for the election of directors (other than any Class/Series Directors) at which a quorum is present, and one or more stockholders have (a) nominated one or more individuals for election to the Board of Directors in compliance with Section 1.13 of these Bylaws, such that the number of nominees for election to the Board of Directors exceeds the number of open seats, and (b) not withdrawn such Nomination or Nominations (as each is defined below) on or prior to the tenth (10th) day preceding the date the Corporation first gives notice of such meeting to stockholders, a plurality of the votes cast shall be sufficient to elect. When a quorum is present at any meeting of stockholders, all other elections, questions or business presented to the stockholders at such meeting shall be decided by the affirmative vote of

a majority of votes cast with respect to any such election, question or business presented to the stockholders unless the election, question or business is one which, by express provision of the Certificate of Incorporation, these Bylaws, the rules or regulations of any stock exchange applicable to the Corporation, any regulation applicable to the Corporation or its securities or the laws of the State of Delaware, a vote of a different number or voting by class or series is required, in which case, such express provision shall govern. For purposes of this Section 1.7, a “**majority of votes cast**” means that the number of votes cast “for” a nominee, question or business exceeds the number of votes cast “against” such nominee, question or business.

Section 1.8 Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, or to consent to corporate action without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (a) in the case of a determination of stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, shall, unless otherwise required by applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting and, unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for determining the stockholders entitled to vote at such meeting, the record date for determining the stockholders entitled to notice of such meeting shall also be the record date for determining the stockholders entitled to vote at such meeting; (b) in the case of a determination of stockholders entitled to consent to corporate action without a meeting, shall not be more than ten (10) days from the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (c) in the case of any other action, shall not be more than sixty (60) days prior to such other action. If no record date is fixed: (i) the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (ii) the record date for determining stockholders entitled to consent to corporate action without a meeting, when no prior action of the Board of Directors is required by applicable law, shall be the first date on which a signed consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, or, if prior action by the Board of Directors is required by applicable law, shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (iii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for the stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for the determination of stockholders entitled to vote in accordance with the foregoing provisions of this Section 1.8 at the adjourned meeting.

Section 1.9 List of Stockholders Entitled to Vote. The Corporation shall prepare, no later than the tenth (10th) day before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth (10th) day before the meeting date, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Nothing contained in this Section 1.9 shall require the Corporation to include electronic mail addresses or other electronic contact

information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of ten (10) days ending on the day before the meeting date (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting, or (b) during ordinary business hours, at the principal place of business of the Corporation. Except as otherwise provided by applicable law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 1.9 or to vote in person or by proxy at any meeting of stockholders. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation.

Section 1.10 Action By Consent in Lieu of Meeting. Unless otherwise provided by or pursuant to the Certificate of Incorporation, action required or permitted to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents, setting forth the action so taken, shall be signed by the holders of outstanding capital stock of the Corporation having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation in accordance with applicable law. If action by consent has been taken by stakeholders by less than unanimous consent, prompt notice of the taking of the action by consent shall, to the extent required by applicable law, be given to those stockholders as of the record date for action by consent who have not consented and who would have been entitled to notice of the meeting and the record date for the notice of the meeting were the record date for the action by consent.

Section 1.11 Inspectors of Election. The Corporation may, and shall if required by applicable law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the individual presiding over the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (a) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (b) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (e) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by applicable law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders, the inspectors may consider such information as is permitted by applicable law. No individual who is a candidate for an office at an election may serve as an inspector at such election.

Section 1.12 Conduct of Meetings. The date and time of the opening and the closing of the polls for each election, question or business upon which the stockholders will vote at a meeting of stockholders shall be announced at the meeting by the individual presiding over the meeting. The Board of Directors may adopt (by resolution or resolutions thereof) such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the individual presiding over any meeting of stockholders shall have the right and authority to

convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding individual, are appropriate for the proper conduct of the meeting of stockholders. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the individual presiding over the meeting of stockholders, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting of stockholders; (b) rules and procedures for maintaining order at the meeting of stockholders and the safety of those present; (c) limitations on attendance at or participation in the meeting of stockholders to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other individuals as the individual presiding over the meeting of stockholders shall determine; (d) restrictions on entry to the meeting of stockholders after the time fixed for the commencement thereof; and (e) limitations on the time allotted to questions or comments by participants in the meeting of stockholders. The Board of Directors or, in addition to making any other determinations that may be appropriate to the conduct of the meeting of stockholders, the individual presiding over any meeting of stockholders, in each case, shall have the power and duty to determine whether any election, question or business was or was not properly made, proposed or brought before the meeting of stockholders and therefore shall be disregarded and not be considered or transacted at the meeting, and, if the Board of Directors or the individual presiding over the meeting, as the case may be, determines that such election, question or business was not properly made, proposed or brought before the meeting of stockholders and shall be disregarded and not be considered or transacted at the meeting, the individual presiding over the meeting shall declare to the meeting that such election, question or business was not properly made, proposed or brought before the meeting and shall be disregarded and not be considered or transacted at the meeting, and any such election, question or business shall not be considered or transacted at the meeting. Unless and to the extent determined by the Board of Directors or the individual presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 1.13 Notice of Stockholder Business and Nominations.

(a) Annual Meetings of Stockholders. (i) Nominations of one or more individuals for election to the Board of Directors by the stockholders generally entitled to vote (which, for the avoidance of doubt, shall exclude nominations of one or more individuals for election as Class/Series Directors (as defined below)) (each, a “**Nomination**,” and more than one, “**Nominations**”) and the proposal of any question or business other than a Nomination or Nominations to be considered by the stockholders generally entitled to vote (which, for the avoidance of doubt, shall exclude any question or business other than a Nomination or Nominations required by or pursuant to the Certificate of Incorporation to be voted on solely and exclusively by the holders of any class (voting separately as a class) or series (voting separately as a series) of capital stock of the Corporation then outstanding) (collectively, “**Business**”) may be made at an annual meeting of stockholders only (A) pursuant to the Corporation’s notice of meeting (or any supplement thereto), provided, however, that reference in the Corporation’s notice of meeting to the election of directors or the election of members of the Board of Directors shall not include or be deemed to include a Nomination or Nominations, (B) by or at the direction of the Board of Directors or (C) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time the notice provided for in this Section 1.13 is delivered to the Secretary, who is entitled to vote at the meeting and who complies with the procedures set forth in this Section 1.13.

(ii) For Nominations or Business to be properly brought before an annual meeting of stockholders by a stockholder pursuant to Section 1.13(a)(i)(C) of these Bylaws, the stockholder must have given timely notice thereof in writing to the Secretary and any proposed Business must constitute a proper matter for stockholder action. To be timely, a stockholder’s notice shall be delivered to the Secretary at the principal executive offices of the Corporation not

later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting¹ or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting of stockholders commence a new time period (or extend any time period) for the giving of the stockholder's notice as described above. The stockholder's notice shall set forth: (A) as to each Nomination to be made by such stockholder, (1) all information relating to the individual subject to such Nomination that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), without regard to the application of the Exchange Act to either the Nomination or the Corporation, (2) such individual's written consent to being named in any proxy statement as a nominee and to serving as director if elected, (3) a description of any direct or indirect compensation or benefit (including, without limitation, indemnification and/or advancement rights) to which the individual subject to such Nomination may be entitled under any agreement, arrangement or understanding with any person other than the Corporation (including, without limitation, the amount of any such monetary compensation) in connection with such individual's nomination or service as a director of the Corporation and (4) a description of any other material relationship or relationships between or among the individual subject to such Nomination and/or such individual's affiliates and associates, on the one hand, and the stockholder giving the notice and the beneficial owner, if any, on whose behalf the Nomination or Nominations is/are made and/or such stockholder's or beneficial owner's respective affiliates and associates, or others acting in concert with such stockholder or beneficial owner or their respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such stockholder, beneficial owner, affiliate, associate or other person were the "registrant" for purposes of such rule and the individual subject to such Nomination was a director or officer of such registrant; (B) as to the Business proposed by such stockholder, a brief description of the Business, the text of the proposed Business (including the text of any resolution or resolutions proposed for consideration and in the event that such Business includes a proposal to amend these Bylaws, the text of the proposed amendment), the reason or reasons for conducting such Business at the meeting and any material interest or interests in such Business of such stockholder and of the beneficial owner, if any, on whose behalf the Business is proposed; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the Nomination, Nominations or Business is/are made (1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, if any, and any of their respective affiliates or associates or others acting in concert with them, (2) the class, series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, if any, (3) a representation that the stockholder is a holder of record of shares of capital stock of the Corporation entitled to vote at such meeting and such stockholder (or a qualified representative of such stockholder) intends to appear in person or by proxy at the meeting to propose such Nomination, Nominations or Business and (4) a representation as to whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver by proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the Business or elect the nominee or nominees subject to the Nomination or Nominations and/or (y) to otherwise solicit proxies from stockhold

ers of the Corporation in support of such Nomination, Nominations or Business; provided, however, that if the Business is otherwise subject to Rule 14a-8 (or any successor thereto) promulgated under the Exchange Act (“**Rule 14a-8**”), the foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his, her or its intention to present such Business at an annual meeting of stockholders in compliance with Rule 14a-8, and such Business has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting of stockholders. The Corporation may require (1) any individual subject to a Nomination by a stockholder pursuant to Section 1.13(a)(i)(C) of these Bylaws of to furnish such other information as the Corporation may reasonably require to determine the eligibility of such individual subject to such Nomination to serve as a director of the Corporation if elected and (2) the stockholder giving notice pursuant to Section 1.13(a)(i)(C) of these Bylaws to furnish such other information as the Corporation may reasonably require to demonstrate that any Business is a proper matter for stockholder action at an annual meeting of stockholders.

(iii) Notwithstanding anything in the second sentence of Section 1.13(a)(ii) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors by the stockholders generally entitled to vote (which, for the avoidance of doubt, shall exclude any Class/Series Directors) at an annual meeting of stockholders is increased and there is no public announcement by the Corporation naming the nominees for election to the additional directorships at least one hundred (100) days prior to the first (1st) anniversary of the preceding year’s annual meeting of stockholders, a stockholder’s notice required by Section 1.13(a)(ii) of these Bylaws shall also be considered timely, but only with respect to nominees for election to such additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such Business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation’s notice of meeting (or any supplement thereto); provided, however, that reference therein to the election of directors or the election of members of the Board of Directors shall not include or be deemed to include Nominations. Nominations may be made at a special meeting of stockholders at which one or more directors are to be elected by the stockholders generally entitled to vote (which, for the avoidance of doubt, shall exclude any Class/Series Directors) pursuant to the Corporation’s notice of meeting (or any supplement thereto) as aforesaid (provided that the Board of Directors has determined that directors shall be elected at such meeting) (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 1.13(b) is delivered to the Secretary, who is entitled to vote at the special meeting and upon such election and who complies with the notice procedures set forth in this Section 1.13(b). In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors by the stockholders generally entitled to vote (which, for the avoidance of doubt, shall exclude any Class/Series Directors), any such stockholder entitled to vote in such election may make a Nomination or Nominations of one or more individuals (as the case may be) for election to such position(s) as specified in the Corporation’s notice of meeting pursuant to this Section 1.13(b), if the stockholder’s notice setting forth the information required by Section 1.13(a)(ii) of these Bylaws shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of such special meeting and of the nominee(s) proposed by the Board of Directors to be elected at such special meeting. In no event shall the public announcement of an adjournment or

postponement of a special meeting of stockholders commence a new time period (or extend any time period) for the giving of a stockholder's notice as described in this Section 1.13(b).

(c) General. (i) Only individuals subject to a Nomination made in compliance with the procedures set forth in this Section 1.13 shall be eligible for election at an annual or special meeting of stockholders, and only such Business shall be conducted at an annual or special meeting of stockholders as shall have been brought before such meeting in accordance with the procedures set forth in this Section 1.13. Except as otherwise provided by applicable law, the Board of Directors or the individual presiding over an annual or special meeting of stockholders shall have the power and duty to determine whether (A) a Nomination or any Business proposed to be brought before the meeting was or was not made, proposed or brought, as the case may be, in accordance with the procedures set forth in this Section 1.13 and (B) any proposed Nomination, Nominations or Business shall be disregarded or that such Nomination, Nominations or Business shall not be considered or transacted at the meeting. Notwithstanding the foregoing provisions of this Section 1.13, if the stockholder (or a qualified representative of the stockholder) giving notice pursuant to Section 1.13(a)(i)(C) or Section 1.13(b) of these Bylaws does not appear at the annual or special meeting of stockholders to present a Nomination, Nominations or Business, such Nomination, Nominations or Business shall be disregarded and such Nomination, Nominations or Business shall not be considered or transacted at the meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(ii) For purposes of this Section 1.13 and Section 1.14 of these Bylaws, "**public announcement**" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with or publicly furnished by the Corporation to the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) (or any successor thereto) of the Exchange Act.

(iii) Nothing in this Section 1.13 shall be deemed to affect any (A) rights or obligations, if any, of stockholders with respect to inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 (to the extent the Corporation or such proposals are subject to Rule 14a-8), (B) rights or obligations, if any, of stockholders with respect to the inclusion of a nominee in a universal proxy card pursuant to Rule 14a-19 (or any successor thereto) promulgated under the Exchange Act or (C) rights, if any, of the holders of any class or series of capital stock of the Corporation as provided for or fixed by or pursuant to the Certificate of Incorporation and then outstanding to, solely and exclusively, elect one or more directors (collectively, the "**Class/Series Directors**" and each, a "**Class/Series Director**").

Section 1.14 Proxy Access.

(a) Nominations of Eligible Nominees. The Corporation shall include in its proxy statement and/or on its proxy card (collectively, "**proxy materials**") for an annual meeting of stockholders the name of, and the Required Information (as defined below) relating to, any individual nominated for election to the Board of Directors who satisfies the eligibility requirements set forth in this Section 1.14 (an "**Eligible Nominee**" and more than one, the "**Eligible Nominees**"), who is nominated pursuant to a stockholder notice in compliance with Section 1.13(a)(i)(C) of these Bylaws, which notice also complies with Section 1.14(f) (a "**Proxy Access Notice**") and is timely delivered pursuant to Section 1.14(g) of these Bylaws by a stockholder or a group of no more than twenty (20) stockholders (each, a "**Holder**" and collectively, "**Holders**") who: (i) expressly elects or elect, as the case may be, at the date of delivery of the Proxy Access Notice pursuant to Section 1.14(g) of these Bylaws to have such Eligible Nominee included in the Corporation's proxy materials; (ii) as of both the date of

delivery of the Proxy Access Notice and the record date for determining stockholders entitled to vote at the annual meeting of stockholders, (A) owns of record, or is acting on behalf of one or more beneficial owners who own (in each case, as defined in Section 1.14(c) of these Bylaws), a number of shares that represents at least three percent (3%) in voting power of the then outstanding shares of capital stock of the Corporation generally entitled to vote in the election of directors (the “**Required Shares**”)² and (B) has owned of record, or is acting on behalf of one or more beneficial owners who have owned (in each case, as defined in Section 1.14(c) of these Bylaws), continuously the Required Shares (as adjusted for any stock splits, stock dividends or similar events) for at least the three-year period preceding the date of delivery of the Proxy Access Notice, and must continue to hold the Required Shares through the date of the annual meeting; and (iii) satisfies the additional requirements set forth in this Section 1.14 (such Holder, or such group of Holders, collectively, an “**Eligible Stockholder**”). For the avoidance of doubt, in the event of a nomination by a group of Holders that together constitute an Eligible Stockholder, any and all requirements and obligations for an individual Eligible Stockholder set forth in this Section 1.14, including the minimum holding period, shall apply to each member of such group of Holders (each, a “**Constituent Holder**”); provided that the Required Shares shall be owned by such group of Holders in the aggregate. Should any Holder withdraw from a group of Holders constituting an Eligible Stockholder at any time prior to the annual meeting of stockholders, the remaining Holders shall be deemed to own only the shares owned by the remaining members of the group in determining if the group of Holders continues to constitute an Eligible Stockholder.

(b) Satisfying the Ownership Requirement. For purposes of satisfying the ownership requirement under Section 1.14(a) of these Bylaws: (i) the outstanding shares of capital stock of the Corporation owned by one or more Holders may be aggregated, provided that the number of Holders whose ownership of shares is aggregated for such purpose shall not exceed twenty (20); (ii) a group of investment funds under common management and investment control shall be treated as one Holder for the purpose of determining the aggregate number of Holders in Section 1.14(b)(i) of these Bylaws, provided that each such investment fund otherwise meets the requirements set forth in this Section 1.14; and (iii) two (2) or more persons that would be deemed to be beneficial owners of the same outstanding shares of capital stock of the Corporation under Rule 13d-3 (or any successor Rule) promulgated under the Exchange Act) shall be treated as one Holder for the purpose of determining the aggregate number of Holders in Section 1.14(b)(i) of these Bylaws.

(c) Determining Ownership. For purposes of this Section 1.14, a Holder “**owns**” only those outstanding shares of capital stock of the Corporation as to which the Holder possesses both: (i) the full voting and investment rights pertaining to such shares; and (ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares, provided that the number of shares calculated in accordance with Section 1.14(b)(i) and Section 1.14(b)(ii) of these Bylaws shall not include any shares (A) sold by such Holder or any of such Holder’s affiliates in any transaction that has not been settled or closed (including any short sale), (B) borrowed by such Holder or any of such Holder’s affiliates for any purpose or purchased by such Holder or any of such Holder’s affiliates pursuant to an agreement to resell or (C) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Holder or any of such Holder’s affiliates, whether any such instrument or agreement is to be settled with shares of capital stock of the Corporation or with cash based on the notional amount or value of outstanding shares of capital stock of the Corporation, in any such case, which instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, such Holder’s or any of such Holder’s affiliates’ full right to vote or direct the voting of any such

shares and/or (2) hedging, offsetting, or altering to any degree gain or loss arising from the full economic ownership of such shares by such Holder or such Holder's affiliates.

A Holder "**owns**" outstanding shares of capital stock of the Corporation held in the name of a nominee or other intermediary so long as the Holder retains the right to instruct how such shares are voted with respect to the election of directors and possesses the full economic interest in such shares. A Holder's ownership of shares of capital stock of the Corporation shall be deemed to continue during any period in which the Holder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement that is revocable at any time by the Holder. A Holder's ownership of outstanding shares of capital stock of the Corporation shall be deemed to continue during any period in which the Holder has loaned such shares, provided that the Holder has the power to recall such loaned shares on no more than five (5) business days' notice and recalls such loaned shares back to such Holder's own possession not more than five (5) business days after being notified that such Holder's Eligible Nominee will be included in the Corporation's proxy material for the relevant annual meeting of stockholders and holds the recalled shares through date of such annual meeting. The terms "**owned**," "**owning**" and other variations of the word "**own**" shall have correlative meanings. Whether outstanding shares of capital stock of the Corporation are "**owned**" for purposes of this Section 1.14 shall be determined by the Board of Directors. For purposes of this Section 1.14, the terms "**affiliate**" or "**affiliates**" and "**associate**" or "**associates**" shall have the respective meanings ascribed thereto under the General Rules and Regulations promulgated under the Exchange Act.

(d) Limitations on Groups of Holders. No shares of capital stock of the Corporation may be attributed to more than one group of Holders constituting an Eligible Stockholder under this Section 1.14, and no Holder may be a member of more than one group of Holders constituting an Eligible Stockholder under this Section 1.14 per each annual meeting of stockholders.

(e) Required Information. For purposes of this Section 1.14, the "**Required Information**" that the Corporation shall include in its proxy statement is: (i) the information concerning the Eligible Nominee and the Eligible Stockholder that the Corporation determines is required to be disclosed in the Corporation's proxy materials by the applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder; and (ii) if the Eligible Stockholder so elects, a written statement of the Eligible Stockholder, not to exceed five-hundred (500) words, in support of such Eligible Stockholder's Eligible Nominee, which must be delivered at the same time and in the same manner as the Proxy Access Notice for inclusion in the Corporation's proxy materials for the annual meeting (the "**Statement**"). Notwithstanding anything to the contrary contained in this Section 1.14, the Corporation may omit from its proxy materials, or may require the Eligible Stockholder to supplement or correct, any information, including all or a portion of any Statement, if the Corporation believes: (A) such information is not true and correct in all material respects or omits to state a material statement necessary to make the statements therein not misleading; (B) such information directly or indirectly impugns character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to, any person; (C) the inclusion of such information would violate any applicable law, rule or regulation; or (D) the inclusion of such information would impose a material risk of liability to or upon the Corporation. Nothing in this Section 1.14 shall limit the Corporation's ability to solicit against and include in its proxy materials its own statements or other information relating to any Eligible Stockholder or Eligible Nominee.

(f) Information to be Set Forth in Proxy Access Notice. The Proxy Access Notice shall set forth the information required under Section 1.13(a)(ii)(A) and Section 1.13(a)(ii)(C) of these Bylaws with respect to the Eligible Stockholder and each Eligible Nominee, respectively, and, in addition, shall set forth or include the following: (i) a copy of the Schedule 14N that has

been or is concurrently filed with the Securities and Exchange Commission under Rule 14a-18 promulgated under the Exchange Act; (ii) the details of any relationship not disclosed in the Schedule 14N that existed within the past three (3) years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N; (iii) the name and address of the Eligible Stockholder; (iv) an executed written agreement by the Eligible Stockholder addressed to the Corporation, setting forth the following additional agreements, representations, and warranties: (A) with respect to the Eligible Stockholder, a representation and warranty as to the number of outstanding shares of capital stock of the Corporation such Eligible Stockholder owns and has owned (as defined in Section 1.14(c) of these Bylaws) continuously for at least three (3) years as of the date of delivery of the Proxy Access Notice and an agreement to continue to own the Required Shares through the date of the annual meeting of stockholders, which statement shall also be included in the written statements set forth in Item 4 of the Schedule 14N filed by the Eligible Stockholder with the Securities and Exchange Commission, and a representation and warranty that such Eligible Stockholder intends to continue to satisfy the eligibility requirements described in this Section 1.14 of these Bylaws through the date of the annual meeting of stockholders; (B) the Eligible Stockholder's agreement to provide (1) written statements from the record holder and intermediaries as required under Section 1.14(h) of these Bylaws verifying the Eligible Stockholder's continuous ownership of the Required Shares, such statements to be delivered to the Corporation in the same manner as the Proxy Access Notice within five (5) business days after the date of delivery of the Proxy Access Notice and as of the business day immediately preceding the date of the annual meeting of stockholders and (2) immediate notice to the Corporation (in the same manner as the Proxy Access Notice) if the Eligible Stockholder ceases to own any of the Required Shares prior to the date of the annual meeting of stockholders; (C) the Eligible Stockholder's representation and agreement that the Eligible Stockholder (and its respective affiliates and associates) (1) did not acquire the Required Shares with the intent to change or influence control of the Corporation, and does not presently have such intent, (2) has not nominated and will not nominate for election to the Board of Directors at the annual meeting of stockholders any individual other than the Eligible Nominee being nominated pursuant to this Section 1.14, (3) has not engaged and will not engage in a "solicitation," and has not been and will not be a "participant" in another person's "solicitation," in each case, within the meaning of Rule 14a-1(l) (or any successor rule) promulgated under the Exchange Act, in support of the election of any individual as a director at the annual meeting of stockholders other than such Eligible Stockholder's Eligible Nominee or a nominee of the Board of Directors and (4) will not distribute to any stockholder of the Corporation any form of proxy for the annual meeting of stockholders other than the form distributed by the Corporation; (D) the Eligible Stockholder's agreement to (1) assume all liability stemming from any legal or regulatory violation arising out of any statements or communications made by the Eligible Stockholder to the Corporation, its stockholders or any other persons in connection with the nomination or election of directors, including, without limitation, the Proxy Access Notice, (2) indemnify and hold harmless (jointly, in the case of a group of Holders constituting an Eligible Stockholder) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including reasonable attorneys' fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of the Eligible Stockholder's actions, including the provision of any information in the Proxy Access Notice or any other communication by the Eligible Stockholder to or with the Corporation, in connection with any nomination submitted by the Eligible Stockholder pursuant to this Section 1.14, (3) in the event that any information in the Proxy Access Notice, or any other communication by the Eligible Stockholder to or with the Corporation, its stockholders or any other person in connection with the nomination or election (including, without limitation, the Statement) or the Eligible Nominee ceases to be true and correct in all material respects or omits to state a material fact necessary to make the statements made therein not misleading, or the Eligible Stockholder discovers that such person has failed to continue to satisfy the eligibility requirements described

in this Section 1.14, promptly (and in any event within forty-eight (48) hours of discovering such misstatement, omission or failure to satisfy eligibility) notify the Corporation (in the same manner as the Proxy Access Notice) and any other recipient of such misstatement or omission and of the information required to correct the misstatement or omission, or of such failure to satisfy eligibility, (4) comply with all other applicable laws and regulations applicable to the Eligible Stockholder in connection with any solicitation in connection with the annual meeting of stockholders, (5) file all materials described in Section 1.14(h)(iii) of these Bylaws with the Securities and Exchange Commission, regardless of whether any such filing is required under Regulation 14A promulgated under the Exchange Act or whether any exemption from filing is available for such materials under Regulation 14A and (6) provide to the Corporation (in the same manner as the Proxy Access Notice) prior to the annual meeting of stockholders such additional information as may be reasonably requested by the Corporation in order for the Corporation to comply with its disclosure obligations under applicable law, determine the Eligible Stockholder's satisfaction of the requirements of this Section 1.14 and ascertain the Eligible Nominee's eligibility for nomination pursuant to this Section 1.14; (E) with respect to each Eligible Nominee, (1) a list of all positions held by such Eligible Nominee as an officer or director of any competitor (as defined for purposes of Section 8 of the Clayton Antitrust Act of 1914, as amended (the "**Clayton Act**")) of the Corporation or any of its subsidiaries within the three (3) years preceding the date of delivery of the Proxy Access Notice, (2) a completed and signed questionnaire, representation and agreement and any additional information, in each case, required by Section 1.14(i) of these Bylaws, (3) such Eligible Nominee's written consent to being named in any proxy statement as a nominee and to serving as a director of the Corporation if elected; and (F) in the case of a nomination by a group of Holders that together constitute an Eligible Stockholder, the designation by each Constituent Holder of a lead Constituent Holder that is authorized to act on behalf of each such Constituent Holders with respect to the nomination of the Eligible Nominee and matters related thereto, including any withdrawal of the nomination of the Eligible Nominee.

The information and documents required by this Section 1.14(f) shall be: (i) provided with respect to and executed by each Constituent Holder; and (ii) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor item) in the case of an Eligible Nominee or Constituent Holder that is an entity. The Proxy Access Notice shall be deemed delivered on the date on which all of the information and documents referred to in this Section 1.14(f) (other than such information and documents contemplated to be delivered after the date the Proxy Access Notice is delivered) have been delivered to the Secretary at the principal executive offices of the Corporation.

(g) Delivery of Proxy Access Notice. To be timely under this Section 1.14, the Proxy Access Notice must be delivered to the Secretary at the principal executive offices of the Corporation within the time period described in the second sentence of Section 1.13(a)(ii) of these Bylaws. In no event shall the public announcement of an adjournment or postponement of an annual meeting of stockholders commence a new time period (or extend any time period) for the delivery of the Proxy Access Notice as described above.

(h) Eligible Stockholder Obligations. An Eligible Stockholder must: (i) within five (5) business days after the date of delivery of the Proxy Access Notice, and on the last business day immediately prior to the date of the annual meeting of stockholders, provide to the Corporation (in the same manner as the Proxy Access Notice) one or more written statements from the record holder(s) of the Required Shares and from each intermediary through which the Required Shares are or have been held, in each case, during the requisite three-year holding period, verifying that the Eligible Stockholder owns, and has owned continuously for the preceding three (3) years, the Required Shares; (ii) include in the written statements provided pursuant to Item 4 of Schedule 14N filed with the Securities and Exchange Commission a statement certifying that such Eligible Stockholder owns and continuously has owned (as defined

in Section 1.14(c)) the Required Shares for at least three (3) years; (iii) file with the Securities and Exchange Commission any solicitation or other communication relating to the annual meeting of stockholders at which any Eligible Nominee will be nominated, regardless of whether any such filing is required under Regulation 14A promulgated under the Exchange Act or whether any exemption from filing is available for such solicitation or other communication under Regulation 14A; and (iv) as to any group of investment funds whose shares are aggregated for purposes of constituting an Eligible Stockholder, within five (5) business days after the date of delivery of the Proxy Access Notice, provide documentation reasonably satisfactory to the Corporation that demonstrates that the funds are under common management and investment control.

(i) Eligible Nominee Obligations. To be eligible to be an individual nominated for election to the Board of Directors by an Eligible Stockholder pursuant to this Section 1.14, an Eligible Nominee must complete and deliver (within the time period specified in Section 1.14(g) of these Bylaws for delivery of the Proxy Access Notice) to the Corporation (in the same manner as the Proxy Access Notice), a written questionnaire providing information with respect to the background, experience and qualifications of such individual, together with a written representation and agreement of such individual with respect to the matters described in Section 1.13(b)(ii)(A) of these Bylaws. At the request of the Corporation, the Eligible Nominee must promptly, but in any event within five (5) business days of such request, submit to the Corporation (in the same manner as the Proxy Access Notice) any additional completed and signed questionnaires required of the Corporation's directors and provide to the Corporation such other information as the Corporation may reasonably request in order for the Corporation to comply with its disclosure obligations under applicable law or, as of the date of delivery of the Proxy Access Notice or a date subsequent thereto, determine whether the Eligible Stockholder satisfies the requirements of this Section 1.14 or ascertain whether the Eligible Nominee is eligible for nomination pursuant to this Section 1.14. The Corporation may request such additional information as necessary to permit the Board of Directors to determine if the Eligible Nominee is qualified and suitable to serve as a director of the Corporation, eligible to serve as an "independent director" or "audit committee financial expert" of the Corporation under applicable law, the rules or regulations of any stock exchange applicable to the Corporation, any regulation applicable to the Corporation or its securities, or any publicly disclosed corporate governance guideline or committee charter of the Corporation, and such other information as could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such Eligible Nominee. If the Eligible Nominee fails to furnish such requested information prior to the last date on which a Proxy Access Notice would be timely pursuant to Section 1.14(g), the nomination of such Eligible Nominee shall not be considered made in compliance with this Section 1.14, the Corporation may omit from its proxy materials such Eligible Nominee, and such nomination shall be disregarded and not be considered at the annual meeting of stockholders before which such nomination is proposed to be brought, notwithstanding that proxies in respect of such vote or such Eligible Nominee may have been received by the Corporation.

(j) Omission of Eligible Nominee from Proxy Materials. Notwithstanding anything to the contrary contained in this Section 1.14, the Corporation may omit from its proxy materials any Eligible Nominee, and the nomination of such Eligible Nominee shall be disregarded and not be considered at the annual meeting of stockholders before which such nomination is proposed to be brought, notwithstanding that proxies in respect of such vote or such Eligible Nominee may have been received by the Corporation, and the Eligible Stockholder may not, after the last date on which a Proxy Access Notice would be timely, cure in any way any defect preventing the nomination of the Eligible Nominee, if: (i) the Secretary receives notice pursuant to Section 1.13(a)(i)(C) of these Bylaws that a stockholder intends to nominate one or more individuals for election to the Board of Directors, which stockholder does not elect to have such stockholders nominee(s) included in the Corporation's proxy materials pursuant to this

Section 1.14; (ii) the Eligible Stockholder has engaged in (A) an exempt solicitation as described in Rule 14a-2(b) promulgated under the Exchange Act or (B) any communication, as described in Rule 14a-1(l)(2)(iv) promulgated under the Exchange Act, stating how the Eligible Stockholder intends to vote at the annual meeting of stockholders and the reasons therefor (in each case, other than with respect to such Eligible Stockholder's Eligible Nominee(s) or any nominee(s) of the Board of Directors); (iii) (A) the Eligible Stockholder fails to include in the Proxy Access Notice or otherwise provide to the Corporation, or the Eligible Nominee fails to include in the written questionnaire, representation or agreement required by Section 1.14(i) of these Bylaws or otherwise provide to the Corporation (in each case, within the time period specified in Section 1.14(g) of these Bylaws for delivery of the Proxy Access Notice), all information required to be provided pursuant to this Section 1.14 in connection with the nomination of the Eligible Nominee, or the Eligible Stockholder or the Eligible Nominee otherwise breaches or fails to comply in any material respect with the Eligible Stockholder's or Eligible Nominee's, as applicable, obligations or agreements set forth in this Section 1.14, (B) the Eligible Stockholder has made representations and warranties or provided other information to the Corporation in connection with the nomination of the Eligible Nominee (including, without limitation, in the Proxy Access Notice) that was untrue, or ceases to be true, in any material respect or omitted, or omits, to state a material fact necessary to make the statements made therein not misleading, (C) the Eligible Nominee withdraws his or her written consent to being named in any proxy statement and to serving as a director of the Corporation if elected or becomes unwilling or unable to serve on the Board of Directors or (D) any material violation or breach occurs of any of the obligations, agreements, representations or warranties of the Eligible Nominee set forth in or required by this Section 1.14; (iv) the Eligible Stockholder withdraws such Eligible Stockholder's nomination of the Eligible Nominee; (v) such Eligible Nominee's nomination or election to the Board of Directors would result in the Corporation violating or failing to be in compliance with the Certificate of Incorporation, these Bylaws or any applicable law, the rules or regulations of any stock exchange applicable to the Corporation, any regulation applicable to the Corporation or its securities, or any publicly disclosed corporate governance guideline or committee charter of the Corporation; or (vi) the Eligible Nominee (A) is not "independent" under the rules or regulations of any stock exchange applicable to the Corporation, any regulation applicable to the Corporation or its securities, or any publicly disclosed corporate governance guideline or committee charter of the Corporation, (B) does not qualify as a "non-employee director" under Rule 16b-3 (or any successor Rule) promulgated under the Exchange Act, in each case, as determined by the Board of Directors, (C) is or has been, within the past three (3) years, an officer or director of a competitor (as defined in Section 8 of the Clayton Act) of the Corporation or any of its subsidiaries, (D) is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in a criminal proceeding within the past ten (10) years or (E) is or has been subject to any order, judgement, decree, event or circumstance specified in Rule 506(d)(1) (or any successor Rule) promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"), such that the exemption under Rule 506 (or any successor rule) would be unavailable to the Corporation were the Eligible Nominee a member of the Board of Directors.

(k) Nomination Not Made in Compliance with this Section 1.14. Notwithstanding anything to the contrary contained in this Section 1.14, the nomination of an Eligible Nominee shall not be considered made in compliance with this Section 1.14, and such nomination shall be disregarded and not be considered at the annual meeting of stockholders before which such nomination is proposed to be brought, notwithstanding that proxies in respect of such vote or such Eligible Nominee may have been received by the Corporation, if: (i) the Eligible Stockholder has failed to continue to satisfy the eligibility requirements described in this Section 1.14; (ii) the Eligible Stockholder or the designated lead Constituent Holder, as the case may be, or any qualified representative thereof, does not appear at the annual meeting of stockholders before which such nomination is proposed to be brought to present the nomination of the Eligible Nominee submitted pursuant to this Section 1.14; (iii) the Eligible Nominee

becomes unwilling or unable to serve on the Board of Directors; or (iv) the Eligible Stockholder withdraws such Eligible Stockholder's nomination of the Eligible Nominee.

(l) Impermissible Activities. Notwithstanding anything to the contrary contained in this Section 1.14, the Corporation shall not be required to include in its proxy materials any Eligible Nominee pursuant to this Section 1.14, the nomination of an Eligible Nominee shall not be considered made in compliance with this Section 1.14, such nomination shall be disregarded and not be considered at the annual meeting of stockholders before which such nomination is proposed to be brought, notwithstanding that proxies in respect of such vote or such Eligible Nominee may have been received by the Corporation, and no stockholder who submits a nomination of an Eligible Nominee shall be deemed to constitute an Eligible Stockholder for purposes of this Section 1.14, if such Eligible Nominee or nominating stockholder, as the case may be, at any time during the three-year period immediately preceding the date of delivery of the Proxy Access Notice for such nomination or at any time prior to the annual meeting of stockholders, directly or indirectly, whether through an affiliate, associate or other intermediary, has initiated, financially sponsored, supported or otherwise actively participated in any initiative, campaign or other process seeking to (i) advance any agenda that is not directly related to the enhancement of stockholder value or (ii) restrict, eliminate or declare unlawful any business or operation of the Corporation or any of its subsidiaries that has generated revenue, positive earnings and/or net income in at least one (1) fiscal quarter in the trailing four (4) fiscal quarters, as disclosed in the most recent earnings press release or periodic report (on Form 10-Q or Form 10-K, as the case may be) filed by the Corporation with the Securities and Exchange Commission immediately preceding the date of delivery of such Proxy Access Notice.

(m) Maximum Number of Eligible Nominees. Notwithstanding the other provisions of this Section 1.14, the number of Eligible Nominees appearing in the Corporation's proxy materials with respect to an annual meeting of stockholders (including any Eligible Nominee whose name was submitted for inclusion in the Corporation's proxy materials but who is nominated by the Board of Directors as a Board of Directors nominee), together with any nominees who were previously elected to the Board of Directors as Eligible Nominees at any of the preceding two (2) annual meetings of stockholders and who are re-nominated for election at such annual meeting of stockholders by the Board of Directors and any Eligible Nominee who was qualified for inclusion in the Corporation's proxy materials but whose nomination is subsequently withdrawn, shall not exceed (the "**Maximum Number**") the greater of (i) two (2) or (ii) twenty-five percent (25%) of the number of directors in office as of the last date on which a Proxy Access Notice may be delivered pursuant to Section 1.14(g) of these Bylaws with respect to such annual meeting of stockholders, or if such amount is not a whole number, the closest whole number below twenty-five percent (25%). In the event that the number of Eligible Nominees submitted by Eligible Stockholders pursuant to this Section 1.14 exceeds this Maximum Number, each Eligible Stockholder will select one (1) Eligible Nominee for inclusion in the Corporation's proxy materials until the Maximum Number is reached, going in order of the number (largest to smallest) of outstanding shares of capital stock of the Corporation each Eligible Stockholder disclosed as owned in such Eligible Stockholder's respective Proxy Access Notice delivered to the Corporation. If the Maximum Number is not reached after each Eligible Stockholder has selected one (1) Eligible Nominee, this selection process will continue as many times as necessary, following the same order each time, until the Maximum Number is reached. In the event that one or more vacancies occurs on the Board of Directors resulting from the death, resignation, disqualification, removal or other cause after the deadline set forth in Section 1.14(g) of these Bylaws, but before the date of the annual meeting of stockholders, and the Board of Directors resolves to reduce the number of directors constituting the Board of Directors in connection therewith, the Maximum Number shall be calculated based on such reduced number of directors.

(n) Ineligible Nominees. Any Eligible Nominee who is included in the Corporation's proxy materials for a particular annual meeting of stockholders but either (i) withdraws from or becomes ineligible or unavailable for election at such annual meeting of stockholders or (ii) does not receive at least twenty five percent (25%) of the votes cast in favor of the Eligible Nominee's election at such annual meeting of stockholders, will be ineligible to be an Eligible Nominee pursuant to this Section 1.14 for the next two (2) annual meetings of stockholders.

(o) Section 1.14 Exclusive. This Section 1.14 provides the exclusive method for a stockholder or group of stockholders to include nominees for election to the Board of Directors in the Corporation's proxy materials.

(p) Determinations. Except as otherwise provided by applicable law, the Certificate of Incorporation, or this Section 1.14, the Board of Directors shall have the power and duty to determine whether this Section 1.14 or any of the representations, warranties and covenants contained in this Section 1.14 or required by this Section 1.14 have been complied with.

ARTICLE II

Board of Directors

Section 2.1 Number; Qualifications. Except as otherwise provided by or pursuant to the Certificate of Incorporation, the Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution or resolutions of the Board of Directors. Directors need not be stockholders.

Section 2.2 Resignation; Vacancies and Newly Created Directorships. Any director may resign at any time upon notice to the Corporation. Subject to the rights, if any, of the holders of any class or series of capital stock of the Corporation as provided for or fixed by or pursuant to the Certificate of Incorporation and then outstanding, newly created directorships resulting from an increase in the authorized number of directors or any vacancies on the Board of Directors resulting from the death, resignation, disqualification, removal or other cause, shall be filled solely and exclusively by a majority vote of the directors then in office, although less than a quorum, or by the sole remaining director. Any director so elected shall hold office until the expiration of the term of office of the director whom he or she has replaced and until his or her successor shall be elected and qualified, subject to such director's earlier death, resignation, disqualification or removal. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 2.3 Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine.

Section 2.4 Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairperson of the Board of Directors, the Chief Executive Officer, the President, the Lead Director (as defined below) (if there shall be one) or any two members of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the Secretary or at the direction of the person or persons calling the meeting (a) in the case of notice delivered by U.S. mail, postage prepared, at least five (5) days before the special meeting, and (b) in the case of notice delivered by courier service, personal delivery or electronic transmission, at least forty-eight (48) hours before the special meeting.

Section 2.5 Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting thereof by

means of conference telephone or other communications equipment by means of which all individuals participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 2.5 shall constitute presence in person at such meeting.

Section 2.6 Quorum; Vote Required for Action. At all meetings of the Board of Directors the directors entitled to cast a majority of the votes of the whole Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which the Certificate of Incorporation, these Bylaws or applicable law otherwise provides, a majority of the votes entitled to be cast by the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.7 Organization. Meetings of the Board of Directors shall be presided over by the Chairperson of the Board of Directors, if any, or in the absence of the Chairperson of the Board of Directors, by the Lead Director, if any, or in the absence of the Lead Director, by the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, by the President, if any, or in the absence of the President, by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in the absence of the Secretary, the chairperson of the meeting may appoint any individual to act as secretary of the meeting.

Section 2.8 Action by Unanimous Consent of Directors. Unless otherwise restricted by or pursuant to the Certificate of Incorporation or by these Bylaws, (a) any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission and (b) a consent may be documented, signed and delivered in any manner permitted by Section 116 of the General Corporation Law of the State of Delaware (as the same exists or may hereafter be amended, the "**General Corporation Law**"). After action is taken, the consent or consents relating thereto shall be filed with the minutes of the proceedings of the Board of Directors, or the committee thereof, in the same paper or electronic form as the minutes are maintained.

Section 2.9 Lead Director. Regardless of whether the Chief Executive Officer, the President or any other officer or employee of the Corporation is serving as the Chairperson of the Board of Directors, the Board of Directors may choose a "Lead Director" from among its members (the "**Lead Director**"), which Lead Director shall (a) be "independent" under the rules or regulations of any stock exchange applicable to the Corporation, (b) coordinate the scheduling and agenda of meetings of the Board of Directors and the preparation and distribution of agenda materials with the Chairperson of the Board of Directors, if any, (c) preside when the Board of Directors meets in executive session or otherwise in the absence of the Chairperson of the Board of Directors, (d) call special meetings of the Board of Directors when he or she considers appropriate, (e) oversee the scope, quality and timeliness of the flow of information from the Corporation's management to the Board of Directors and (f) serve as an independent point of contact for stockholders wishing to communicate with the Board of Directors (other than through the Chairperson of the Board of Directors, if any).

ARTICLE III

Committees

Section 3.1 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute

a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by applicable law and to the extent provided in the resolution of the Board of Directors or these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

Section 3.2 Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these Bylaws.

ARTICLE IV

Officers

Section 4.1 Officers: Election: Qualifications: Term of Office, Resignation: Removal: Vacancies. The Board of Directors shall elect a Chief Executive Officer, a President, a Chief Financial Officer and a Secretary and may choose a Chairperson of the Board of Directors from among its members. The Board of Directors may also elect a Chief Operating Officer, one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as it shall from time to time deem necessary or desirable. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Except as otherwise provided by or pursuant to the Certificate of Incorporation, the Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.2 Powers and Duties of Officers. The officers of the Corporation shall have such powers and duties in the management of the Corporation as may be prescribed in these Bylaws or a resolution or resolutions of the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

Section 4.3 Chairperson of the Board of Directors. The Chairperson of the Board of Directors, if any, shall have the power and duty to confer with the Chief Executive Officer and/or the President on matters of general policy affecting the day-to-day management of the Corporation's business and preside at all meetings of the Board of Directors.

Section 4.4 Chief Executive Officer. The Chief Executive Officer shall, subject to the direction of the Board of Directors, have general charge of the Corporation's business and day-to-day management and shall have the power and duty to supervise the Corporation's other officers, see that all resolutions and orders of the Board of Directors are carried into effect, preside at all meetings of the stockholders and, in the absence of the Chairperson of the Board of Directors, if any, or the Lead Director, if any, preside at all meetings of the Board of Directors.

Section 4.5 President. The President shall, in the absence of the Chief Executive Officer, subject to the direction of the Board of Directors, have general charge of the Corporation's business and day-to-day management and shall have the power and duty to supervise the Corporation's other officers, see that all resolutions and orders of the Board of Directors are carried into effect, preside at all meetings of the stockholders and, in the absence of the Chairperson of the Board of Directors, if any, the Lead Director, if any, or the Chief Executive Officer, if any, preside at all meetings of the Board of Directors.

Section 4.6 Chief Financial Officer. The Chief Financial Officer shall, under the direction of the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President, have the power and duty to oversee all financial and accounting matters of the Corporation, including maintaining custody of the Corporation's funds and securities and depositing, investing and disbursing the Corporation's funds, and shall have such additional powers and duties as the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President assigns.

Section 4.7 Chief Operating Officer. The Chief Operating Officer shall, under the direction of the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President, have the power and duty to oversee the Corporation's day-to-day business operations and shall have such additional powers and duties as the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President assigns.

Section 4.8 Vice Presidents. A Vice President, if one is elected, or, if there is more than one, the Vice Presidents, shall have the power and duty to assist the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President, as he or she directs in the management of the Corporation's business and the implementation of resolutions and orders of the Board of Directors. If there is more than one Vice President, the Board of Directors may give them titles that are descriptive of their respective functions or indicative of their relative seniority. In the event of the absence or inability to act of the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President, if any, or in the absence of the President, the Vice Presidents, or if there is more than one, the Vice Presidents in the order of their seniority as indicated by their titles or as otherwise determined by the Board of Directors, shall have the power and duty to perform the duties of the Chief Executive Officer or President, as applicable. A Vice President shall have such additional powers and duties as the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President assigns.

Section 4.9 Secretary. The Secretary shall have custody of the Corporation's corporate records and shall have the power and duty to send all notices to stockholders and directors required by applicable law, the Certificate of Incorporation or these Bylaws and record all proceedings of meetings of the stockholders and the Board of Directors. The Secretary shall have the power to certify copies of these Bylaws, resolutions of the stockholders and the Board of Directors or any committee thereof and other documents of the Corporation as true and correct and shall have such additional powers and duties as the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President assigns.

Section 4.10 Assistant Officers. An Assistant Treasurer or Assistant Secretary (or if more than one is elected, the Assistant Treasurers and Assistant Secretaries in the order determined by the Board of Directors) shall, in the absence of the Treasurer, if any, or in the absence of the Secretary, if any, have the powers and duties of the Treasurer or the Secretary, respectively, and shall have such additional powers and duties as the Chief Executive Officer, if any, or in the absence of the Chief Executive Officer, the President assigns.

ARTICLE V

Stock

Section 5.1 Certificates. Every holder of capital stock of the Corporation represented by certificates shall be entitled to have a certificate signed by, or in the name of, the Corporation by any two (2) authorized officers of the Corporation representing the number of shares registered in certificate form. Each of the Chairperson of the Board of Directors, the President, the Chief Executive Officer, the Chief Financial Officer and the Secretary, in addition to any other officers of the Corporation authorized by the Board of Directors (by resolution or resolutions thereof) or these Bylaws, is hereby authorized to sign certificates by, or in the name of, the Corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent, or registrar at the date of issue. The Corporation shall not have the power to issue a certificate in bearer form.

Section 5.2 Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates or Uncertificated Shares. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

ARTICLE VI

Indemnification

Section 6.1 Right to Indemnification. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law, any individual (a "**Covered Person**") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**proceeding**"), by reason of the fact that he or she, or an individual for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, its participants or beneficiaries, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section 6.3 of these Bylaws, the Corporation shall be required to indemnify a Covered Person in connection with a proceeding (or part thereof) commenced by such Covered Person only if the commencement of such proceeding (or part thereof) by the Covered Person was authorized in the specific case by the Board of Directors.

Section 6.2 Prepayment of Expenses. The Corporation shall to the fullest extent not prohibited by applicable law, pay the expenses (including attorneys' fees) incurred by a Covered Person in defending or otherwise participating in any proceeding in advance of its final disposition; provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article VI or otherwise.

Section 6.3 Claims. If (a) a claim for indemnification (following the final disposition of such proceeding) under Section 6.1 of these Bylaws is not paid in full within sixty (60) days after a written claim therefor by the Covered Person has been received by the Corporation or (b) a claim for advancement of expenses under Section 6.2 of these Bylaws is not paid in full within twenty (20) days after a written claim therefor by the Covered Person has been received by the Corporation, as applicable, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense (including attorneys' fees) of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law. In any such action to enforce a claim for indemnification under Section 6.1 of these Bylaws, neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification of the Covered Person is proper in the circumstances because the Covered Person has met the applicable standard of conduct set forth in the General Corporation Law, nor an actual determination by the Corporation that the Covered Person has not met such applicable standard of conduct, shall create a presumption that the Covered Person has not met such applicable standard of conduct.

Section 6.4 Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article VI shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 6.5 Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit entity.

Section 6.6 Amendment or Repeal. Any amendment, repeal, modification or elimination of the foregoing provisions of this Article VI shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such amendment, repeal, modification or elimination.

Section 6.7 Other Indemnification and Prepayment of Expenses. This Article VI shall not limit the right of the Corporation, to the extent and in the manner permitted by applicable law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

Section 6.8 Certain Terms. For purposes of this Article VI: (a) references to "**the Corporation**" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article VI with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation as if its separate existence had continued; (b) references to "**other enterprise**" shall include employee benefit plans; (c) reference to "**finances**" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and (d) references to "**serving at the request of the Corporation or any of its consolidated subsidiaries**" shall include any service as a director, officer, employee or agent of the Corporation which imposes

duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries.

ARTICLE VII

Miscellaneous

Section 7.1 Fiscal Year. The fiscal year of the Corporation shall be determined by resolution or resolutions of the Board of Directors.

Section 7.2 Seal. The corporate seal of the Corporation shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.3 Manner of Notice. Except as otherwise provided in these Bylaws or permitted by applicable law, notices to directors and stockholders shall be in writing or electronic transmission and delivered by mail, courier service or electronic mail to the directors or stockholders at their addresses appearing on the records of the Corporation.

Section 7.4 Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any waiver of notice, given by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in a waiver of notice.

Section 7.5 Form of Records. Any records administered by or on behalf of the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device, method, or one or more electronic networks or databases (including one or more distributed electronic networks or databases); provided that the records so kept can be converted into clearly legible paper form within a reasonable time, and, with respect to the stock ledger, that the records so kept comply with applicable law.

Section 7.6 Amendment of Bylaws. These Bylaws may be altered, amended or repealed, and new bylaws made, by the Board of Directors, but the stockholders may make additional bylaws and may alter and repeal any bylaws whether adopted by them or otherwise. In addition to any affirmative vote required by or pursuant to the Certificate of Incorporation, any bylaw that is to be made, altered, amended or repealed by the stockholders of the Corporation shall require the affirmative vote of the holders of at least a majority in voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote, voting together as a single class.

Section 7.7 Forum for Adjudication of Disputes.

(a) Delaware Courts. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any civil action to interpret, apply or enforce any provision of the General Corporation Law, (iv) any civil action to interpret, apply, enforce or determine the validity of the provisions of the Certificate of

Incorporation or these Bylaws or (v) any action asserting a claim governed by the internal affairs doctrine; provided, however, in the event that the Court of Chancery of the State of Delaware lacks jurisdiction over such action, the sole and exclusive forum for such action shall be another state or federal court located within the State of Delaware, in all cases, subject to such court having personal jurisdiction over the indispensable parties named as defendants. For the avoidance of doubt, this Section 7.7(a) shall not apply to the resolution of any complaint asserting a cause of action arising under the Securities Act.

(b) Federal Courts. Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

(c) Application. Failure to enforce the foregoing provisions of this Section 7.7 would cause the Corporation irreparable harm and the Corporation shall, to the fullest extent permitted by applicable law, be entitled to equitable relief, including injunctive relief and specific performance, to enforce the foregoing provisions. Any person purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 7.7. This Section 7.7 shall not apply to any action asserting claims arising under the Exchange Act.

Adopted Effective As of September 25, 2023.

/S/ Jake Singleton

Jake Singleton

Corporate Secretary

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Peter D. Holt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 of The Joint Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 26, 2023

/s/ Peter D. Holt

Peter D. Holt
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Jake Singleton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 of The Joint Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 26, 2023

/s/ Jake Singleton

Jake Singleton
Chief Financial Officer
(Principal Financial Officer)

