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, 2022

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 ☒ 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 ☒ 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	▯	Accelerated filer	▯
Non- accelerated filer	▯	Smaller reporting company	▯
		Emerging growth company	▯

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

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

As of August 1, 2022, the registrant had 14,495,049 shares of Common Stock ($0.001 par value) outstanding.

THE JOINT CORP.
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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, 2022	December 31, 2021
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 9,370,611	$ 19,526,119
Restricted cash	664,979	386,219
Accounts receivable, net	3,560,486	3,700,810
Deferred franchise and regional development costs, current portion	974,866	994,587
Prepaid expenses and other current assets	2,548,924	2,281,765
Assets held for sale	587,419	—
Total current assets	17,707,285	26,889,500
Property and equipment, net	16,055,493	14,388,946
Operating lease right-of-use asset	19,793,363	18,425,914
Deferred franchise and regional development costs, net of current portion	5,698,545	5,505,420
Intangible assets, net	9,114,701	5,403,390
Goodwill	8,050,578	5,085,203
Deferred tax assets	9,116,248	9,188,634
Deposits and other assets	699,581	567,202
Total assets	$ 86,235,794	$ 85,454,209
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,571,823	$ 1,705,568
Accrued expenses	1,334,414	1,809,460
Co-op funds liability	664,979	386,219
Payroll liabilities ($0.5 million and $0.4 million attributable to VIE)	1,862,529	3,906,317
Operating lease liability, current portion	4,928,765	4,613,843
Finance lease liability, current portion	23,920	49,855
Deferred franchise and regional developer fee revenue, current portion	2,981,534	3,191,892
Deferred revenue from company clinics ($3.6 million and $3.5 million attributable to VIE)	5,829,652	5,235,745
Other current liabilities	558,250	539,500
Liabilities to be disposed of	482,944	—
Total current liabilities	20,238,810	21,438,399
Operating lease liability, net of current portion	17,962,952	16,872,093
Finance lease liability, net of current portion	75,853	87,939
Debt under the Credit Agreement	2,000,000	2,000,000
Deferred franchise and regional developer fee revenue, net of current portion	15,447,554	15,458,921
Other liabilities	27,230	27,230
Total liabilities	55,752,399	55,884,582
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, 2022 and December 31, 2021	—	—
Common stock, $0.001 par value; 20,000,000 shares authorized, 14,526,417 shares issued and 14,494,700 shares outstanding as of June 30, 2022 and 14,451,355 shares issued and 14,419,712 outstanding as of December 31, 2021	14,526	14,450
Additional paid-in capital	44,677,501	43,900,157
Treasury stock 31,717 shares as of June 30, 2022 and 31,643 shares as of December 31, 2021, at cost	(853,436)	(850,838)
Accumulated deficit	(13,380,196)	(13,519,142)
Total The Joint Corp. stockholders' equity	30,458,395	29,544,627
Non-controlling Interest	25,000	25,000
Total equity	30,483,395	29,569,627
Total liabilities and stockholders' equity	$ 86,235,794	$ 85,454,209

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Revenues from company-owned or managed clinics	$ 14,492,972	$ 11,433,072	$ 27,099,971	$ 20,903,933
Royalty fees	6,411,214	5,332,618	12,420,146	10,101,862
Franchise fees	686,886	623,655	1,327,851	1,319,082
Advertising fund revenue	1,825,757	1,518,908	3,536,474	2,893,650
Software fees	1,099,981	786,037	2,056,979	1,546,574
Regional developer fees	169,953	214,434	371,740	432,390
Other revenues	370,555	310,074	682,695	569,271
Total revenues	25,057,318	20,218,798	47,495,856	37,766,762
Cost of revenues:				
Franchise and regional development cost of revenues	2,074,889	1,786,833	4,077,701	3,411,404
IT cost of revenues	352,156	251,705	662,115	392,450
Total cost of revenues	2,427,045	2,038,538	4,739,816	3,803,854
Selling and marketing expenses	3,839,724	3,132,715	7,127,212	5,622,043
Depreciation and amortization	1,700,476	1,443,018	3,329,653	2,612,884
General and administrative expenses	16,528,022	11,614,444	31,906,644	21,701,047
Total selling, general and administrative expenses	22,068,222	16,190,177	42,363,509	29,935,974
Net loss (gain) on disposition or impairment	88,844	(44,260)	95,749	20,508
Income from operations	473,207	2,034,343	296,782	4,006,426
Other expense, net	(19,286)	(16,373)	(35,434)	(37,909)
Income before income tax expense (benefit)	453,921	2,017,970	261,348	3,968,517
Income tax expense (benefit)	109,179	(665,992)	122,403	(1,030,140)
Net income	$ 344,742	$ 2,683,962	$ 138,945	$ 4,998,657
Earnings per share:				
Basic earnings per share	$ 0.02	$ 0.19	$ 0.01	$ 0.35
Diluted earnings per share	$ 0.02	$ 0.18	$ 0.01	$ 0.34
Basic weighted average shares	14,475,825	14,290,697	14,454,738	14,234,929
Diluted weighted average shares	14,842,816	14,927,451	14,887,238	14,901,863

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, 2021	14,451,355	$ 14,450	$ 43,900,157	31,643	$ (850,838)	$ (13,519,141)	$ 29,544,628	$ 25,000	$ 29,569,628
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	—	—	—	—	—	(205,797)	(205,797)	—	(205,797)
Balances, March 31, 2022 (unaudited)	14,493,049	$ 14,492	$ 44,273,294	31,717	$ (853,436)	$ (13,724,938)	$ 29,709,412	$ 25,000	$ 29,734,412
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 income	—	—	—	—	—	344,742	344,742	—	344,742
Balances, June 30, 2022 (unaudited)	14,526,417	$ 14,526	$ 44,677,501	31,717	$ (853,436)	$ (13,380,196)	$ 30,458,395	$ 25,000	$ 30,483,395

	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, 2020, as revised	14,174,237	$ 14,174	$ 41,350,001	17,167	$ (143,111)	$ (20,094,912)	$ 21,126,152	$ 100	$ 21,126,252
Stock-based compensation expense	—	—	246,494	—	—	—	246,494	—	246,494
Issuance of restricted stock	7,879	8	(8)	—	—	—	—	—	—
Exercise of stock options	105,995	106	620,670	—	—	—	620,776	—	620,776
Purchases of treasury stock under employee stock plans	—	—	—	13,619	(618,154)	—	(618,154)	—	(618,154)
Net income	—	—	—	—	—	2,314,287	2,314,287	—	2,314,287
Balances, March 31, 2021, as revised (unaudited)	14,288,111	$ 14,288	$ 42,217,157	30,786	$ (761,265)	$ (17,780,625)	$ 23,689,555	$ 100	$ 23,689,655
Stock-based compensation expense	—	—	283,564	—	—	—	283,564	—	283,564
Issuance of restricted stock	4,218	4	(4)	—	—	—	—	—	—
Exercise of stock options	113,819	113	641,674	—	—	—	641,787	—	641,787
Net income	—	—	—	—	—	2,683,962	2,683,962	—	2,683,962
Balances, June 30, 2021, as revised (unaudited)	14,406,148	$ 14,405	$ 43,142,391	30,786	$ (761,265)	$ (15,096,663)	$ 27,298,868	$ 100	$ 27,298,968

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, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities:		
Net income	$ 138,945	$ 4,998,657
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,329,653	2,612,884
Net loss on disposition or impairment	95,749	109,519
Net franchise fees recognized upon termination of franchise agreements	(15,218)	(81,196)
Deferred income taxes	72,386	(1,380,631)
Stock based compensation expense	663,747	530,058
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	140,324	(954,888)
Prepaid expenses and other current assets	(267,159)	(24,423)
Deferred franchise costs	(193,784)	(881,891)
Deposits and other assets	(132,379)	(53,096)
Accounts payable	(397,040)	(162,524)
Accrued expenses	(823,079)	130,609
Payroll liabilities	(2,043,788)	1,848,378
Deferred revenue	492,473	1,757,294
Other liabilities	404,330	565,779
Net cash provided by operating activities	1,465,160	9,014,529
Cash flows from investing activities:		
Acquisition of AZ clinics	(5,600,000)	(1,925,000)
Acquisition of NC clinics	—	(2,325,000)
Purchase of property and equipment	(3,164,961)	(3,238,959)
Reacquisition and termination of regional developer rights	(2,650,000)	(1,388,700)
Net cash used in investing activities	(11,414,961)	(8,877,659)
Cash flows from financing activities:		
Payments of finance lease obligation	(38,022)	(38,593)
Purchases of treasury stock under employee stock plans	(2,598)	(618,154)
Proceeds from exercise of stock options	113,673	1,262,563
Repayment of debt under the Paycheck Protection Program	—	(2,727,970)
Net cash provided by (used in) financing activities	73,053	(2,122,154)
Decrease in cash, cash equivalents and restricted cash	(9,876,748)	(1,985,284)
Cash, cash equivalents and restricted cash, beginning of period	19,912,338	20,819,629
Cash, cash equivalents and restricted cash, end of period	$ 10,035,590	$ 18,834,345

Reconciliation of cash, cash equivalents and restricted cash:	June 30, 2022	June 30, 2021
Cash and cash equivalents	$ 9,370,611	$ 18,521,042
Restricted cash	664,979	313,303
	$ 10,035,590	$ 18,834,345

During the six months ended June 30, 2022 and 2021, cash paid for income taxes was $59,271 and $446,058, respectively. During the six months ended June 30, 2022 and 2021, cash paid for interest was $23,982 and $47,033, respectively.

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

Supplemental disclosure of non-cash activity:

As of June 30, 2022, accounts payable and accrued expenses included property and equipment purchases of $263,295 and $186,777, respectively. As of December 31, 2021, accounts payable and accrued expenses included property and equipment purchases of $158,293, and $152,501, respectively.

In connection with the acquisition of franchised clinics during the six months ended June 30, 2022, the Company acquired $235,558 of property and equipment and intangible assets of $2,983,200, in exchange for $5,761,256 to the seller (of which $161,256 is to be paid in the third quarter of 2022). Additionally, at the time of this transaction, the Company carried net deferred revenue of $70,484, representing net franchise fees collected upon the execution of the franchise agreement. The Company netted this amount against the purchase price of the acquisition.

In connection with the acquisition of franchised clinics during the six months ended June 30, 2021, the Company acquired $528,974 of property and equipment and intangible assets of $3,723,872, in exchange for $4,493,028 in cash to the sellers (of which $243,028 was paid in July 2021). Additionally, at the time of these transactions, the Company carried net deferred revenue of $87,858, representing net franchise fees collected upon the execution of the franchise agreement. The Company netted this amount against the purchase price of the acquisitions.

In connection with the Company's reacquisition and termination of regional developer rights during the six months ended June 30, 2022, the Company had deferred revenue of $452,918, representing fees collected upon the execution of the regional developer agreement. The Company netted this amount against the aggregate purchase price.

In connection with the Company's reacquisition and termination of regional developer rights during the six months ended June 30, 2021, the Company had deferred revenue of $35,679, representing fees collected upon the execution of the regional developer agreement. The Company netted this amount against the aggregate purchase price.

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"), 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 interim condensed consolidated 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 U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with The Joint Corp. and Subsidiary and Affiliates consolidated financial statements and the notes thereto as set forth in The Joint's Form 10-K for the year ended December 31, 2021, which included all disclosures required by U.S. GAAP. The results of operations for the periods ended June 30, 2022 and 2021 are not necessarily indicative of expected operating results for the full year. The information presented throughout the document as of and for the periods ended June 30, 2022 and 2021 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 and comprehensive income are the same for the three and six months ended June 30, 2022 and 2021.

Correction of Immaterial Error

During the third and the fourth quarter of 2021, the Company identified immaterial errors in the following: (i) the calculation of deferred revenue related to wellness packages, (ii) the calculation of software fee revenue, and (iii) the calculation of breakage revenue related to wellness packages. Management assessed the materiality of the errors and determined the impact on the Company's 2020 consolidated financial statements was not material. The December 31, 2020 balance sheet has been revised to correct the errors.

The table below sets forth the impact of the revision on the previously issued consolidated balance sheet:

	December 31, 2020				
	As Previously Reported	(i) Adjustments	(ii) Adjustments	(iii) Adjustments	As Adjusted
ASSETS					
Accounts receivable, net	1,850,499	—	212,722	—	2,063,221
Total current assets	25,133,704	—	212,722	—	25,346,426
Deferred tax assets	8,007,633	22,153	(44,672)	(43,679)	7,941,435
Total assets	$ 65,732,843	$ 22,153	$ 168,050	$ (43,679)	$ 65,879,367
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Deferred revenue from company clinics	3,905,200	296,348		(524,993)	3,676,555
Total current liabilities	18,685,644	296,348	—	(524,993)	18,456,999
Total liabilities	44,981,760	296,348	—	(524,993)	44,753,115
Stockholders' equity:					
Accumulated deficit	(20,470,081)	(274,194)	168,050	481,314	(20,094,912)
Total The Joint Corp. stockholders' equity	20,750,983	(274,194)	168,050	481,314	21,126,152
Total equity	20,751,083	(274,194)	168,050	481,314	21,126,252
Total liabilities and stockholders' equity	$ 65,732,843	$ 22,154	$ 168,050	$ (43,679)	$ 65,879,367

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, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
Franchised clinics:	**2022**	**2021**	**2022**	**2021**
Clinics open at beginning of period	636	527	610	515
Opened during the period	31	36	58	48
Sold during the period	(4)	(8)	(4)	(8)
Closed during the period	(1)	—	(2)	—
Clinics in operation at the end of the period	662	555	662	555
	Three Months Ended June 30,		**Six Months Ended June 30,**	
Company-owned or managed clinics:	**2022**	**2021**	**2022**	**2021**
Clinics open at beginning of period	100	65	96	64
Opened during the period	3	5	7	6
Acquired during the period	4	8	4	8
Closed during the period	—	—	—	—
Clinics in operation at the end of the period	107	78	107	78
Total clinics in operation at the end of the period	769	633	769	633
Clinic licenses sold but not yet developed	229	247	229	247
Licenses for future clinics subject to executed letters of intent	41	35	41	35

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 two PCs, including one in North Carolina, in connection with the acquisitions on April 1, 2021 and November 1, 2021. An entity deemed to be the primary beneficiary of a VIE is required to consolidate the VIE in its financial statements. An entity is deemed to be the primary beneficiary of a VIE if it has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb the majority of losses of the VIE or the right to receive the majority of benefits from the VIE. In accordance with relevant accounting guidance, these PCs were determined to be VIEs. Such PCs are 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; 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 have an obligation to absorb losses or receive benefits which could potentially be significant to the PCs. Accordingly, the PCs are variable interest entities for which the Company is the primary beneficiary and are consolidated by the Company. The carrying amount of the VIEs’ assets and liabilities was immaterial as of June 30, 2022, and December 31, 2021, 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 balances as of June 30, 2022, and December 31, 2021 were $0.5

million and $0.4 million, respectively. The VIE's deferred revenue liability balances as of June 30, 2022, and December 31, 2021 were $3.6 million and $3.5 million, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and credit quality of, the financial institutions with which it invests. As of the balance sheet date and periodically throughout the period, the Company has maintained balances in various operating accounts in excess of federally insured limits. The Company has invested substantially all its cash in short-term bank deposits. The Company had no cash equivalents as of June 30, 2022 and December 31, 2021.

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 represent 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, 2022 and December 31, 2021, the Company had an allowance for doubtful accounts of $0.

Deferred Franchise Costs and Regional Development Costs

Deferred franchise and regional development costs represent commissions that are direct and incremental to the Company and are paid in conjunction with the sale of a franchise license or regional development rights. These costs are recognized as an expense, in franchise and regional development cost of revenues when the respective revenue is recognized, which is generally over the term of the related franchise or regional development agreement.

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 life of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Capitalized Software

The Company capitalizes certain software development costs, including costs to implement cloud computing arrangements that is a service contract. These capitalized costs are primarily related to software used by clinics for operations and by the Company for the management of operations. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct, are capitalized as assets in progress until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Software developed is recorded as part of property and equipment. Maintenance and training costs are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life, which is generally three to five years. Capitalized implementation costs incurred in connection with a cloud computing arrangement that is a service contract are included in prepaid expenses in the Company's consolidated balance sheets.

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 consolidated income statements.

Intangible Assets

Intangible assets consist primarily of re-acquired franchise and regional developer rights and customer relationships. The Company amortizes the fair value of re-acquired franchise rights over the remaining contractual terms of the re-acquired franchise rights at the time of the acquisition, which generally range from one to nine years. In the case of regional developer rights, the Company generally amortizes the re-acquired regional developer rights over one to seven years. The fair value of customer relationships is amortized over their estimated useful life of two to four years.

Goodwill

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired in the acquisitions of franchises. Goodwill and identifiable intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. As required, the Company performs an annual impairment test of goodwill as of the first day of the fourth quarter or more frequently if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Assets Held for Sale

The Company classifies assets and related liabilities as held for sale when the following criteria are met: when management has committed to a plan to sell the asset, the asset is available for immediate sale, there is an active program to locate a buyer and the sale and transfer of the asset is probable within one year. Assets and liabilities are presented separately on the condensed consolidated balance sheet with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less costs to sell. Depreciation and amortization for property, plant and equipment, finite-lived intangible assets, and ROU assets are not recorded while these assets are classified as held for sale. Assets held for sale are tested for recoverability each period that they are classified as held for sale.

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 six months ended June 30, 2021, certain operating lease ROU assets related to closed clinics with a total carrying amount of $0.5 million were written down to their fair value of $0.4 million. As a result, the Company recorded a noncash impairment loss of approximately $0.1 million during the six months ended June 30, 2021.

In connection with the planned sale of two company managed clinics to franchisees, the Company reclassified $288,192 of property and equipment and $359,807 of ROU assets to Assets held for sale, and reclassified $428,593 of ROU liability and $54,351 of deferred revenue from company clinics to Liabilities to be disposed of, in the consolidated balance sheet as of June 30, 2022. 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 $60,580 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, 2022.

Advertising Fund

The Company has established an advertising fund for national or regional marketing and advertising of services offered by its clinics. The monthly marketing fee is 2% of clinic sales. The Company segregates the marketing funds collected which are included in restricted cash on its consolidated balance sheets. As amounts are expended from the fund, the Company recognizes a related expense. Such costs are included in selling and marketing expenses on the consolidated income statements.

Co-Op Marketing Funds

Some franchises have established regional Co-Ops for advertising within their local and regional markets. The Company maintains a custodial relationship under which the Co-Op Marketing Funds collected are segregated and used for the purposes specified by the Co-Ops' officers. The Co-Op Marketing Funds are included in restricted cash on the Company's consolidated balance sheets.

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 reporting entity to estimate the amount of variable consideration to which it will be entitled in the transaction price). As the 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, 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.

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 recognized as revenue ratably on a straight-line basis over the term of the regional developer agreement, which is considered to begin upon the execution of the agreement. The Company's services under regional developer agreements include site selection, grand opening support for the clinics, sales support for identification of qualified franchisees, general operational support and marketing support to advertise for ownership opportunities. The services provided by the Company are highly interrelated with the development of the territory and the resulting franchise licenses sold by the regional developer and as such are considered to represent a single performance obligation. 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, 2022 and 2021.

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.

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 $1,104,156 and $2,318,568 for the three and six months ended June 30, 2022, respectively. Advertising expenses were $1,126,561 and $1,977,217 for the three and six months ended June 30, 2021, 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,	
	2022	2021	2022	2021
Net income	$ 344,742	$ 2,683,962	$ 138,945	$ 4,998,657
Weighted average common shares outstanding - basic	14,475,825	14,290,697	14,454,738	14,234,929
Effect of dilutive securities:				
Unvested restricted stock and stock options	366,991	636,754	432,500	666,934
Weighted average common shares outstanding - diluted	14,842,816	14,927,451	14,887,238	14,901,863
Basic earnings per share	$ 0.02	$ 0.19	$ 0.01	$ 0.35
Diluted earnings per share	$ 0.02	$ 0.18	$ 0.01	$ 0.34

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Weighted average dilutive securities:	2022	2021	2022	2021
Restricted stocks	—	1,576	—	792
Stock options	43,120	45,825	42,064	30,399

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%.

Retirement Benefit Plan

Employees of the Company are eligible to participate in a defined contribution retirement plan, the Joint Corp. 401(k) Retirement Plan (“401(k) Plan”), under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, employees may contribute their eligible compensation, not to exceed the annual limits set by the IRS. The 401(k) Plan allows the Company to match participants’ contributions in an amount determined at the sole discretion of the Company.

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

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326):*Measurement of Credit Losses on Financial Instruments*" and subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04 and ASU 2019-05 (collectively, "Topic 326"). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. The Company adopted Topic 326 on December 31, 2021 and the adoption had no impact on the Company's consolidated financial statements. The Company reviewed other newly issued accounting pronouncements and concluded that they either are not applicable to the Company's operations or that no material effect is expected on the Company's financial statements upon future adoption.

Note 2: 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 across39 states and the District of Columbia. 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 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.

Regional Developer Fees

The Company currently utilizes regional developers to assist in the development of the brand across certain geographic territories. The arrangement is documented in the form of a regional developer agreement. The arrangement between the Company and the regional developer requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the regional developer, but instead represent a single performance obligation, which is the transfer of the development rights to the defined geographic region. The intellectual property subject to the development rights 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 development rights is to provide the regional developer with access to the brand's symbolic intellectual property over the term of the agreement. The services provided by the Company are highly interrelated with the development of the territory and the resulting franchise licenses sold by the regional developer and as such are considered to represent a single performance obligation.

The transaction price in a standard regional developer arrangement primarily consists of the initial territory fees. The Company recognizes the regional developer fee as revenue ratably on a straight-line basis over the term of the regional developer agreement commencing with the execution of the regional developer agreement. As these fees are typically received in cash at or near the beginning of the term of the regional developer agreement, the cash received is initially recorded as a contract liability until recognized as revenue over time.

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, 2022 and 2021. Other revenues primarily consist of preferred vendor royalties associated with franchisees' credit card transactions.

Rollforward of Contract Liabilities and Contract Assets

Changes in the Company's contract liability for deferred franchise and regional development fees during the six months ended June 30, 2022 were as follows:

	Deferred Revenue short and long-term
Balance at December 31, 2021	$ 18,650,813
Revenue recognized that was included in the contract liability at the beginning of the year	(1,652,449)
Net increase during the six months ended June 30, 2022	1,430,724
Balance at June 30, 2022	$ 18,429,088

The Company's deferred franchise and development costs represent capitalized sales commissions. Changes during the six months ended June 30, 2022 were as follows:

	Deferred Franchise and Development Costs short and long-term
Balance at December 31, 2021	$ 6,500,007
Recognized as cost of revenue during the year	(534,104)
Net increase during the six months ended June 30, 2022	707,508
Balance at June 30, 2022	$ 6,673,411

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, 2022:

Contract liabilities expected to be recognized in	Amount
2022 (remainder)	$ 1,543,910
2023	2,944,520
2024	2,534,728
2025	2,346,342
2026	2,244,847
Thereafter	6,814,741
Total	$ 18,429,088

Note 3: Acquisition and Assets Held for Sale

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 has been treated as a business combination under U.S. 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 an estimated useful life 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. The Company expects to finalize the purchase price allocation during the third quarter of 2022.

Pro Forma Results of Operations (Unaudited)

The following table summarizes selected unaudited pro forma consolidated income statements for the three and six months ended June 30, 2022 and 2021 as if the Acquisition had been completed on January 1, 2021.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues, net	$ 25,460,843	$ 20,865,081	$ 48,707,055	$ 38,991,550
Net income (loss)	246,439	2,696,323	(29,417)	4,997,646

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, 2021 or of results that may occur in the future. For 2022, this information includes actual data recorded in the Company's consolidated financial statements for the period subsequent to the date of the acquisition. The Company's condensed consolidated income statements for the three and six months ended June 30, 2022 include net revenue and net income of $768,971 and $307,497, respectively, attributable to the Acquisition.

Assets Held for Sale

In May 2022, the Company entered into two separate letters of intent to sell two of its company managed clinics in California to two existing franchisees for a combined total of $105,200. The sale is expected to close during the third quarter of 2022, subject to customary closing conditions. 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 these two clinics 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 2022, the Company discontinued recording depreciation on Property and equipment, net and amortization of ROU assets for these two clinics as required by U.S. GAAP. The Company also separately classified the related assets and liabilities of the clinics as held for sale in its June 30, 2022 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 $60,580 during the three and six months ended June 30, 2022 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, 2022 were as follows:

		June 30, 2022
Assets		
Property and equipment, net	$	288,192
Operating lease right-of-use asset		359,807
Total assets held for sale	$	647,999
Liabilities		
Operating lease liability, current and non-current	$	(428,593)
Deferred revenue from company clinics		(54,351)
Total liabilities to be disposed of	$	(482,944)

Note 4: Property and Equipment

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

		June 30, 2022		December 31, 2021
Office and computer equipment	$	4,358,470	$	3,704,425
Leasehold improvements		14,809,545		13,457,765
Software developed		5,589,077		5,044,339
Finance lease assets		151,396		267,252
		24,908,488		22,473,780
Accumulated depreciation and amortization		(10,906,753)		(9,184,932)
		14,001,735		13,288,847
Construction in progress		2,053,758		1,100,099
Property and equipment, net	$	16,055,493	$	14,388,946

Depreciation expense was $941,121 and $429,240 for the three months ended June 30, 2022 and 2021, respectively. Depreciation expense was $1,820,251 and $805,705 for the six months ended June 30, 2022 and 2021, respectively.

Amortization expense related to finance lease assets was $18,636 and $21,797 for the three months ended June 30, 2022 and 2021, respectively. Amortization expense related to finance lease assets was $40,432 and $41,710 for the six months ended June 30, 2022 and 2021, respectively.

Construction in progress at June 30, 2022 and December 31, 2021 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 notes payable. The carrying amounts of its financial instruments approximate their fair value due to their short maturities.

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, 2022, and December 31, 2021, 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 Acquisition (reference Note 3) were recorded at fair values on a nonrecurring basis and are considered Level 3 within the fair value hierarchy.

During the six months ended June 30, 2021, certain operating lease ROU assets related to closed clinics with a total carrying amount of $0.5 million were written down to their fair value of $0.4 million. Fair value of the Company's operating lease right-of-use assets was determined based on the discounted cash flows of the estimated market rents. As a result, the Company recorded a noncash impairment loss of approximately $0.1 million during the six months ended June 30, 2021.

In connection with the planned sale of two company managed clinics to franchisees, the Company reclassified $288,192 of property and equipment and $359,807 of ROU assets to Assets held for sale, and reclassified $428,593 of ROU liability and $54,351 of deferred revenue from company clinics to Liabilities to be disposed of, in the consolidated balance sheet as of June 30, 2022. 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 $60,580 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, 2022. The estimated fair value of assets held for sale is based upon Level 2 inputs, which include negotiated letters of intent.

Note 6: Intangible Assets

On March 18, 2022, the Company entered into an agreement under which the Company repurchased the right to develop franchises in various counties in New Jersey. The total consideration for the transaction was $250,000. The Company carried a deferred revenue balance associated with this transaction of $95,197, representing the unrecognized fee collected upon the execution of the regional developer agreement. The Company accounted for the termination of development rights associated with unsold or undeveloped franchises as a cancellation, and the associated deferred revenue was netted against the aggregate purchase price. The Company recognized the net amount of $154,803 as reacquired development rights on March 18, 2022, which is amortized over the remaining original contract period of approximately 5.5 years.

On April 1, 2022, the Company entered into an agreement under which the Company repurchased the right to develop franchises in various counties in California. The total consideration for the transaction was $2,400,000. The Company carried a deferred revenue balance associated with this transaction of $357,721, representing the unrecognized fee collected upon the execution of the regional developer agreement. The Company accounted for the termination of development rights associated with unsold or undeveloped franchises as a cancellation, and the associated deferred revenue was netted against the aggregate purchase price. The Company recognized the net amount of $2,042,279 as reacquired development rights on April 1, 2022, which is amortized over the remaining original contract period of approximately 5.3 years.

In May 2022, the Company recognized $2,422,500 and $560,700 of reacquired franchise rights and customer relationships, respectively, from the Acquisition (reference Note 3).

Intangible assets consisted of the following:

	As of June 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Intangible assets subject to amortization:			
Reacquired franchise rights	$ 9,218,365	$ (3,818,507)	$ 5,399,858
Customer relationships	3,163,706	(1,844,996)	1,318,710
Reacquired development rights	6,603,303	(4,246,721)	2,356,582
Assembled workforce	59,311	(19,760)	39,551
	$ 19,044,685	$ (9,929,984)	$ 9,114,701

	As of December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Intangible assets subject to amortization:			
Reacquired franchise rights	$ 6,795,865	$ (3,153,037)	$ 3,642,828
Customer relationships	2,603,006	(1,587,443)	1,015,563
Reacquired development rights	4,406,221	(3,715,594)	690,627
Assembled workforce	59,311	(4,939)	54,372
	$ 13,864,403	$ (8,461,013)	$ 5,403,390

Amortization expense related to the Company’s intangible assets was $740,719 and $991,981 for the three months ended June 30, 2022 and 2021, respectively. Amortization expense was $1,468,970 and $1,765,469 for the six months ended June 30, 2022 and 2021, respectively.

Estimated amortization expense for 2022 and subsequent years is as follows:

	Amount
2022 (remainder)	$ 1,587,392
2023	2,391,298
2024	1,650,989
2025	1,263,076
2026	1,101,315
Thereafter	$ 1,120,631
Total	$ 9,114,701

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. As a result of this refinance, $2,000,000 of current maturity of long-term debt has been reclassified to long-term as of December 31, 2021. 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, 2022 was 2.49%. As of June 30, 2022, 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, 2022.

Paycheck Protection Program Loan

On April 10, 2020, the Company received a loan in the amount of approximately $2.7 million from JPMorgan Chase Bank, N.A. (the "Loan"), pursuant to the Paycheck Protection Program (the "PPP") administered by the United States Small Business Administration. The PPP is part of the Coronavirus Aid, Relief, and Economic Security Act, which provides for forgiveness of up to the full principal amount and accrued interest of qualifying loans guaranteed under the PPP. The Loan was granted pursuant to a Note dated April 9, 2020 issued by the Company. The Note had a maturity date of April 11, 2022 and bore interest at a rate of 0.98% per annum. On March 4, 2021, the Company elected to repay the full principal and accrued interest on the PPP loan of approximately $2.7 million from JPMorgan Chase Bank, N.A. without prepayment penalty, in accordance with the terms of the PPP loan.

Note 8: Stock-Based Compensation

The Company grants stock-based awards under its 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 December 31, 2021, the Company has granted under the 2014 Plan (i) non-qualified stock options; (ii) incentive stock options; and (iii) restricted stocks. There were no stock appreciation rights and restricted stock units granted under the 2014 Plan as of June 30, 2022.

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 uses the simplified method to calculate the expected term of stock option grants to employees as the Company does 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, 2022.The Company has computed the fair value of all options granted using the Black-Scholes-Merton model during the six months ended June 30, 2021 using the following assumptions:

	Six Months Ended June 30,
	2021
Expected volatility	57%
Expected dividends	None
Expected term (years)	7
Risk-free rate	0.98%
Forfeiture rate	5%

The information below summarizes the stock options activity for the six months ended June 30, 2022:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2021	595,089	$ 9.72	5.9
Granted	—	—	
Exercised	(9,582)	11.86	
Forfeited	(4,889)	26.12	
Expired	(1,834)	19.57	
Outstanding at June 30, 2022	578,784	$ 9.51	5.3
Exercisable at June 30, 2022	467,461	$ 6.50	4.8

For the three months ended June 30, 2022 and 2021, stock-based compensation expense for stock options was $136,352 and $176,169, respectively. For the six months ended June 30, 2022 and 2021, stock-based compensation expense for stock options was $307,355 and $327,048, respectively.

Restricted Stock

Restricted stocks granted to employees generally vest in four equal annual installments. Restricted stocks granted to non-employee directors typically vest in full one year after the date of grant.

The information below summarizes the restricted stock activity for the six months ended June 30, 2022:

Restricted Stock Awards	Shares	Weighted Average Grant-Date Fair Value per Award
Non-vested at December 31, 2021	27,720	$ 28.51
Granted	65,798	29.89
Vested	(10,885)	39.21
Forfeited	(1,707)	26.79
Non-vested at June 30, 2022	80,926	$ 28.23

For the three months ended June 30, 2022 and 2021, stock-based compensation expense for restricted stock was $203,839 and $107,395, respectively. For the six months ended June 30, 2022 and 2021, stock-based compensation expense for restricted stock was $356,392 and $203,010, respectively.

Note 9: Income Taxes

During the three months ended June 30, 2022 and 2021, the Company recorded income tax expense (benefit) of $109,179 and $(665,992), respectively. During the six months ended June 30, 2022 and 2021, the Company recorded income tax expense (benefit) of $122,403 and $(1,030,140), respectively. The Company's effective tax rates differ from the federal statutory tax rate due to permanent differences and state taxes. The negative effective tax rates for the three and six months ended June 30, 2021 were primarily driven by excess tax benefits from exercise of stock options.

Note 10: Commitments and Contingencies

Leases

The table below summarizes the components of lease expense and income statement location for the three and sixmonths ended June 30, 2022 and 2021:

	Line Item in the Company's Condensed Consolidated Income Statements	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Finance lease costs:					
Amortization of assets	Depreciation and amortization	$ 18,636	$ 21,797	$ 40,432	$ 41,710
Interest on lease liabilities	Other expense, net	1,112	2,470	2,549	5,093
Total finance lease costs		19,748	24,267	42,981	46,803
Operating lease costs	General and administrative expenses	1,375,574	$ 1,171,414	2,730,884	$ 2,076,172
Total lease costs		$ 1,395,322	$ 1,195,681	$ 2,773,865	$ 2,122,975

Supplemental information and balance sheet location related to leases (excluding amounts related to leases classified as held for sale) is as follows:

	June 30, 2022	December 31, 2021
Operating Leases:		
Operating lease right-of -use asset	$19,793,363	$18,425,914
Operating lease liability - current portion	$4,928,765	$4,613,843
Operating lease liability - net of current portion	17,962,952	16,872,093
Total operating lease liability	$22,891,717	$21,485,936
Finance Leases:		
Property and equipment, at cost	$151,396	$267,252
Less accumulated amortization	(72,513)	(147,937)
Property and equipment, net	$78,883	$119,315
Finance lease liability - current portion	23,920	49,855
Finance lease liability - net of current portion	75,853	87,939
Total finance lease liabilities	$99,773	$137,794
Weighted average remaining lease term (in years):		
Operating leases	5.5	5.4
Finance lease	3.9	3.6
Weighted average discount rate:		
Operating leases	4.5 %	4.6 %
Finance leases	4.3 %	4.8 %

Supplemental cash flow information related to leases is as follows:

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash paid for amounts included in measurement of liabilities:		
Operating cash flows from operating leases	$ 2,822,523	$ 1,998,470
Operating cash flows from finance leases	2,549	5,093
Financing cash flows from finance leases	38,022	38,593
Non-cash transactions: ROU assets obtained in exchange for lease liabilities		
Operating lease	$ 2,071,960	$ 4,769,494
Finance lease	—	15,140

Maturities of lease liabilities as of June 30, 2022 were as follows:

	Operating Leases	Finance Lease
2022 (remainder)	$ 2,963,869	$ 13,800
2023	5,461,292	27,600
2024	4,922,193	27,600
2025	4,460,588	27,600
2026	2,659,407	11,500
Thereafter	5,225,907	—
Total lease payments	$ 25,693,256	$ 108,100
Less: Imputed interest	(2,801,539)	(8,327)
Total lease obligations	22,891,717	99,773
Less: Current obligations	(4,928,765)	(23,920)
Long-term lease obligation	$ 17,962,952	$ 75,853

During the second quarter of 2022, 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 $1.5 million. These leases are expected to commence during the second and the third quarter of 2022, with lease terms of five to ten years.

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, 2022, the Company operated or managed 107 clinics under this segment. The Franchise Operations segment is composed of the operating activities of the franchise business unit. As of June 30, 2022, the franchise system consisted of 662 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'stwo operating business segments.

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenues:				
Corporate clinics	$ 14,492,972	$ 11,433,072	$ 27,099,971	$ 20,903,933
Franchise operations	10,564,346	8,785,726	20,395,885	16,862,829
Total revenues	$ 25,057,318	$ 20,218,798	$ 47,495,856	$ 37,766,762
Depreciation and amortization:				
Corporate clinics	1,430,300	1,247,701	2,806,496	2,341,534
Franchise operations	186,247	342	359,735	685
Corporate administration	83,929	194,975	163,422	270,665
Total depreciation and amortization	$ 1,700,476	$ 1,443,018	$ 3,329,653	$ 2,612,884
Segment operating income (loss):				
Corporate clinics	$ 312,617	$ 1,825,248	$ (125,447)	$ 3,174,712
Franchise operations	4,205,048	3,882,468	8,608,287	7,730,241
Total segment operating income	$ 4,517,665	$ 5,707,716	$ 8,482,840	$ 10,904,953
Reconciliation of total segment operating income to consolidated earnings before income taxes:				
Total segment operating income	$ 4,517,665	$ 5,707,716	$ 8,482,840	$ 10,904,953
Unallocated corporate	(4,044,458)	(3,673,373)	(8,186,058)	(6,898,527)
Consolidated income from operations	473,207	2,034,343	296,782	4,006,426
Other expense, net	(19,286)	(16,373)	(35,434)	(37,909)
Income before income tax benefit	$ 453,921	$ 2,017,970	$ 261,348	$ 3,968,517

Segment assets:	June 30, 2022	December 31, 2021
Corporate clinics	$ 51,422,118	$ 40,722,898
Franchise operations	12,782,786	12,593,912
Total segment assets	64,204,904	53,316,810
Unallocated cash and cash equivalents and restricted cash	10,035,590	19,912,338
Unallocated property and equipment	838,520	857,176
Other unallocated assets	11,156,780	11,367,885
Total assets	$ 86,235,794	$ 85,454,209

"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: Other Comments

COVID-19 Update

The Company's business remained healthy during the first half of 2022 despite the ongoing pandemic. However, the extent to which the COVID-19 pandemic will impact the Company's business and operations will depend on future developments that are highly uncertain. The ongoing economic impacts and health concerns associated with the pandemic may continue to affect patient behavior and spending levels and could result in reduced visits and patient spending trends that adversely impact the Company's financial position and results of operations. Until the COVID-19 pandemic has been resolved as a public health crisis, it retains the potential to cause further and more severe disruption of global and national economies. The Company will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, state, or local authorities, or that it determines are in the best interests of its employees and patients.

Note 13: Subsequent Events

On July 5, 2022, the Company entered into an Asset and Franchise Purchase Agreement under which the Company repurchased from the seller an operating franchise in Arizona. The Company operates the franchise as a company-owned clinic. The total purchase price for the transaction was $1,218,000, less $13,241 of net deferred revenue, resulting in total purchase consideration of $1,204,759.

On July 29, 2022, the Company entered into Asset and Franchise Purchase Agreements under which the Company repurchased from the sellers three operating franchises in North Carolina. The Company operates the franchises as company-managed clinics. The total purchase price for the transactions was $1,325,000, less 38,741 of net deferred revenue, resulting in total purchase consideration of $1,286,259.

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 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, 2021 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 2021.

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, ("the Exchange Act"), which are subject to the "safe harbor" created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management; and accounting estimates and the impact of new or recently issued accounting pronouncements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "should," "could," "predicts," "potential," "continue," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements. 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 for the year ended December 31, 2021 and in Part II, Item 1A of this 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 these risks and uncertainties 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. 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 contained in Part I, Item 1A of our Form 10-K for the year ended December 31, 2021 and in Part II, Item 1A of this Form 10-Q 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:

- *major public health concerns, including the outbreak of epidemic or pandemic contagious disease, may adversely affect revenue at our clinics and disrupt financial markets, adversely affecting our stock price;*

- *the impact of the COVID-19 pandemic on the economy and our operations, including the measures taken by governmental authorities to address it, may precipitate or exacerbate other risks and/or uncertainties;*
- *inflation, exacerbated by COVID-19 and the current war in Ukraine (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;*
- *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;*
- *we may not be able to identify, recruit and train enough qualified chiropractors and other personnel to staff our clinics, particularly in light of the current nationwide labor shortage, which might limit our ability to implement our growth strategy;*
- *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 may fail to remediate the current or future 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 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 federal and state laws and regulations regarding joint employer responsibility may jeopardize our business model;*
- *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 security systems 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; and*
- *legislation, regulations, as well as new medical procedures and techniques, could reduce or eliminate our competitive advantages.*

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 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, 2022 and 2021.

Key Clinic Development Trends. As of June 30, 2022, we and our franchisees operated or managed 769 clinics, of which 662 were operated or managed by franchisees and 107 were operated as company-owned or managed clinics. Of the 107 company-owned or managed clinics, 50 were constructed and developed by us, and 57 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, 2021 was 156, compared with 121 and 126 licenses for the years ended December 31, 2020 and 2019, respectively. We ended the first half of 2022 with 19 regional developers who were responsible for 67% of the 46 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, 2022, we opened three greenfield clinics, and as of June 30, 2022, we executed nine leases for future greenfield clinic locations for further greenfield expansion.

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 and COVID-19 Update

Recent events that may impact our business include unfavorable global economic or political conditions, such as the ongoing COVID-19 pandemic, the Ukraine War, and inflation and other cost increases. We anticipate that the second half of 2022 will continue to be a volatile macroeconomic environment. While we expect the impacts of COVID-19 on our business to moderate, there still remains uncertainty around the pandemic, its effect on labor or other macroeconomic factors, the severity and duration of the pandemic, the continued availability and effectiveness of vaccines and actions taken by government authorities, including restrictions, laws or regulations, and other third parties in response to the pandemic.

The primary inflationary factor affecting our operations is labor costs. In the fourth quarter of 2021 and the first half of 2022, company-owned or managed clinics were negatively impacted by wage increases, which increased our general and administrative expenses. Further, should we fail 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 for the remainder of 2022. While we anticipate that these headwinds will be partially mitigated by pricing actions in response to inflation, there can be no assurance that we will be able to continue to do so in the future. 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 recent 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 remains 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, 2022, compared to the prior year period:

- Comp Sales of clinics that have been open for at least 13 full months increased 8%.
- Comp Sales for mature clinics open 48 months or more increased 3%.
- System-wide sales for all clinics open for any amount of time grew 21%.

On July 5, 2022, we entered into an Asset and Franchise Purchase Agreement under which we repurchased from the seller an operating franchise in Arizona. We operate the franchise as a company-owned clinic. The total purchase price for the transaction was $1,218,000, less $13,241 of net deferred revenue, resulting in total purchase consideration of $1,204,759. Based on the terms of the purchase agreement, the acquisition has been treated as a business combination under U.S. 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 will be recorded as goodwill.

On May 19, 2022, we entered into an Asset and Franchise Purchase Agreement under which we repurchased from the seller four operating franchises in Arizona. We operate 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 has been treated as a business combination.

On April 1, 2022, we entered into an agreement under which we repurchased the right to develop franchises in various counties in California. The total consideration for the transaction was $2,400,000. We carried a deferred revenue balance associated with this transaction of $357,721, 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 deferred revenue was netted against the aggregate purchase price. We recognized the net amount of $2,042,279 as reacquired development rights on April 1, 2022, which is amortized over the remaining original contract period of approximately 5.3 years.

On March 18, 2022, we entered into an agreement under which we repurchased the right to develop franchises in various counties in New Jersey. The total consideration for the transaction was $250,000. We carried a deferred revenue balance associated with this transaction of $95,197, 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 deferred revenue was netted against the aggregate purchase price. We recognized the net amount of $154,803 as reacquired development rights on March 18, 2022, which is amortized over the remaining original contract period of approximately 5.5 years.

On February 28, 2022, we entered into an amendment to our 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.

For the three months ended June 30, 2022, we constructed and developed three new corporate clinics.

2022 Full Year Outlook

- We now expect our revenues to be between $98 million and $102 million, compared to $80.9 million in 2021.
- We now expect our adjusted EBITDA to be between $12 million and $14 million, compared to $12.6 million in 2021.
- We expect franchised clinic openings to be between 110 and 130, compared to 110 in 2021.
- We expect Company-owned or managed clinics, through a combination of both greenfields and buybacks, to increase by between 30 and 40, compared to 32 in 2021.

We believe we are well positioned to continue our rapid clinic expansion due to, among other things, our resilient business model, planned new clinic openings and expansion of company-owned or managed clinics. However, the long-term impact of COVID-19, increased global economic uncertainty, and the recent 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. Rising interest rates would also make it more expensive for a potential franchisee to finance a transaction.These and other uncertainties with respect to these recent events could result in changes to our current expectations.

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 the current COVID-19 outbreak.

Significant Accounting Polices and Estimates

There were no changes in our significant accounting policies and estimates during the six months ended June 30, 2022 from those set forth in “Significant Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2021.

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, 2022 compared with three months ended June 30, 2021

Components of revenues were as follows:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change from Prior Year	Percent Change from Prior Year
Revenues:				
Revenues from company-owned or managed clinics	$ 14,492,972	$ 11,433,072	$ 3,059,900	26.8 %
Royalty fees	6,411,214	5,332,618	$ 1,078,596	20.2 %
Franchise fees	686,886	623,655	$ 63,231	10.1 %
Advertising fund revenue	1,825,757	1,518,908	$ 306,849	20.2 %
IT related income and software fees	1,099,981	786,037	$ 313,944	39.9 %
Regional developer fees	169,953	214,434	$ (44,481)	(20.7) %
Other revenues	370,555	310,074	$ 60,481	19.5 %
Total revenues	$ 25,057,318	$ 20,218,798	$ 4,838,520	23.9 %

Consolidated Results

Total revenues increased by $4.8 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 improved same-store sales growth, as well as due to the expansion of our corporate-owned or managed clinics portfolio. As of June 30, 2022 and 2021, there were 107 and 78 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, 2022 and 2021, there were 662 and 555 franchised clinics in operation, respectively.

- Franchise fees increased due to an increase in executed franchise agreements, as these fees are recognized ratably over the term of the respective franchise agreement.

- 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.

- Regional developer fees revenue decreased due to the impact of repurchased regional developer rights during the second quarter of 2022.

- Other revenues primarily consisted of merchant income associated with credit card transactions.

Total Revenues - six months ended June 30, 2022 compared with six months ended June 30, 2021

Components of revenues were as follows:

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change from Prior Year	Percent Change from Prior Year
Revenues:				
Revenues from company-owned or managed clinics	$ 27,099,971	$ 20,903,933	$ 6,196,038	29.6 %
Royalty fees	12,420,146	10,101,862	$ 2,318,284	22.9 %
Franchise fees	1,327,851	1,319,082	$ 8,769	0.7 %
Advertising fund revenue	3,536,474	2,893,650	$ 642,824	22.2 %
IT related income and software fees	2,056,979	1,546,574	$ 510,405	33.0 %
Regional developer fees	371,740	432,390	$ (60,650)	(14.0) %
Other revenues	682,695	569,271	$ 113,424	19.9 %
Total revenues	$ 47,495,856	$ 37,766,762	$ 9,729,094	25.8 %

Consolidated Results

Total revenues increased by $9.7 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 improved same-store sales growth, as well as due to the expansion of our corporate-owned or managed clinics portfolio. As of June 30, 2022 and 2021, there were 107 and 78 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, 2022 and 2021, there were 662 and 555 franchised clinics in operation, respectively.
- Franchise fees were relatively flat over the prior year period as the impact of the increase in executed franchise agreements was partially offset by the impact of greater accelerated revenue recognition resulting from the terminated franchise license agreements in the prior year period compared to the current 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.
- Regional developer fees revenue decreased due to the impact of repurchased regional developer rights during the first and second quarters of 2022.
- Other revenues primarily consisted of merchant income associated with credit card transactions.

Cost of Revenues	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30,	2,427,045	2,038,538	$ 388,507	19.1 %
Six Months Ended June 30,	4,739,816	3,803,854	$ 935,962	24.6 %

For the three months ended June 30, 2022, as compared with the three months ended June 30, 2021, the total cost of revenues increased primarily due to an increase in regional developer royalties and sales commissions of $0.3 million and an increase in website hosting costs of $0.1 million. For the six months ended June 30, 2022, as compared with the six months ended June 30, 2021, the total cost of revenues increased primarily due to an increase in regional developer royalties and sales commissions of $0.6 million and an increase in website hosting costs of $0.3 million.

Selling and Marketing Expenses

Selling and Marketing Expenses	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30,	3,839,724	3,132,715	$ 707,009	22.6 %
Six Months Ended June 30,	7,127,212	5,622,043	$ 1,505,169	26.8 %

Selling and marketing expenses increased for the three and six months ended June 30, 2022, as compared to the three and six months ended June 30, 2021, 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	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30,	1,700,476	1,443,018	$ 257,458	17.8 %
Six Months Ended June 30,	3,329,653	2,612,884	$ 716,769	27.4 %

Depreciation and amortization expenses increased for the three and six months ended June 30, 2022, as compared to the three and six months ended June 30, 2021, driven by the depreciation expenses associated with the expansion of our corporate-owned or managed clinics portfolio in 2021 and 2022 and depreciation expenses associated with the new IT platform used by clinics for operations and for the management of operations, which went live in July 2021.

General and Administrative Expenses

General and Administrative Expenses	2022	2021	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30,	16,528,022	11,614,444	$ 4,913,578	42.3 %
Six Months Ended June 30,	31,906,644	21,701,047	$ 10,205,597	47.0 %

General and administrative expenses increased for the three months ended June 30, 2022, as compared to the three months ended June 30, 2021, 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 $3.5 million, (ii) general overhead and administrative expenses of $1.0 million, (iii) professional and advisory fees of $0.3 million, and (iv) software and maintenance expense of $0.1 million. General and administrative expenses increased for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, 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 $6.9 million, (ii) general overhead and administrative expenses of $2.1 million, (iii) professional and advisory fees of $0.9 million, and (iv) software and maintenance expense of $0.3 million. As a percentage of revenue, general and administrative expenses during the six months ended June 30, 2022 and 2021 were 66% and 57%, respectively.

Income from Operations - three months ended June 30, 2022 compared with three months ended June 30, 2021

Three Months Ended June 30,	2022	2021	Change from Prior Year	Percent Change from Prior Year
Income from Operations	473,207	2,034,343	$ (1,561,136)	(76.7)%

Consolidated Results

Consolidated income from operations decreased by $1.6 million for the three months ended June 30, 2022 compared with the three months ended June 30, 2021, primarily due to the increased expenses in the corporate clinics and unallocated corporate segments discussed below.

Corporate Clinics

Our corporate clinics segment had income from operations of $0.3 million for the three months ended June 30, 2022, a decrease of $1.5 million compared to income from operations of $1.8 million for the prior year period. The decrease was primarily due to:

- A $4.4 million increase in operating expenses due to the increases in the following: (i) payroll-related expenses of $3.5 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 expense associated with the expansion of our corporate-owned or managed clinics portfolio in 2021 and 2022 and the new IT platform discussed above of $0.2 million, and (iii) 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 $3.1 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, 2022, an increase of $0.3 million, compared to income from operations of $3.9 million for the prior year period. This increase was primarily due to:

- An increase of $1.8 million in total revenues; partially offset by

- An increase of $0.4 million in cost of revenues primarily due to an increase in regional developer royalties and website hosting costs and an increase of $1.1 million in operating expenses, primarily due to an increase in: (i) selling and marketing expenses resulting from a larger franchise base of $0.7 million, (ii) payroll-related expenses of $0.2 million, and (iii) depreciation expense associated with the new IT platform discussed above of $0.2 million.

Unallocated Corporate

Unallocated corporate expenses for the three months ended June 30, 2022 increased by $0.4 million compared to the prior year period, primarily due to the increase in general and administrative expenses of $0.5 million, which was partially offset by the lower amortization expense of 0.1 million.

Income from Operations - six months ended June 30, 2022 compared with six months ended June 30, 2021

Six Months Ended June 30,	2022	2021	Change from Prior Year	Percent Change from Prior Year
Income from Operations	296,782	4,006,426	$ (3,709,644)	(92.6)%

Consolidated Results

Consolidated income from operations decreased by 3.7 million for the six months ended June 30, 2022 compared with six months ended June 30, 2021, 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 0.1 million for the six months ended June 30, 2022, a decrease of $3.3 million compared to income from operations of $3.2 million for the prior year period. The decrease was primarily due to:

- A $9.4 million increase in operating expenses due to the increases in the following: (i) payroll-related expenses of $7.0 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 expense associated with the expansion of our corporate-owned or managed clinics portfolio in 2021 and 2022 and the new IT platform discussed above of $0.5 million, (iii) selling and marketing expenses due to increased local marketing expenditures by the company-owned or managed clinics of $0.4 million, and (iv) general overhead and administrative expenses to support the expansion of our corporate clinic portfolio of $1.5 million; partially offset by

- An increase in revenues of $6.2 million from company-owned or managed clinics.

Franchise Operations

Our franchise operations segment had income from operations of $8.6 million for the six months ended June 30, 2022, an increase of $0.9 million, compared to income from operations of $7.7 million for the prior year period. This increase was primarily due to:

- An increase of $3.5 million in total revenues; partially offset by

- An increase of $0.9 million in cost of revenues primarily due to an increase in regional developer royalties and website hosting costs and an increase of $1.7 million in operating expenses, primarily due to an increase in: (i) selling and marketing expenses resulting from a larger franchise base of $1.1 million, (ii) depreciation expense associated with the new IT platform discussed above of $0.4 million, and (iii) payroll-related expenses of $0.2 million.

Unallocated Corporate

Unallocated corporate expenses for the six months ended June 30, 2022 increased by $1.3 million compared to the prior year period, primarily due to the increases in professional and advisory fees of $0.7 million and general overhead and administrative expenses of $0.7 million.

Non-GAAP Financial Measures

The table below reconciles net income to Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Non-GAAP Financial Data:				
Net income	$ 344,742	$ 2,683,962	$ 138,945	$ 4,998,657
Net interest expense	19,286	16,373	35,433	37,909
Depreciation and amortization expense	1,700,476	1,443,018	3,329,653	2,612,884
Tax expense (benefit)	109,179	(665,992)	122,403	(1,030,140)
EBITDA	2,173,683	3,477,361	3,626,434	6,619,310
Stock compensation expense	340,191	283,564	663,747	530,058
Acquisition related expenses	31,874	39,373	31,586	45,346
Loss (gain) on disposition or impairment	88,844	(44,260)	95,749	20,508
Adjusted EBITDA	$ 2,634,592	$ 3,756,038	$ 4,417,516	$ 7,215,222

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, 2022 and 2021. 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 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, 2022, we had unrestricted cash and short-term bank deposits of $9.4 million and $18 million of available capacity under the development line of credit. While the ongoing COVID-19 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 development 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 ongoing COVID-19 pandemic, political instability and geopolitical tensions, such as the Ukraine War, economic weakness, inflationary pressures, recent increase in interest rates and other factors have created uncertainty as to general economic conditions for the remainder of 2022 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 2022, 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 and credit markets deteriorate, 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 2022 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 decreased by $7.5 million to $1.5 million for the six months ended June 30, 2022, compared to $9.0 million for the six months ended June 30, 2021. The decrease was primarily attributable to an increase in general and administrative expenses over the prior year period, which was partially offset by an increase in revenue over the prior year period.

Net cash used in investing activities was $11.4 million and $8.9 million for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022, this included acquisitions of $5.6 million, purchases of property and equipment of $3.2 million and reacquisition and termination of regional developer rights for $2.7 million. For the six months ended June 30, 2021, this included acquisitions of $4.3 million, purchases of property and equipment of $3.2 million and reacquisition and termination of regional developer rights for $1.4 million.

Net cash used in financing activities for the six months ended June 30, 2022 was less than $100 thousand, compared to $2.1 million for the six months ended June 30, 2021. For the six months ended June 30, 2021, this included repayment of the PPP loan of $2.7 million and purchases of treasury stock for $0.6 million, which were partially offset by the proceeds from the exercise of stock options of $1.3 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, 2022, 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, 2022, 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 for the year ended December 31, 2021.

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, 2022. 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, 2022, our management has concluded the disclosure controls and procedures were not effective as of that date due to material weaknesses in internal control over financial reporting that were identified in our Form 10-K for the year ended December 31, 2021 as described below.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified material weaknesses in internal control related to: (i) risk assessment and scoping - we did not effectively design and maintain controls in response to the risks of material misstatement. Specifically, the design of existing controls or the implementation of new controls has not been sufficient to respond to the risks of material misstatement related to the incremental borrowing rate for our leases, deferred costs and related expenses, other revenues, breakage revenue, intangible asset amortization, determination of reporting units, reassessment of our VIEs, stock option exercises, and the accuracy and completeness of certain financial statements; (ii) segregation of duties - we did not design and maintain effective controls such that all accounting duties are sufficiently segregated within our business processes and certain financial applications. Specifically, we failed to have the appropriate Company personnel monitor users with administrative access to certain financial applications and data, and we did not design and maintain effective controls such that all accounting duties are sufficiently segregated; (iii) accounting related to significant complex accounting areas- we did not design and maintain effective controls over the accounting of complex accounting areas, including taxes and business combination and asset acquisition transactions. Specifically, we failed to properly design controls to appropriately review the accuracy and completeness of inputs provided to and outputs provided by third-party service providers, and we failed to consistently memorialize accounting treatment conclusions for acquisitions; and (iv) accounting related to revenue recognition and leases - we did not design and maintain effective controls over the proper accounting treatment for certain revenue streams and leases. Specifically, we failed to properly design controls to appropriately determine the proper accounting treatment for certain revenue streams and leases.

Remediation Plan for Material Weaknesses in Internal Control over Financial Reporting

Management has been implementing and continues to implement 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: (i) enhancing the annual risk assessment, (ii) implementing new internal controls, (iii) removing administrative access to the financial reporting and accounting system for all accounting personnel, and (iv) modifying internal controls to address completeness of documentations on revenue recognition and adoptions of the revenue and the lease accounting standards. We believe that these actions will remediate the material weaknesses. The material weaknesses will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of the material weaknesses will be completed during fiscal 2022, and we plan to continue to monitor these changes throughout the year to ensure that new controls are operating effectively.

Changes in Internal Control over Financial Reporting

Other than remediation actions taken pursuant to our remediation plan referenced above with respect to the material weaknesses in our internal control over financial reporting, 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, 2022 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. In June 2021, we received a draft complaint from an employee, claiming that we had vicarious and other liability with respect to alleged wrongful acts committed by a former employee. In February 2022, the claim was settled for a total of $750,000. We also recognized a $250,000 insurance recovery asset associated with the settlement. The $500,000 net impact of the settlement is included in our consolidated income statement for the year ended December 31, 2021.

ITEM 1A. RISK FACTORS

We documented our risk factors in Item 1A of Part I of our Form 10-K for the year ended December 31, 2021. Other than the updates identified below, which should be read in conjunction with the risk factors as they appear in such Form 10-K, there have been no material changes to our risk factors since the filing of that report, except for the addition of the following risk factor:

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. In the fourth quarter of 2021 and the first half of 2022, company-owned or managed clinics were negatively impacted by wage increases, which increased our general and administrative expenses and decreased profitability. A continued increase in labor costs could continue to have an adverse impact on profitability and may result in additional price increases to offset their impact. Further, should we fail to increase our wages competitively in response to increasing 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 this Form 10-Q under the caption “Recent Events and COVID-19 Update” in Management’s Discussion and Analysis of Financial Condition and Results of Operations -- unfavorable global economic or political conditions, such as the ongoing COVID-19 pandemic, the Ukraine War, inflation and other cost increases, and increase in interest rates. As further disclosed under the aforementioned caption, we anticipate that fiscal 2022 will continue to be a volatile macroeconomic environment and expect elevated levels of cost inflation to persist for the remainder of 2022. Reductions in discretionary spending may adversely impact our business, financial condition, or results of operations.

In the event that a continued 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 the end of the first and second quarters of 2022 and anticipate remaining in compliance for the remainder of 2022. 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.

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

Use of Proceeds from Registered Securities

None.

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	Second Amended and Restated Bylaws of The Joint Corp. (incorporated by reference to Exhibit 3.(II)1 to the Company's Current Report on Form 8-K (Commission File No. 001-36724) filed with the Securities and Exchange Commission on August 9, 2018)
10.1*	Asset and Franchise Purchase Agreement dated May 19, 2022 among the Company, SJV Tempe Marketplace, LLC, an Arizona limited liability company (" TM "), Shakarian Joint Ventures, LLC, an Arizona limited liability company (" SJV "), SJV East Mesa, LLC, an Arizona limited liability company (" EM "), SJV Apache Junction, LLC, an Arizona limited liability company (" AJ "), Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (TM, SJV, EM, AJ, Dr. Aaron Shakarian and Stacie Shakarian, collectively, the "Seller "), and Shakarian Holdings, LLC, an Arizona limited liability company, Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (collectively, the " Shareholder ")
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

THE JOINT CORP.

SIGNATURES

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

	THE JOINT CORP.
Dated: August 5, 2022	By: /s/ Peter D. Holt Peter D. Holt President and Chief Executive Officer (Principal Executive Officer)
Dated: August 5, 2022	By: /s/ Jake Singleton Jake Singleton Chief Financial Officer (Principal Financial Officer)

Ex. 10.1

ASSET AND FRANCHISE AGREEMENT PURCHASE AGREEMENT

THIS ASSET AND FRANCHISE AGREEMENT PURCHASE AGREEMENT (" Agreement") is made and entered into on the date last set forth below on the signature page ("Effective Date"), by and between The Joint Corp., a Delaware corporation ("TJC"), SJV Tempe Marketplace, LLC, an Arizona limited liability company ("TM"), Shakarian Joint Ventures, LLC, an Arizona limited liability company (" SJV"), SJV East Mesa, LLC, an Arizona limited liability company ("EM"), SJV Apache Junction, LLC, an Arizona limited liability company ("AJ"), Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (TM, SJV, EM, AJ, Dr. Aaron Shakarian and Stacie Shakarian shall collectively be referred to as the " Seller"), and Shakarian Holdings, LLC, an Arizona limited liability company, Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (collectively, the "Shareholder"). TJC, Seller, and Shareholder shall at times be collectively referred to as the "Parties."

Background:

A. The Seller is the franchisee under four (4) separate *The Joint Chiropractic®* franchise agreements with TJC for the following four (4) chiropractic clinics: (i) *The Joint* franchise number #48040 known as The Shoppes at Casa Paloma and located at 7131 W. Ray Rd., Suite 39, Chandler, AZ 85226; (ii) *The Joint* franchise number #48042 known as Superstition Gateway and located at 1946 S. Signal Butte, Suite A105, Mesa, AZ 85209; (iii) *The Joint* franchise number #48054 known as Apache Trail and located at 2540 W. Apache Trail, Suite 102, Apache Junction, AZ 85120; and (iv) *The Joint* franchise number #48041 known as Tempe Marketplace and located at 2010E. Rio Salado Parkway, Suite 112, Tempe, AZ 85281 (collectively, the "Subject Franchises");

B. Seller and the Shareholder will sell to TJC, and TJC will purchase from Seller, all of Seller's interest in the Subject Franchises and the "Franchise Agreements" (as defined below), on the terms and conditions set forth in this Agreement; and

C. The Shareholder owns all of the outstanding interests in each of the four (4) entities partially comprising the Seller.

D. The Parties, in conjunction with this Asset and Franchise Agreement Purchase Agreement, mutually desire to terminate the " Franchise Agreements" (as defined below) as set forth below. The Seller, as Franchisee, will surrender the Territory and mutually terminate the Franchise Agreements, other than Franchisee's "Post-Termination Obligations" (as defined below).

NOW, THEREFORE, in consideration of the mutual agreements, covenants and undertakings herein contained and other valuable consideration, the adequacy of which is acknowledged by all Parties, the Parties hereby agree as follows:

1. Purchase and Sale

(a) Except as provided herein, at the "Closing" (as hereinafter defined) of the transactions contemplated hereby, Seller and Shareholder shall sell, assign, transfer and deliver, or cause its affiliates to assign, transfer and deliver, to TJC, and TJC shall purchase and accept from Seller, Shareholder and/or their affiliates, the "Assets" (as defined below); free and clear of any and all liens, claims (including, without limitation, title claims and claims of taxing authorities), encumbrances, pledges, security interests or charges of any kind whatsoever, and shall assume the obligations only as specifically stated herein, for the purchase price set forth in Section 4 hereof. For the avoidance of doubt, the Effective Date may predate the Closing.

(b) For purposes of this Agreement, "Assets" shall mean:

(i) the four franchise agreements between the three entities and two individuals comprising Seller and TJC for the Subject Franchises, as more particularly described in **Schedule 1(b)(i)** attached hereto as and made a part hereof, without any transfer fees (as amended, the "Franchise Agreement");

(ii) all of Seller's interest in equipment, machinery, tools, maintenance supplies, office equipment, leasehold improvements, furniture, fixtures, inventories and supplies and other similar items of tangible personal property (together the "Personal Property") used or held for use by Seller in the Subject Franchises, which is more particularly listed and described in **Schedule 1(b)(ii)** attached hereto and made a part hereof;

(iii) all of Seller's interest in any membership agreements, prepaid services packages and other agreements or arrangements Seller has made with patients of the Subject Franchises, together with any deposits or prepayments (for packages or otherwise) made by any patients covered by such agreements or arrangements to the extent related to services to be performed after Closing (hereinafter, the "Prepayment Balance");

(iv) the trademarks, trade names, copyrights and all other intellectual property rights of Seller associated with the Subject Franchises and all of Seller's goodwill attributable to the Subject Franchises;

(v) all telephone numbers and domain names associated with the Subject Franchises;

(vi) copies of all medical records with respect to patients of the Subject Franchises and all documents and records in the possession of Seller pertaining to patients and employees of the Subject Franchises;

(vii) to the extent transferable, all licenses, government approvals and permits and all other approvals and permits relating to the Subject Franchises;

(viii) all of Seller's interests as tenant (including leasehold improvements) under its leases for the premises occupied by the Subject Franchises, copies of which are attached hereto as **Exhibit A** and made a part hereof (hereinafter, the "Leases"); and

(ix) the agreements and contracts which TJC has expressly agreed to assume and which are listed on **Schedule 1(b)(ix)** (together, the "Assumed Contracts").

(c) Termination of Franchise Agreements. As of the Effective Date, the Parties hereby agree that effective as of the Closing , the Franchise Agreements, along with any addendums, amendments, assignments, transfer agreements, exhibits, security agreements related to the Franchise Agreements, and all of the Parties' rights and obligations thereunder, shall be terminated and of no further force and effect subject to the following: All obligations imposed upon the Parties under this Termination and Release, and the Franchise Agreements that survive the termination, expiration or transfer of the Agreement, including but not limited to the "Post-Termination Obligations" and the "Survival Provisions" (without limitation Section 16 of the Franchise Agreements), shall survive and the Parties agree to comply with all such Post-Termination Obligations and Survival Provisions as applicable to each in accordance with the terms of the Franchise Agreements notwithstanding its termination. Notwithstanding the foregoing, the Post-Termination Obligations and Survival Provisions related to competition or covenants not-to-compete, shall not be enforced by Franchisor (excepting any usage of Trade Secrets, Confidential Information or the Marks as defined in the Franchise Agreements). Furthermore, because Shareholder is a party to additional *The Joint Chiropractic* franchise agreements with TJC (which are not being purchased under this Agreement) (the "Shareholder Retained Franchises"), the Parties acknowledge that the Post-Termination Obligations and Survival Provisions shall not apply to Shareholder's continuing operation of the Shareholder Retained Franchises. Furthermore, the Parties agree that because the Franchise Agreements terminated under this Agreement are terminated by mutual consent of the Parties, there shall be no Termination Fee owed as a result of the termination of the Franchise Agreements. The Franchise Agreements to be transferred and terminated under this Agreement are expressly limited to the four (4) Franchise Agreements in Schedule 1(b)(i).

2. Excluded Assets

Notwithstanding anything to the contrary contained in this Agreement, it is expressly acknowledged by TJC that Seller will not be conveying to TJC (a) any cash, cash equivalents, working capital, or accounts receivable (other than accounts receivable under membership agreements or other arrangements described in Section 1(b)(iii) above for periods after Closing), (b) any of the proceeds of the transaction described in this Agreement, and (c) the items listed on the attached **Schedule 2** (collectively, the "Excluded Assets").

3. No Assumption of Liabilities

Except as expressly provided in this Agreement, TJC shall not assume any debts, liabilities or obligations of Seller or its shareholders, members, affiliates, officers, employees or agents of any nature, whether known or unknown, fixed or contingent, including, but not limited to, debts, liabilities or obligations with regard or in any way relating to any contracts (including, without limitation, any of the following: (i) patient/membership agreements; (ii) employment agreements; (iii) stock transfer agreements; (iv) medical direction agreements; (v) leases for real or personal property, or (vi) business operational expenses including without limitation, trade payables, tax liabilities, disclosure obligations, product liabilities, liabilities to any regulatory authorities, liabilities relating to any claims, litigation or judgments, any pension, profit-sharing or other retirement plans, any medical, dental, hospitalization, life, disability or other benefit plans, any stock ownership, stock purchase, deferred compensation, performance share, bonus or other incentive plans, or any other similar plans, agreements, arrangements or understandings which Shareholder, Seller, or any of its affiliates, maintain, sponsor or are required to make contributions to, in which any employee of Seller participates or under which any such employee is entitled, by reason of such employment, to any benefits (collectively the ("Excluded Liabilities"). Notwithstanding the provisions above, from and after the Closing , and on the terms and conditions contained in this Agreement, TJC shall assume, perform, pay and discharge the Assumed Contracts for periods after the Closing; provided the applicable Assumed Contracts have been disclosed to TJC prior to the Closing. For the avoidance of doubt, any liability under any leases for real property for the Subject Franchises, whether or not assumed by TJC, for the period before Closing, shall be an Excluded Liability. However, any liability for periods after Closing under any properly and validly assigned leases for real property for the Subject Franchises shall not be an Excluded Liability.

4. Payment of Purchase Price

(a) The purchase price to be paid by TJC for the Assets (the " Purchase Price") is **Five Million Eight Hundred Thousand and No/100** ($5,800,000.00), subject to adjustment as set forth in Section 4(d);

(b) TJC will pay to Seller the amount of $5,600,000.00 in cash by bank wire transfer on the Closing , less the following items: (i) any amounts to be paid to third parties in connection with the satisfaction of liens or security interests affecting the Assets; (ii) any amounts required to be paid to the landlords in connection with the assignment of the Leases; (iii) the Prepayment Balance for each location of the Subject Franchises on account of all packages sold between March 25, 2022 and the Closing; and (iv) any outstanding or accrued royalties, advertising contributions and other fees under the Franchise Agreements through the Closing (collectively, the "FA Fees");

(c) Subject to Section 4(d) below, the $200,000.00 balance of the Purchase Price (the "Purchase Price Balance") shall be paid by TJC to Seller ninety (90) calendar days after the Closing (the "Purchase Price Balance Due Date"); and

(d) Within ninety (90) days after the Closing, the Purchase Price Balance shall be adjusted by appropriate pro-rations for rent, state and local real estate taxes and transfer taxes, sales tax, service and utility contracts, any merchant card collections on account of the Subject Franchises only for periods after the Closing, balance of any security deposit held by the landlord under the Leases that transfers to TJC, FA Fees, Prepayment Balance, if applicable, and payroll and employee related payments related to the Subject Franchises in respect of periods prior to Closing (the "Adjustments"). The Parties shall cooperate to determine the amounts of the Adjustments, and shall make available such books, records, financial information and supporting data as necessary to determine the Adjustments. The Parties agree to use commercially reasonable efforts to determine amounts within sixty (60) days after the Closing and shall reimburse the other party as necessary and as detailed below. The agreed amount of the Adjustments shall be documented by a written calculation signed by the Parties hereto (the "Adjustment Agreement"). In the event that the Parties agree that the Adjustments in favor of Seller are greater than the Adjustments in favor of TJC, TJC shall remit the net amount of Adjustments to Seller along with the remittance of the Purchase Price Balance on the Purchase Price Balance Due Date. In the event that the Parties agree that the Adjustments in favor of TJC are greater than the Adjustments in favor of Seller, the Purchase Price Balance shall be reduced by the net amount of the Adjustments.

5. Closing

Subject to the satisfaction or waiver of the conditions described in Sections 9 and 10, the Closing of the transactions described herein shall take place on or before June 1, 2022, at such time as the Parties agree, and shall occur either through electronic communications or if requested, the offices of TJC. At the Closing, Seller shall deliver, or cause its affiliates to deliver, such bills of sale, assignments, certificates and other documents and instruments as may reasonably be requested by TJC to carry out the transfer and assignment to TJC of the Assets, including execution of the "Bill of Sale and Assignment," attached hereto at **Exhibit B**. Following the Closing, the Parties shall cooperate fully with each other and shall make available to the other, as reasonably requested and at the expense of the requesting party, and to any taxing or regulatory authority, all information, records or documents relating to tax obligations and regulatory compliance matters of Seller for all periods on or prior to the Closing, and shall preserve all such information, records and documents until the expiration of any applicable statute of limitations and extensions thereof.

6. Representations, Warranties and Covenants of Seller and the Shareholder

Seller and Shareholder hereby jointly and severally represent and warrant to TJC as follows, and further memorialized hereto at **Exhibit D – Seller's Certificate**:

(a) Organization. Seller is comprised of two individual and five limited liability companies that are each duly organized and validly subsisting under the laws of the State of Arizona, and each has full power and authority to conduct its business as it is now being conducted, and to execute, deliver and perform this Agreement.

(b) Authority. Seller is not a party to, subject to, or bound by any agreement, judgment, order, writ, injunction, or decree of any court or governmental body that prevents or impairs the carrying out of this Agreement. The execution, delivery and performance of this Agreement and all other documents, instruments and agreements contemplated hereby have been duly authorized by all required corporate, limited liability company or limited partnership action of Seller. All other actions (including all action required by state law and by the organizational documents of Seller) necessary to authorize the execution, delivery and performance by Seller of this Agreement, the bills of sale transferring the Assets, the assignments in connection herewith and the other documents, instruments and agreements necessary or appropriate to carry out the transactions herein contemplated, have been taken by Seller. Upon the execution of this Agreement and the other documents and instruments contemplated hereby by Seller and the Shareholder (and assuming the due execution and delivery by the other parties), this Agreement and such other documents and instruments will be the valid and legally binding obligations of Seller and the Shareholder, enforceable against each of them in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity). Except as set forth on **Schedule 6(b)**, no authorization, consent, approval or other order of, declaration to or filing with any third party, including any governmental body or authority is required for the approval or consummation by Seller or the Shareholder of the transactions contemplated by this Agreement. Seller and the Shareholder agree that assignment of the Leases shall not be subject to or contingent upon any novation or any release of any principal obligor or guarantor thereunder.

(c) Taxes. Seller has filed when due in accordance with all applicable laws (or properly and timely filed an extension therefor) all tax returns required under applicable statutes, rules or regulations to be filed by it. As of the time of filing, such returns were accurate and complete in all material respects. All taxes due with respect to Seller and the Assets, and all additional assessments received, have been paid. Seller is not delinquent in the payment of any such tax and none has requested any extension of time within which to file any tax return, which return has not since been filed. There are no federal, state, local or other tax liens outstanding on any of the Assets being sold hereunder.

(d) Title to and Condition of Assets. Seller has good and marketable title to (or, with respect to any Assets that are leased, a valid leasehold interest in) all of the Assets to be acquired by TJC at the Closing, free from any liens, adverse claims, security interest, rights of other parties or like encumbrances of any nature. The Assets consisting of physical property are in good condition and working order, normal wear and tear excepted, and function properly for their intended uses.

(e) Compliance with Laws. To the best of Seller's and Shareholder's Knowledge, neither Seller nor the Subject Franchises are in violation of, nor are they or any of them subject to any liability in respect of, any federal, state, county, township, city or municipal laws, codes, regulations or ordinances (including without limitation those relating to environmental protection, health, hazardous or toxic substances, fire or safety hazards, occupational safety, labor laws, employment discrimination, subdivision, building or zoning) with respect to the conduct of the Subject Franchises, nor has Seller received any notices of investigation or violation pertaining to any such matters. To the best of Seller's and Shareholder's knowledge, Seller has, and all professional employees or agents of Seller have, all licenses, franchises, permits, authorizations or approvals from all governmental or regulatory authorities required for the conduct of the Subject Franchises and neither Seller nor the professional employees or agents of Seller have violated any such license, franchise, permit, authorization or approval or any terms or conditions thereof.

(f) Litigation or Liens. Except as disclosed on **Schedule 6(f)**, there is no action, suit or proceeding pending, threatened against or affecting the Assets, or relating to or arising out of, the ownership or operation of the Assets, including claims by employees of the Subject Franchises. Seller and Shareholder agree and acknowledge that any lien releases or notices of payment (or other applicable satisfaction or payoff documentation) shall be remitted to TJC prior to the Purchase Price Balance Due Date.

(g) Employees. **Schedule 6(g)** attached hereto contains a complete and correct list of the name, position, current rate of compensation and any vacation or holiday pay and any other compensation arrangements or fringe benefits, of each current employee of Seller who is directly employed in the Subject Franchises (collectively, the "Employees"). Seller and Shareholder hereby agree to terminate all of the Employees as of the Closing and pay any and all compensation due the Employees through the Closing; including, but not limited to, all base pay, hourly pay, bonuses and commission, vacation and sick time, and any severance obligations.

(h) Contracts. Seller has delivered to TJC copies of any and all material contracts, leases, agreements, software licensing agreements, or commitments, unless customarily kept in non-physical, non-pdf format or other digital document format, with respect to the Assets or the Subject Franchises. Except as set forth in **Schedule 6(h)**, no consent or approval of any third party is required for the assignment to TJC of any contracts that TJC is assuming pursuant to Sections 1(b)(iii), (vi), (vii), (viii), and (ix).

(i) Financial Statements. Seller has delivered to TJC the financial statements for the Subject Franchises as of and for the calendar years 2020 and 2021 and for the first three months of 2022 (collectively, the "Financial Statements"). The Financial Statements fairly present and will fairly present the financial position and results of operations of the Subject Franchises as of and for the periods presented.

(j) Claims. Neither Seller, Shareholder, nor any other person who holds or has ever held a direct or indirect interest in the Subject Franchises has any claim, demand, or cause of action for damages of any kind whatsoever, whether known or unknown, against TJC or its officers, directors, employees, attorneys, agents, successors and assigns by reason of any event, occurrence or omission arising under, or relating to, the Subject Franchises.

(k) Pre-Closing Operations. Until such time as the Subject Franchises have been transferred and assigned to TJC, Seller and the Shareholder shall continue to operate the Subject Franchises in a commercially reasonable manner (including without limitation, engaging in the sale of any products or packages at discounted amounts, or other revenue "stuffing" activities), consistent with the respective franchise agreement, and neither the Seller nor any of the Shareholder shall take any actions or operate the Subject Franchises in such a way as to cause or precipitate any diminution in their prospective, post-closing sales or any material shift in their prospective, post-closing revenue streams.

(l) Exhibit E. Exhibit E attached to this Agreement shall not be interpreted to expand or alter in any way the representations and warranties made by Seller and Shareholder under this Section 6.

(m) Knowledge. "Knowledge" as it is applied to Sellers and Shareholders, means (i) the actual or constructive knowledge of Dr. Aaron Shakarian and Stacie Shakarian (the "Knowledge Parties"), and (ii) the knowledge which should have been acquired by any of the Knowledge Parties after reasonable inquiry.

7. TJC's Representations and Warranties

TJC represents and warrants to Seller and the Shareholder as follows:

(a) Organization of TJC. TJC is a corporation duly organized and validly subsisting under the laws of the state of Delaware, and TJC has full power and authority to conduct its business as it is now being conducted, and to execute, deliver and perform this Agreement.

(b) Authorization. TJC is not a party to, subject to or bound by any agreement, judgment, order, writ, injunction, or decree of any court or governmental body that prevents or impairs the carrying out of this Agreement. The execution, delivery and performance of this Agreement and all other documents, instruments and agreements contemplated hereby have been duly authorized by TJC's Board of Directors. All other actions (including all action required by state law and by the organizational documents of TJC) necessary to authorize the execution, delivery and performance by TJC of this Agreement, the Note, the bill of sale transferring the Assets, the assignments in connection herewith and the other documents, instruments and agreements necessary or appropriate to carry out the transactions herein contemplated, have been taken by TJC. Upon the execution of this Agreement and the other documents and instruments contemplated hereby by TJC, this Agreement and such other documents and instruments will be the valid and legally binding obligations of TJC, enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

(c) No Consent or Approval Required. No authorization, consent, approval or other order of, declaration to or filing with any governmental body or authority, including, without limitation, with respect to environmental matters, is required for the consummation by TJC of the transactions contemplated by this Agreement.

(d) No Violation of Other Agreements. Neither the execution and delivery of this Agreement nor compliance with the terms and conditions of this Agreement by TJC will breach or conflict with any of the terms, conditions or provisions of any agreement or instrument to which TJC is or may be bound or constitute a default thereunder or result in a termination of any such agreement or instrument.

(e) Financial Capability. TJC will have at Closing, sufficient internal funds available to pay the Purchase Price and any fees or expenses incurred by TJC in connection with the transactions contemplated hereby.

(f) Claims. Neither TJC nor its officers or directors has any claim, demand, or cause of action for damages of any kind whatsoever, whether known or unknown, against Shareholders, Seller or their officers, directors, employees, attorneys, agents, successors and assigns by reason of any event, occurrence or omission arising under, or relating to, the Subject Franchises.

8. Pre-Closing Events

(a) General. Pending Closing, the Parties shall use commercially reasonable efforts to take all actions that may be necessary to close the transaction in accordance with the terms of this Agreement (but TJC shall not be required to waive any of the TJC Closing Conditions, and Seller and the Shareholder shall not be required to waive any of the Seller Closing Conditions).

(b) Conduct of Business. Pending Closing, Seller and the Shareholder shall:

(i) conduct the business of the Subject Franchises in the ordinary course and use commercially reasonable efforts, in consultation with (but without being bound by) TJC's transition management team personnel, to maintain and grow the business of the Subject Franchises and to preserve their goodwill and advantageous relationships with patients, employees, suppliers and other persons having business dealings with the Subject Franchises. In clarification of the foregoing, Seller and Shareholder hereby acknowledge and agree that they shall not sell Heavily Discounted Prepaid Packages from the Subject Franchises from March 25, 2022 until the Closing. "Heavily Discounted Prepaid Packages" shall mean prepaid packages that are priced below the average pricing Seller and Shareholder sold prepaid packages at the Subject Franchises during the preceding two years; and

(ii) not take any affirmative action that results in the occurrence of an event of default under any contract or agreement to which Seller is a party and take any reasonable action within Seller's control that would avoid the occurrence of such default.

(c) Access to Information. Pending Closing, Seller and the Shareholder shall:

(iii) afford TJC and its representatives (including its lawyers, accountants, consultants and the like) reasonable access during normal business hours, but without unreasonable interference with operations, to the Seller's books and records and other documents relating to the Subject Franchises;

(iv) respond to reasonable inquires by TJC and its representatives regarding Seller;

(v) cause Seller to furnish TJC and its representatives with all information and copies of all documents concerning Seller that TJC and its representatives reasonably request;

(vi) deliver to TJC, Seller's financial statements for the period between January 1, 2019 and the end of the last full month before Closing; and

(vii) otherwise cooperate with TJC in its due diligence activities.

(d) Notice of Developments. Pending Closing, Seller and the Shareholder shall promptly give notice to TJC of:

(i) any fact or circumstance of which Seller or Shareholder becomes aware that causes or constitutes a material inaccuracy in or material breach of any of Seller's or Shareholder's representations and warranties in Section 6 as of the date of this Agreement;

(ii) any fact or circumstance of which Seller or a Shareholder becomes aware that would cause or constitute a material inaccuracy in or material breach of any of Seller's or the Shareholder's representations and warranties in Section 6 if those representations and warranties were made on and as of the date of occurrence or discovery of the fact or circumstance; or

(iii) the occurrence of any event of which Seller or Shareholder becomes aware that reasonably could be expected to make satisfaction of any TJC Closing Condition impossible or unlikely.

(e) Supplements to Schedules. Pending Closing, Seller may supplement or correct the Schedules to this Agreement as necessary to insure their completeness and accuracy. No supplement or correction to any Schedule or Schedules to this Agreement shall be effective, however, to cure any breach or inaccuracy in any of the representations and warranties; but if TJC does not exercise its right to terminate this Agreement under Section 12 and closes the transaction, the supplement or correction shall constitute an amendment of the Schedule or Schedules to which it relates for all purposes of this Agreement.

9. TJC Closing Conditions

Except as provided herein, TJC's obligation to close the transaction is subject to the satisfaction of each of the following conditions (the " TJC Closing Conditions") at or prior to Closing:

(a) Seller's and the Shareholder's representations, warranties and covenants in Section 6, as qualified or limited by any exceptions in the Schedules to Section 6, are true, correct and fulfilled on the Closing as if made at and as of Closing (other than representations and warranties that address matters as of a certain date, which were true and correct as of that date);

(b) Seller and the Shareholder have executed and delivered all of the documents and instruments that they are required to execute and deliver or enter into prior to or at Closing, and have performed, complied with or satisfied in all material respects all of the other obligations, agreements and conditions under this Agreement that they are required to perform, comply with or satisfy at or prior to Closing, and Seller and the Shareholder shall have delivered to TJC properly executed and notarized releases (in form and substance acceptable to TJC, in its sole and absolute discretion) from any and all third parties from whom waivers, releases and/or approvals are necessary (in TJC's sole and absolute discretion) to effectuate the transfer of the Assets to TJC free and clear of any and all third party interests, claims, liens or security interests;

(c) no material adverse change in the Seller's assets, financial condition, operations, operating results or prospects relating to the Subject Franchise has occurred since the date of this Agreement;

(d) no suit has been initiated or threatened by a third party that challenges or seeks damages or other relief in connection with the transaction or that could have the effect of preventing, delaying, making illegal or otherwise interfering with the transaction;

(e) Seller has obtained and delivered to TJC all consents listed on **Schedule 6(h)**;

(f) Seller has terminated all of the Employees as of the Closing and paid all wages, bonuses, commissions, vacation and sick pay, benefits and any applicable severance to such Employees as of the Closing; and TJC has reached satisfactory rehiring terms with those of the Employees it wants to retain going forward, with such determination to be made in TJC's sole and absolute discretion;

(g) Seller has obtained consents to the assignment of, and estoppel letters under, the Leases attached hereto as **Exhibit A**, relating to the premises of the Subject Franchises, in a form reasonably acceptable to TJC.

(h) TJC has received the approval of its Board of Directors to close the transaction contemplated by this Agreement;

(viii) TJC has completed its due diligence activities under Section 8 above to its satisfaction, with such determination to be made in TJC's sole and absolute discretion;

(j) The Seller and the Shareholder have executed and delivered, in a form reasonably acceptable to TJC, releases of all Claims against TJC, its officers, directors, employees, attorneys, agents, successors and assigns, arising prior to the Closing, in form and substance acceptable to TJC in its sole discretion;

(k) Seller has delivered payoff letters and releases of security interests or liens from any secured lenders or lessors;

(l) Seller has delivered the information as set forth at **Exhibit E – Due Diligence Request**, attached hereto; and

(m) TJC is able to negotiate lease terms and conditions for each clinic satisfactory to TJC at its absolute and sole discretion.

TJC may waive any condition specified in this Section 9 by a written waiver delivered to Seller or Shareholder at any time prior to or at Closing.

10. Seller's Closing Conditions

Seller's obligation to close the transaction is subject to the satisfaction of each of the following conditions (the "Seller Closing Conditions") at or prior to Closing:

(a) TJC's representations and warranties in Section 7 were true and correct as of the date of this Agreement and are true and correct on the Closing as if made at and as of Closing;

(b) TJC has executed and delivered all of the documents and instruments that it is required to execute and deliver or enter into prior to or at Closing, and has performed, complied with or satisfied in all material respects all of the other obligations, agreements and conditions under this Agreement that it is required to perform, comply with or satisfy prior to or at Closing;

(c) no suit has been initiated or threatened by a third party since the date of this Agreement that challenges or seeks damages or other relief in connection with the transaction or that could seek to prevent the transaction; and

(d) TJC has paid the Purchase Price in accordance with Section 4.

Seller may waive any condition specified in this Section 10 by a written waiver delivered to TJC at any time prior to or at Closing.

11. Non-Competition; Non-Solicitation; Confidentiality

(a) Definitions. Wherever used in this Section 11, the term “TJC” shall refer to TJC and any affiliate, subsidiary, or any successor or assign of TJC. Wherever used in this Section, the phrase “directly or indirectly” includes, but is not limited to, acting, either personally or as principal, owner, shareholder, member, employee, independent contractor, agent, manager, partner, joint venturer, consultant, or in any other capacity or by means of any corporate or other device, or acting through the spouse, children, parents, brothers, sisters, or any other relatives, friends, invitees, agents, or associates of any of the undersigned parties. Wherever used in this Section, the term “employees” shall refer to employees of TJC; any affiliate, subsidiary, or any successor or assign of TJC; and any franchisee of TJC existing as of the date of this Agreement and, to the extent allowable by law, any other person that has been an employee (as defined above) in the twelve (12) months preceding the date of this Agreement. Whenever used in this Section, the term “Confidential Information” shall be defined as provided in Section 9 of Seller’s, and Shareholder’s franchise agreement with TJC, which provisions are hereby incorporated by reference and shall expressly further include any audio or video recordings possessed by Seller and/or Shareholder of conversations between TJC’s employees and both Seller and/or Shareholder.

(b) Consideration. The undersigned parties acknowledge that consideration for this Agreement has been provided and is adequate.

(c) Need for this Agreement. The undersigned parties recognize that in the highly competitive business in which TJC and its affiliates and franchisees are engaged, preservation of Confidential Information is crucial and personal contact is important in securing new franchisees and employees, and retaining the goodwill of present franchisees, employees, customers, and suppliers. Personal contact is a valuable asset and is an integral part of protecting the business of TJC. Seller and the Shareholder recognize that each of them has had substantial contact with TJC’s employees, customers, consultants, vendors and suppliers and Confidential Information. For that reason, Seller and the Shareholder may be in a position to take for his, her or its benefit the goodwill TJC has with its employees and customers (patients) and Confidential Information now or in the future. If Seller or the Shareholder at any time after Closing takes advantage of such Confidential Information or goodwill for their own benefit, then the competitive advantage that TJC has created through its efforts and investment will be irreparably harmed.

(d) Non-Competition with TJC. Seller and the Shareholder agree that, for thirty six (36) months following the date of Closing, neither Seller nor the Shareholder, will have any direct or indirect interest (e.g., through a spouse, common law or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Chiropractic Business located or operating within twenty-five (25) miles of any of the Subject Franchises. The term “Chiropractic Business” means any business which derives more than Ten Thousand Dollars ($10,000.00) of revenue per year from the performance of chiropractic or related services, or any business which grants franchises or licenses to others to operate such a business, with the sole exception of (i) a regional developer license granted by TJC or (ii) a franchise operated under a franchise agreement with TJC.

(e) Non-Solicitation of TJC’s Employees. Seller and Shareholder agree that for twelve (12) months after the date of this Agreement, it, he or she will not directly or indirectly: (a) induce, canvas, solicit, or request or advise any employees, suppliers, vendors or consultants of TJC, or any TJC franchisee or affiliated professional corporation to accept employment with any person, firm, or business that competes with any business of TJC or any TJC franchisee or affiliated professional corporation; or (b) induce, request, or advise any employee of TJC or TJC franchisee or affiliated professional corporation to terminate such employee’s relationship with TJC or any TJC franchisee or affiliated professional corporation; or (c) disclose to any other person, firm, partnership, corporation or other entity, the names, addresses or telephone numbers of any of the employees of TJC or any TJC franchisee or affiliated professional corporation, except as required by law.

(f) Non-solicitation of TJC's Customers (Patients). Seller and Shareholder each agrees that for thirty six (36) months after the date of this Agreement, it, he or she will not directly or indirectly: (a) induce, canvas, solicit, or request or advise any customers of the Subject Franchises to become customers of any person, firm, or business that competes with the Subject Franchises; or (b) induce, request or advise any customer of the Subject Franchises to terminate or decrease such customer's relationship with the Subject Franchise; or (c) disclose to any other person, firm, partnership, corporation or other entity, the names, addresses or telephone numbers of any of the customers of the Subject Franchises, except as required by law.

(g) Confidential Information. Seller and Shareholder agree at all times following the date of this Agreement, to hold the Confidential Information in the strictest confidence and not to use such Confidential Information for Seller's or Shareholder's personal benefit, or the benefit of any other person or entity other than TJC, or disclose it directly or indirectly to any person or entity without TJC's express authorization or written consent. Seller and the Shareholder fully understand the need to protect the Confidential Information and all other confidential materials and agree to use all reasonable care to prevent unauthorized persons from obtaining access to Confidential Information at any time. Notwithstanding the provisions above, the Parties acknowledge that the Shareholder may use Confidential Information in connection with the operation of Shareholder Retained Franchises and any future franchise rights Shareholder may acquire from TJC, and the restrictions set forth in this Section 11 shall not apply to Shareholder Retained Franchises and any future franchise rights Shareholder may acquire from TJC.

(h) Tolling. To ensure that TJC will receive the full benefit of this Section 11, the provisions of Subsections (d), (e) and (f) of this Section 11 will shall be extended by a length of time equal to (i) the period during which Seller or Shareholder is in violation of Seller or the Shareholder's agreements under such Subsections, and (ii) without duplication, any period during which litigation that TJC institutes to enforce the Seller or Shareholder's agreements under such Subsections is pending (to the extent that Seller or Shareholder is in violation of Seller's or Shareholder's agreements under such Subsections during this period).

(i) Non-Disparagement: Each of the Parties expressly covenant and agree not to make any false representations, or to defame, disparage, discredit or deprecate any of the other Parties or otherwise communicate with any person or entity in a manner intending to damage any of the other Parties, the business conducted by any of the other Parties, or the reputation of any of the other Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by one of the Parties.

12. Termination

(a) This Agreement may be terminated by TJC, upon notice to Seller and the Shareholder, if prior to or at Closing:

(i) Seller or Shareholder defaults in the performance of any of their material obligations under this Agreement and the default is not cured within five business days after TJC gives notice of the default to Seller and the Shareholder; or

(ii) any TJC Closing Condition is not satisfied as of May 19, 2022, or satisfaction of any TJC Closing Condition is or becomes impossible (other than as a result of TJC's breach of or failure to perform its obligations under this Agreement), and TJC does not waive satisfaction of the condition; or

(iii) Closing does not occur on or before June 1, 2022 (other than as a result of TJC's breach of or failure to perform its obligations under this Agreement).

(b) This Agreement may be terminated by Seller or the Shareholder, upon notice to TJC, if prior to or at Closing:

(i) TJC defaults in the performance of any of its material obligations under this Agreement and the default is not cured within five Business Days after Seller or Shareholder gives notice of the default to TJC;

(ii) any Seller Closing Condition is not satisfied as of May 19, 2022, or satisfaction of any Seller Closing Condition is or becomes impossible (other than as a result of Seller's, or Shareholder's breach of or failure to perform their obligations under this Agreement) and Seller does not waive satisfaction of the condition; or

(iii) Closing has not occurred by June 1, 2022 (other than as a result of Seller's, or Shareholder's breach of or failure to perform their obligations under this Agreement); or

(c) This Agreement may be terminated by the written agreement of the Parties.

(d) The right of termination under this Section 12 is in addition to any other rights that a party may have under this Agreement or otherwise, and a party's exercise of its right of termination shall not be considered an election of remedies. Notwithstanding the termination of this Agreement pursuant to this Section 12, the Parties' confidentiality obligations under Section 11(g) shall survive termination and continue indefinitely.

13. Indemnification of TJC

(a) Subject to Sections 15 and 16, Seller and the Shareholder agree, personally, jointly and severally, to indemnify TJC against and hold TJC harmless from:

(i) any loss, liability, damage, cost or expense, including reasonable attorneys' fees and cost of investigation ("Loss") that TJC (or its directors, representatives, affiliates, employees, subsidiaries, and other related parties or individuals) may suffer or incur that is caused by, arises out of or relates to any failure, inaccuracy in or breach of any representation and warranty by Seller or Shareholder in Section 6 of this Agreement;

(ii) any Loss that TJC may suffer or incur that is caused by, arises out of or relates to Seller's or Shareholder's breach of or failure to perform any of their covenants and obligations in this Agreement in any material respect; or

(iii) any Loss that TJC may suffer or incur that is caused by, arises out of or relates to the assertion against TJC of an Excluded Liability.

Claims asserted by TJC under subsections (i), (ii) and (iii) above are hereinafter referred to as TJC's "Indemnification Claim(s)."

(b) The benefit of the indemnification obligations of Seller and the Shareholder under this Section 13 shall extend to the respective officers, directors, employees and agents of TJC and its affiliates.

14. Indemnification of Seller and the Shareholder

(a) Subject to Sections 15 and 16, TJC agrees to indemnify Seller and the Shareholder against and hold each of them harmless from:

(i) any Loss that Seller or the Shareholder may suffer or incur that is caused by, arises out of or relates to any inaccuracy in or breach of any representation and warranty by TJC in Section 7 of this Agreement;

(ii) any Loss that Seller or the Shareholder may suffer or incur that is caused by, arises out of or relates to TJC's breach of or failure to perform any of its obligations in this Agreement in any material respect; or

(iii) any Loss that Seller or the Shareholder may suffer or incur that is caused by, arises out of or relates to TJC's operation of the Subject Franchises after Closing.

Claims asserted by Seller or the Shareholder under subsections (i), (ii) and (iii) above are hereinafter referred to as Sellers' or the Shareholder's "Indemnification Claim(s)."

(b) The benefit of TJC's indemnification obligation under this Section 14 shall extend to the heirs and legal representatives of Seller and the Shareholder.

15. Threshold and Cap

(a) In respect of TJC's assertion of an Indemnification Claim under Section 13(a)(i), TJC shall not be entitled to indemnification until the aggregate amount for which indemnification is sought exceeds $10,000.00. If this threshold is reached, TJC may assert an Indemnification Claim for the full amount of the claim (going back to the first dollar) and may assert any subsequent Indemnification Claim under Section 13(a)(i) without regard to any threshold. The maximum aggregate amount for which TJC may assert Indemnification Claims under Section 13 shall be the Purchase Price. No threshold or cap shall apply, however, in the case of any Loss caused by, arising out of or relating to any fraud or intentional misrepresentation.

(b) In respect of Seller's and/or a Shareholder's assertion of an Indemnification Claim under Section 14(a)(i), Seller and/or the Shareholder shall not be entitled to indemnification until the aggregate amount for which indemnification is sought collectively exceeds $10,000.00. If this threshold is reached, Seller and the Shareholder may assert an Indemnification Claim for the full amount of the claim (going back to the first dollar) and may assert any subsequent Indemnification Claim under Section 13(a)(i) without regard to any threshold. The maximum aggregate amount for which Seller and/or the Shareholder may assert Indemnification Claims under Section 14 shall be the Purchase Price. No threshold shall apply, however, in the case of any Loss caused by, arising out of or relating to any fraud or intentional misrepresentation.

(c) No threshold shall apply to TJC's assertion of an Indemnification Claim under Sections 13(a)(ii) or (iii) or to Seller's or Shareholder's assertion of an Indemnification Claim under Sections 14(a)(ii) or (iii).

16. Survival

(a) An Indemnification Claim under Sections 13(a)(i) and 14(a)(i) may be asserted at any time prior to the third (3rd) anniversary of the Closing, with the exception that:

(i) an Indemnification Claim under Section 13(a)(i) in respect of any inaccuracy in or breach of any of the representations and warranties in Section 6(c) ("Taxes") may be asserted at any time prior to the expiration of the applicable statute of limitation; and

(ii) an Indemnification Claim under Section 13(a)(i) in respect of any inaccuracy in or breach of any of the representations and warranties in Sections 6(b) ("Authority") and 6(d) ("Title to and Condition of Assets"), may be asserted at any time without limit, but only as to Indemnification Claims related to title to Assets, not the condition of Assets.

(iii) an Indemnification Claim under Section 14(a)(i) in respect of any inaccuracy in or breach of any of the representations and warranties in Sections 7(b) ("Authority") may be asserted at any time prior to the applicable statute of limitation.

(b) An Indemnification Claim under Sections 13(a)(ii) and (iii) and Sections 14(a)(ii) and (iii) may be asserted at any time prior to ninety (90) days after the expiration of the applicable statute of limitation.

17. Notice of Indemnification Claim

(a) The indemnified party may assert an Indemnification Claim by giving written notice of the Indemnification Claim to the indemnifying party. The indemnified party's notice shall provide reasonable detail of the facts giving rise to the Indemnification Claim and a statement of the indemnified party's Loss or an estimate of the Loss that the indemnified party reasonably anticipates that it will suffer. The indemnified party may amend or supplement its Indemnification Claim at any time, and more than once, by written notice to the indemnifying party.

(b) If or to the extent that the Indemnification Claim is not in respect of a Third-Party Suit, Section 18 shall apply. If or to the extent that the Indemnification Claim is in respect of a Third-Party Suit, Section 19 shall apply.

18. Resolution of Claims

(a) If the indemnifying party does not object to an Indemnification Claim during the 30-day period following receipt of the indemnified party's notice of its Indemnification Claim, the indemnified party's Indemnification Claim shall be considered undisputed, and the indemnified party shall be entitled to recover the actual amount of its indemnifiable loss from the indemnifying party, subject to the threshold, if any, in Section 15(a) or (b).

(b) If the indemnifying party gives notice to the indemnified party within the 30-day objection period that the indemnifying party objects to the indemnified party's Indemnification Claim, the indemnifying party and the indemnified party shall attempt in good faith to resolve their differences during the 30-day period following the indemnified party's receipt of the indemnifying party's notice of its objection. If they fail to resolve their disagreement during this 30-day period, either of them may unilaterally submit the disputed Indemnification Claim for non-binding arbitration before the American Arbitration Association in Savannah, Georgia in accordance with its rules for commercial arbitration in effect at the time, which shall be a condition precedent to seeking resolution of the disputed Indemnification Claim before any court of competent jurisdiction. The award of the arbitrator or panel of arbitrators may include attorneys' fees to the prevailing party. The prevailing party may enforce the award of the arbitrator or panel of arbitrators in any court of competent jurisdiction.

19. Third Party Suits

(a) Indemnified party shall promptly give notice to indemnifying party of any suit, demand, or claim by a third person against indemnified party, for which indemnified party is entitled to indemnification under Section 13(a) (a "Third Party Suit"), which may be given by notice of an Indemnification Claim in respect of the Third-Party Suit. Indemnified party's failure or delay in giving this notice shall not relieve indemnifying party from its indemnification obligation under this Section 19(a) in respect of the Third-Party Suit, except to the extent that indemnifying party suffers or incur a loss or is prejudiced by reason of indemnified party's failure or delay.

(b) Indemnified party shall control the defense of any Third-Party Suit. Indemnifying party shall be entitled to copies of all pleadings and, at its expense, may participate in, but not control, the defense and employ its own counsel. Indemnifying party shall in any event reasonably cooperate in the defense of the Third-Party Suit.

(c) Indemnified party's settlement of a Third-Party Suit shall also be binding on indemnifying party, in the same manner as if a final judgment in the amount of the settlement had been entered by a court of competent jurisdiction, if, as part of the settlement, indemnifying party receives a binding release providing that any liability of indemnifying party in respect of the Third-Party Suit is being satisfied as part of the settlement. Indemnified party shall give indemnifying party at least thirty (30) days' prior notice of any proposed settlement, and during this thirty (30)-day period indemnifying party may reject the proposed settlement and instead assume the defense of the Third-Party Suit if:

(i) the Third-Party Suit seeks only money damages and does not seek injunctive or other equitable relief against indemnified party;

(ii) Indemnifying party unconditionally acknowledges in writing to indemnified party that indemnifying party is obligated to indemnify indemnified party in full in respect of the Third-Party Suit (except for any matters that are not subject to indemnification under this Agreement);

(iii) the counsel chosen by indemnifying party to defend the Third-Party Suit is reasonably satisfactory to indemnified party;

(iv) Indemnifying party furnishes indemnified party with security reasonably satisfactory to indemnified party to assure that indemnifying party have the financial resources to defend the Third-Party Suit and to satisfy their indemnification obligation in respect of the Third-Party Suit;

(v) Indemnifying party actively and diligently defends the Third-Party Suit; and

(vi) Indemnifying party consults with indemnified party regarding the Third-Party Suit at indemnified party's reasonable request.

If indemnifying party assumes the defense of the Third-Party Suit, indemnified party shall be entitled to copies of all pleadings and, at its expense, may participate in, but not control, the defense and employ its own counsel.

(d) Indemnifying party may settle a Third-Party Suit in which, indemnifying party controls the defense only if the following conditions are satisfied:

(i) the terms of settlement do not require any admission by indemnifying party or indemnified party, in respect of any matters subject to indemnification under Sections 13 or 14 of this Agreement, that in indemnified party's reasonable judgment would have an adverse effect on indemnified party; and

(ii) as part of the settlement, indemnified party receives a binding release providing that any liability of indemnified party in respect of the Third-Party Suit is being satisfied as part of the settlement.

(e) Indemnified party's failure to defend a Third Party Suit shall not relieve indemnifying party of its indemnification obligation under Section 13 or Section 14 of this Agreement if indemnified party gives indemnifying party at least thirty (30) days' prior notice of indemnified party's intention not to defend the Third Party Suit and affords indemnifying party the opportunity to assume the defense without having to satisfy the conditions in Section 19(c) for assuming the defense.

20. Expenses

Each party shall pay its own expenses in connection with the negotiation and preparation of this Agreement and the closing of this transaction, including the process of determining and paying the amount of the Adjustments under Section 4(d) above. In the event of termination of this Agreement prior to Closing pursuant to Section 12, each Party's obligation to pay its own expenses shall be subject to any right of recovery as a result of a default under this Agreement by the other party.

21. Schedules

Nothing in any Schedule to Section 6 shall be considered adequate to constitute an exception to the related representation and warranty in Section 6 unless the Schedule describes the relevant facts in reasonable detail. Any exception in a Schedule to Section 6 shall be considered an exception to any other representation and warranty in Section 6 to which the exception relates if it is reasonably apparent on its face that the exception in question relates to such other representation and warranty.

22. Parties' Review

Any knowledge acquired by a party (or that should have been or could have been acquired) as a result of any due diligence or other review or investigation in connection with the negotiation and execution of this Agreement and the closing of the transaction shall not limit that party's right to rely on the other party's representations and warranties in this Agreement or circumscribe that party's entitlement to indemnification under this Agreement.

23. Publicity

Any public announcement or similar publicity regarding this Agreement or the transaction shall be issued only as, when and in the manner and form that TJC determines.

24. Notices

(a) All notices under this Agreement shall be in writing and sent by certified or registered mail, overnight messenger service, or personal delivery, as follows:

(i) if to Seller, to or in care of:

Dr. Aaron Shakarian
Stacie Shakarian
SJV Apache Junction, LLC
SJV Tempe Marketplace, LLC
Shakarian Joint Ventures, LLC
SJV East Mesa, LLC
2635 Grandoaks Drive

Westlake Village, CA 91361

(iii) If to the Shareholder:

Dr. Aaron Shakarian
Stacie Shakarian
Shakarian Holdings, LLC
2635 Grandoaks Drive
Westlake Village, CA 91361

with a required copy to:

Christopher D. Soto, Esq.
Soto Law Firm
4500 S. Lakeshore Dr., Suite 560
Tempe, AZ 85282

(iii) if to TJC, to:

The Joint Corp.
16767 N. Perimeter Dr. Suite 110
Scottsdale, AZ 85260
Attention: Jorge Armenteros

with a required copy to:

Aaron Gagnon, Esq.
Warshawsky Seltzer, PLLC
9943 East Bell Road
Scottsdale, AZ 85260

(b) A notice sent by certified or registered mail shall be considered to have been given five business days after being deposited in the mail. A notice sent by overnight courier service or personal delivery shall be considered to have been given when actually received by the intended recipient. A party may change its address for purposes of this Agreement by notice in accordance with this Section 24.

25. Further Assurances and Cooperation

(a) The parties agree to (i) furnish to one another other such further information, (ii) execute and deliver to one another such further documents and (iii) do such other acts and things that any party reasonably requests for the purpose of carrying out the intent of this Agreement and the documents and instruments referred to in this Agreement. The Parties acknowledge that TJC may be required to conduct audits of the financial statements of the businesses operated using the Assets, and the Seller and the Shareholder agree to cooperate with TJC and to provide it with any information reasonably available to the Seller and the Shareholder to assist TJC and its representatives in conducting such audits. For forty-five (45) days following the Closing, Seller and Shareholder shall provide to TJC such assistances as TJC reasonably requests to help ensure a smooth and orderly transition of ownership of the Subject Franchises.

(b) The Parties acknowledge that TJC may be required by applicable laws and regulations to include financial statements and information relating to the Subject Franchises in TJC's financial statements, and TJC may be required to perform audits of the Subject Franchises' financial statements. Accordingly, the Seller and the Shareholder agree to cooperate with TJC and to provide it with any information reasonably available to the Seller and the Shareholder to assist TJC and its representatives in obtaining such financial statements, conforming such financial statements to applicable accounting standards and conducting such audits (Seller's and the Shareholder's "Section 25(b) Duties"). Such information includes, but is not limited to, the financial books, records and work papers of Seller.

26. Waiver

The failure or any delay by any party in exercising any right under this Agreement or any document referred to in this Agreement shall not operate as a waiver of that right, and no single or partial exercise of any right shall preclude any other or further exercise of that right or the exercise of any other right. All waivers shall be in writing and signed by the party to be charged with the waiver, and no waiver that may be given by a party shall be applicable except in the specific instance for which it is given.

27. Entire Agreement

This Agreement supersedes all prior agreements between the parties with respect to its subject matter and constitutes (together with (i) the Exhibits, (ii) the Schedules and (iii) the Parties' Closing Documents) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended except by a written agreement signed by the party to be charged with the amendment.

28. Assignment

No party may assign any of its rights under this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, TJC may assign its rights, interests and duties under this Agreement and all ancillary documents to a third party TJC franchisee (who desires to step in to the shoes of TJC and complete the transaction contemplated by this Agreement) without the necessity of obtaining any consent of Seller or Shareholder.

29. No Third-Party Beneficiaries

Nothing in this Agreement shall be considered to give any person other than the parties any legal or equitable right, claim or remedy under or in respect of this Agreement or any provision of this Agreement. This Agreement and all of its provisions are for the sole and exclusive benefit of the parties and their respective successors, permitted assigns, heirs and legal representatives.

30. Construction

(a) All references in this Agreement to "Section" or "Sections" refer to the corresponding section or sections of this Agreement.

(b) All words used in this Agreement shall be construed to be of the appropriate gender or number as the context requires.

(c) Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

(d) The captions of articles and sections of this Agreement are for convenience only and shall not affect the construction or interpretation of this Agreement.

31. Severability

The invalidity or unenforceability of any term or provision, or part of any term or provision, of this Agreement shall not affect the validity and enforceability of the other terms and provisions of this Agreement, and this Agreement shall be construed in all respects as if the invalid or unenforceable term or provision, or part, had been omitted. In the event that any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable because it is too broad, such provision shall be interpreted to be only as broad as is enforceable.

32. Counterparts

This Agreement may be signed in any number of counterparts (including by facsimile or portable document format (pdf)), all of which together shall constitute one and the same instrument.

33. Governing Law

This Agreement shall be governed by the internal Laws of the State of Georgia, without giving effect to any choice of law provision or rule (whether of the State of Georgia or any other state) that would cause the laws of any state other than the State of Georgia to govern this Agreement.

34. Binding Effect

This Agreement shall apply to, be binding in all respects upon and inure to the benefit of parties and their respective heirs, legal representatives, successors and permitted assigns.

[SIGNATURES FOLLOW BELOW]

IN WITNESS WHEREOF, the Parties hereto affix their signatures and execute this Agreement as of the Effective Date.

"Seller"	**"TJC"**

SJV Apache Junction, LLC, an Arizona limited liability company

By: ___________________________
Print: _________________________
Its: ___________________________
Date: _________________________

The Joint Corp., a Delaware corporation

By: _____________________________
Peter Holt, Chief Executive Officer
Date: ___________________________

SJV Tempe Marketplace, LLC, an Arizona limited liability company

By: ___________________________
Print: __________________________
Its: ___________________________
Date: __________________________

Shakarian Joint Ventures, LLC, an Arizona limited liability company

By: ___________________________
Print: __________________________
Its: ___________________________
Date: __________________________

SJV East Mesa, LLC, an Arizona limited liability company

By: ___________________________
Print: __________________________
Its: ___________________________
Date: __________________________

[SIGNATURES CONTINUE BELOW]

Dr. Aaron Shakarian, an Individual

By: ___________________________
Dr. Aaron Shakarian
Date: __________________________

Stacie Shakarian, an Individual

By: ___________________________
Stacie Shakarian
Date: __________________________

“Shareholder”

DR. AARON SHAKARIAN	**STACIE SHAKARIAN**
By: __________________________	By: __________________________
Dr. Aaron Shakarian, individually	Stacie Shakarian, individually
Date: _________________________	Date: _________________________

SHAKARIAN HOLDINGS, LLC, an
Arizona limited liability company

By:______________________________
Print: ____________________________
Its: ______________________________
Date: ____________________________

[SIGNATURE PAGE TO ASSET AND FRANCHISE PURCHASE AGREEMENT]

EXHIBIT A

The Leases

1. The Lease Agreement for the premises located at 7131 W. Ray Rd., Suite 39, Chandler, AZ 85226;

2. The Lease Agreement for the premises located at 2010 E. Rio Salado Parkway, Suite 112, Tempe, AZ 85281;

3. The Lease Agreement for the premises located at 1946 S. Signal Butte, Suite A105, Mesa, AZ 85209; and

4. The Lease Agreement for the premises located at 2540 W. Apache Trail, Suite 102, Apache Junction 85120.

[See attached Lease Agreements for the Subject Franchises, by separate electronic attachment and/or by attachment below.]

EXHIBIT B – BILL OF SALE, ASSIGNMENT AND ASSUMPTION AGREEMENT

This Bill of Sale, Assignment and Assumption Agreement is made as of the date last set forth below ("Effective Date") by SJV Tempe Marketplace, LLC, an Arizona limited liability company, Shakarian Joint Ventures, LLC, an Arizona limited liability company, SJV East Mesa, LLC, an Arizona limited liability company, SPV Apache Junction, LLC, an Arizona limited liability company, Joint Chiropractic Tempe Marketplace, LLC, an Arizona limited liability company, Shakarian Holdings, LLC, an Arizona limited liability company, Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual, to and in favor of The Joint Corp., a Delaware corporation, and is delivered pursuant to Section 5 of the Asset Purchase Agreement dated as of its defined "Effective Date," by and between The Joint Corp., a Delaware corporation ("TJC"), SJV Tempe Marketplace, LLC, an Arizona limited liability company ("TM"), Shakarian Joint Ventures, LLC, an Arizona limited liability company ("SJV"), SJV East Mesa, LLC, an Arizona limited liability company ("EM"), SPV Apache Junction, LLC, an Arizona limited liability company ("AJ"), Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (TM, SJV, EM, AJ, Dr. Aaron Shakarian and Stacie Shakarian shall collectively be referred to as the " Seller"), and Shakarian Holdings, LLC, an Arizona limited liability company, Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (collectively, the "Shareholder") (the "Asset Purchase Agreement").

Capitalized terms used in this Bill of Sale, Assignment and Assumption Agreement without being defined have the same meanings that they have in the Asset Purchase Agreement.

For value received, the receipt and sufficiency of which is acknowledged, the Seller and Shareholder grant, bargain, sell, deliver, transfer, assign and convey to TJC, its successors and assigns, all of their right, title and interest in, to and under the Assets, including, but not limited to, its right, title, interest and estate in, to, and under the following:

(i) the franchise agreements between Seller and TJC for the four Subject Franchises (as defined above), a copy of which is attached to the Asset Purchase Agreement as **Schedule 1(b)(i)**,

(ii) all equipment, machinery, tools, maintenance supplies, office equipment, leasehold improvements, furniture, fixtures, inventories and supplies and other similar items of tangible personal property used by Seller in connection with the Subject Franchises which is more particularly listed and described in **Schedule 1(b)(ii)** attached to the Asset Purchase Agreement;

(iii) all of Seller's interest in any membership agreements, prepaid services packages and other agreements or arrangements Seller has made with patients of the Subject Franchises, together with any deposits or prepayments (for packages or otherwise) made by any patients covered by such agreements or arrangements to the extent related to services to be performed after Closing;

(iv) the trademarks, trade names, copyrights and all other intellectual property rights of Seller associated with the Subject Franchises and all of Seller's goodwill attributable to the Subject Franchise;

(v) all telephone numbers and domain names associated with the Subject Franchises;

(vi) to the extent transferable, all licenses, government approvals and permits and all other approvals and permits relating to the Subject Franchises;

(vii) all of Seller's interest as tenant (including leasehold improvements) under its leases for the premises occupied by the Subject Franchises, copies of which are attached to the Asset Purchase Agreement as **Exhibit A**; and

(vii) the agreements and contracts which TJC has expressly agreed to assume and which are listed on **Schedule 1(b)(ix)**;

(ix) all of its other Assets that Seller uses or holds for use in the operation of the Subject Franchises.

To have and to hold the Assets unto TJC, its successors and assigns forever.

TJC hereby agrees to, and does undertake to, assume, pay, perform or discharge as appropriate all of the Assumed Contracts for periods after the Closing Date; provided such applicable agreements have been disclosed to TJC prior to the Closing. Notwithstanding anything to the contrary contained herein, TJC is not assuming the Excluded Liabilities.

This Bill of Sale and Assignment does not convey any right, title or interest in the Excluded Assets.

"**TJC**"

THE JOINT CORP., a Delaware corporation

By: ______________________________
Peter Holt, Chief Executive Officer
Date: _____________________________

"SELLER"

SJV Apache Junction, LLC, an Arizona limited liability company

By: ____________________________
Print: __________________________
Its: ____________________________
Date: __________________________

SJV Tempe Marketplace, LLC, an
Arizona limited liability company

By: ____________________________
Print: ___________________________
Its: ____________________________
Date: ___________________________

Shakarian Joint Ventures, LLC, an
Arizona limited liability company

By: ____________________________
Print: ___________________________
Its: ____________________________
Date: ___________________________

SJV East Mesa, LLC, an
Arizona limited liability company

By: ____________________________
Print: ___________________________
Its: ____________________________
Date: ___________________________

Dr. Aaron Shakarian, an Individual

By: ____________________________
Dr. Aaron Shakarian

Date: ___________________________

Stacie Shakarian, an Individual

By: ____________________________

Stacie Shakarian
Date: ___________________________

"SHAREHOLDER"

DR. AARON SHAKARIAN

By: ______________________________
Dr. Aaron Shakarian, individually
Date: ____________________________

STACIE SHAKARIAN
By: _______________________________
Stacie Shakarian, individually
Date: _____________________________

SHAKARIAN HOLDINGS, LLC, an Arizona limited liability company
By:_______________________________
Print: _____________________________
Its: ______________________________
Date: ____________________________

EXHIBIT C – GENERAL RELEASE

The undersigned holds a direct or indirect interest in one or more of the parties to that certain Asset and Franchise Purchase Agreement dated as of its defined "Effective Date" entered into by and between The Joint Corp., a Delaware corporation ("TJC"), SJV Tempe Marketplace, LLC, an Arizona limited liability company ("TM"), Shakarian Joint Ventures, LLC, an Arizona limited liability company (" SJV"), SJV East Mesa, LLC, an Arizona limited liability company ("EM"), SPV Apache Junction, LLC, an Arizona limited liability company (" AJ"), Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (TM, SJV, EM, AJ, Dr. Aaron Shakarian and Stacie Shakarian shall collectively be referred to as the " Seller"), and Shakarian Holdings, LLC, an Arizona limited liability company, Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (collectively, the "Shareholder"), pursuant to which TJC acquired substantially all of the Assets of Seller related to the Subject Franchises of TJC (the " Asset Purchase Agreement"). Capitalized terms used in this General Release without being defined have the same meanings that they have in the Asset Purchase Agreement.

The undersigned is delivering this General Release to TJC pursuant to Section 9(b) of the Asset Purchase Agreement. The undersigned's release of TJC was and is a material inducement to TJC to enter into and close the Asset Purchase Agreement.

The undersigned waives and releases (i) any written notice required or right of first refusal granted to the undersigned under any operative instrument with respect to the Seller, the Shareholder, the Assets, the Subject Franchises or any of them, (ii) any and all right, title and interest of the undersigned in, to and under any of the Assets, or the Subject Franchises. The undersigned specifically acknowledges and agrees that TJC will rely and is entitled to rely upon the effectiveness of this instrument in closing the transactions contemplated by the Asset Purchase Agreement, and that the undersigned will benefit personally (directly or indirectly) from the closing of those transactions. Notwithstanding the above, the undersigned do not waive or release any rights granted them under the franchise agreements relating to the Shareholder Retained Franchises and any future franchise agreements with TJC.

Effective upon the closing of the transactions described in the Asset Purchase Agreement, and without the necessity of notice or any other additional act, the undersigned releases each of TJC, its officers, directors, attorneys and affiliates ("TJC Parties") and Seller from any and all claims, demands and causes of action of any kind or nature whatsoever, including any claims or causes of action related to any of the following: (a) the Subject Franchises, (b) the Assets; and/or (c) the Franchise Agreements and any other agreements between the Parties, that the undersigned, either alone or with any one or more of the other members of Seller, has had or may have, whether now known or unknown, as of Closing against the TJC Parties for any event occurring prior to Closing. Notwithstanding the provisions above, the undersigned do not release any claims, demands and causes of action of any kind or nature whatsoever relating to: 1) the TJC Parties performance under the Asset Purchase Agreement; 2) the Shareholder Retained Franchises and any future franchise agreements with TJC; and 3) any defense or counterclaim the undersigned may have in the event TJC assets a claim or action against the undersigned under the Franchise Agreements.

With respect to the matters hereinabove released, the undersigned knowingly waives all its rights and protection, if any, under Section 1542 of the Civil Code of the State of California, or any similar law of any state or territory of the United States of America. Section 1542 provides as follows:

> 1542 General Release; Extent. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him, must have materially affected his settlement with the debtor.

[NOTARIZED SIGNATURES FOLLOW BELOW]

DR. AARON SHAKARIAN

By: _____________________________
Dr. Aaron Shakarian, individually
Date: ________________

State of _____________)) ss.
County of ___________)

I, the undersigned, a Notary Public in and for the State and County aforesaid, do hereby certify that _____________________, personally known to me to be the individual whose name appears above, executed and delivered this instrument as his/her own free and voluntary act, for the uses and purposes set forth therein.

____
Notary Public
(Seal)
My Commission Expires:

STACIE SHAKARIAN

By: _____________________________

Stacie Shakarian, individually
Date: ________________

State of _____________)) ss.
County of ___________)

I, the undersigned, a Notary Public in and for the State and County aforesaid, do hereby certify that ____________________, personally known to me to be the individual whose name appears above, executed and delivered this instrument as his/her own free and voluntary act, for the uses and purposes set forth therein.

____
Notary Public
(Seal)
My Commission Expires:

EXHIBIT D – SELLER'S CERTIFICATE

This Sellers' Certificate ("Certificate") is dated as of the last date set forth on the signature page below ("Certificate Effective Date"), and is delivered pursuant to Section 5 of the Asset and Franchise Agreement Purchase Agreement dated as of its defined "Effective Date" (the "Asset Purchase Agreement") entered into by and between The Joint Corp., a Delaware corporation ("TJC"), SJV Tempe Marketplace, LLC, an Arizona limited liability company ("TM"), Shakarian Joint Ventures, LLC, an Arizona limited liability company ("SJV"), SJV East Mesa, LLC, an Arizona limited liability company ("EM"), SPV Apache Junction, LLC, an Arizona limited liability company ("AJ"), Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (TM, SJV, EM, AJ, Dr. Aaron Shakarian and Stacie Shakarian shall collectively be referred to as the "Seller"), and Shakarian Holdings, LLC, an Arizona limited liability company, Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (collectively, the "Shareholder") pursuant to which TJC acquired substantially all of the Assets of Seller related to the Subject Franchises (the "Asset Purchase Agreement"). Capitalized terms used in this Certificate without being defined have the same meanings that they have in the Asset Purchase Agreement.

We, Dr. Steve Shakarian and Stacie Shakarian, certify to TJC, as the ultimate sole Shareholders of Shakarian Holdings, LLC and Seller, as follows:

1. We are the ultimate sole shareholders or members and duly appointed Shareholders, owner, member or officer of Seller, and am authorized to execute and deliver this Certificate on Seller's behalf;

2. The representations and warranties in Section 6, as qualified or limited by any exceptions in the Schedules to Section 6, were true and correct as of the date of the Asset Purchase Agreement;

3. The representations and warranties in Section 6, as qualified or limited by any exceptions in the Schedules to Section 6, as they may have been amended, are true and correct in all material respects on the Closing as if made at and as of Closing;

4. Each of Seller and Shareholder has performed, complied with or satisfied in all material respects all of the obligations, agreements and conditions under the Asset Purchase Agreement that it is required to perform, comply with or satisfy prior to or at Closing; and

5. Resolutions (and other corporate governance procedures) were duly adopted by the Shareholder to authorize its execution, delivery and performance of the Asset Purchase Agreement. Shareholder and Seller agree, as necessary, to promptly execute any documentation required by The Joint to formalize any aspect of the Asset Purchase Agreement.

[SIGNATURES FOLLOW BELOW]

"SELLER"

SJV Apache Junction, LLC, an Arizona limited liability company

By: ___________________________
Print: _________________________
Its: ___________________________
Date: __________________________

SJV Tempe Marketplace, LLC, an
Arizona limited liability company

By: ___________________________
Print: __________________________
Its: ___________________________
Date: __________________________

Shakarian Joint Ventures, LLC, an
Arizona limited liability company

By: ___________________________
Print: __________________________
Its: ___________________________
Date: __________________________

SJV East Mesa, LLC, an
Arizona limited liability company

By: ___________________________
Print: __________________________
Its: ___________________________
Date: __________________________

[SIGNATURES CONTINUE BELOW]

Dr. Aaron Shakarian, an Individual

By: ___________________________

Dr. Aaron Shakarian
Date: __________________________

Stacie Shakarian, an Individual

By: ___________________________

Stacie Shakarian
Date: __________________________

"SHAREHOLDER"

DR. AARON SHAKARIAN

By: ____________________________
Dr. Aaron Shakarian, individually
Date: __________________________

STACIE SHAKARIAN

By: ___________________________

Stacie Shakarian, individually
Date: __________________________

SHAKARIAN HOLDINGS, LLC, an Arizona limited liability company
By:_____________________________
Print: ___________________________
Its: _____________________________
Date: ___________________________

EXHIBIT E – DUE DILIGENCE REQUEST

The following information is requested to be provided by Shakarian Holdings, LLC, an Arizona limited liability company, Dr. Aaron Shakarian, an individual and Stacie Shakarian, an individual (collectively, "the Shareholder") to Jesse McBain, Aaron Gagnon and Jorge Armenteros on behalf of The Joint Corp. To the extent that any request below would be unduly burdensome to produce, please advise us so that we may discuss narrowing this request. For purposes of this request, the "Company" includes all of the Company's respective subsidiaries and any predecessors. If any item on this list is inapplicable to the Company or if no information of the type requested exists, please indicate in writing.

1. Company Records:

1.1 The articles of organization and operating agreement, as amended to date, for the Company. Copies of any organizational charts relating to the organizational structure of the Company~~.~~

1.2 The minute books and membership interest ledgers for the Company, together with written consents and minutes of all meetings of the board of managers, any committees of the board of managers, and members of the Company, and all materials furnished to managers and members of the Company related thereto.

1.3 Copies of all certificates or other documentation representing membership interests of the Company. A list of each security holder of the Company and a description (including the number outstanding) of each class of securities issued and outstanding thereto.

1.4 List of all subsidiaries of the Company

1.5 The charter/formation documents and the related by-laws, partnership agreements and operating agreements, as applicable, as amended to date, for all of the subsidiaries of the Company and, to the extent in the possession of the Company, for any member of the Company that is an entity.

1.6 The minute books and stock/membership interest ledgers for all of the subsidiaries of the Company, together with written consents and minutes of all meetings of the board of directors/managers, any committees of the board of directors/managers, and shareholders/members of the subsidiaries of the Company, and all materials furnished to officers/managers and shareholders/members of the subsidiaries of the Company related thereto.

1.7 Copies of all certificates representing shares/membership interests of each of the subsidiaries of the Company. A list of each security holder of each of the subsidiaries of the Company and a description (including the number outstanding) he number of each class of securities issued and outstanding thereto.

1.8 List of all jurisdictions in which the Company and/or any of its subsidiaries does business and/or is/are currently qualified to do business as a foreign entity.

1.9 List of locations of all plants, offices, or other facilities of the Company and/or of its subsidiaries.

1.10 Copies of all certificates of authority or qualification issued by each jurisdiction in which the Company and/or its subsidiaries to do business as a foreign corporation.

1.12 A list of any significant mergers, acquisitions or dispositions entered into by the Company and/or any of its subsidiaries within the last five years.

1.13 The (i) federal tax identification number(s), (ii) the state tax identification number(s), and (iii) state organizational i.d. number for the Company and each of its subsidiaries.

2. Governmental Regulation:

2.1 Copies of any and all governmental permits, licenses, certifications, authorizations, consents or similar items of the Company and/or any of its subsidiaries.

2.2 Copies of the most recent reports of inspections of the Company’s and/or any of its subsidiaries’ businesses and properties conducted by governmental authorities, insurance companies or consultants~~,~~

2.3 Copies of any and all correspondence, information, reports, investigations, filings or other documentation relating to noncompliance by the Company and/or any of its subsidiaries with any laws or regulations during the past five years.

3. Financings:

3.1 A list of all outstanding loans and/or guarantees of the Company and/or any of its subsidiaries, and copies of any and all underlying financing documents related thereto. Including documentation that support current debt to shareholders.

3.2 A list and copy of all UCC filings on file in any jurisdiction with respect to the Company and/or any of its subsidiaries or any of their respective assets.

4. Employment and PC Agreement:

4.1 Copies of any and all PC agreements, employment agreements, consulting agreements, confidentiality agreements, non-compete agreements, severance agreements, change-of-control agreements, option agreements, commission agreements, and indemnification agreements to which the Company and/or any of its subsidiaries is/are a party. Copies of any employee handbooks issued or adopted by the Company and/or any of its subsidiaries.

4.2 A description of any complaints, disputes or grievances by or with employees, requests for arbitration, grievance proceedings, etc. during the past five years for the Company and/or any of its subsidiaries. A list of any work stoppages, strikes or other labor actions affecting the Company and/or any of its subsidiaries in the past five years.

4.4 Copies of any and all pension, retirement, severance, profit sharing, medical, disability, hospitalization, insurance, deferred compensation, bonus, incentive, welfare or any other employee benefit plan, policy, agreement or practice currently or previously maintained by the Company and/or any of its subsidiaries for any of their respective personnel. A description of all sick leave, maternity leave, vacation and other paid absence policies for the Company and/or any of its subsidiaries.

4.5 A copy of each employee benefit plan of the Company and/or any of its subsidiaries; the most recent actuarial and financial reports prepared with respect to any employee benefit plan; the most recent annual report, if any, filed with any governmental authority for each employee benefit plan; and all Internal Revenue Service and Department of Labor rulings, and any open requests for rulings, and determination letters that pertain to any employee benefit plan of the Company and/or any of its subsidiaries. A copy of COBRA forms and procedures.

4.6 A list of the current officers, directors, managers, independent contractors and employees of the Company and/or any of its subsidiaries along with a description of their job duties and their jurisdiction of employment.

4.7 A list of all current employees of the Company,

4.8 Clinic rosters – employee name, address, date of birth, pay rate, position etc.

4.1 A copy of the last couple of payrolls for the clinic and Copies of I-9s.

4.2 Amount of vacation owed.

4.12 Information of sponsored visa of key employee

5. <u>Certain Material Agreements</u>:

5.1 Copies of any and all supply or requirements contracts to which the Company and/or any of its subsidiaries is a party.

5.2 Copies of any and all leases of real property and all leases of personal property to which the Company and/or any of its subsidiaries is/are a party. Confirmation that neither the Company nor any of its subsidiaries own any real estate.

5.3 Copies of any and all forms of all standard agreements (e.g., terms of purchase or sale, warranties, guaranties, non-competes, etc.) utilized by the Company and/or any of its subsidiaries in the ordinary course of its business.

5.4 Copies of any and all agreements of the Company and/or any of its subsidiaries with sales agents or other independent representatives.

5.1 Confirmation that there are no contracts, agreements or other documents containing any restrictions on financing, borrowing, the issuance or offering of any security of the Company and/or any of its subsidiaries, or the consummation of any asset or equity sale. Confirmation that there are no agreements relating to restrictions upon competition or restricting or purporting to restrict the ability of the Company and/or any of its subsidiaries to engage in any type of business or to operate in any geographic area.

5.2 Copies of any and all secrecy, confidentiality and nondisclosure agreements and any other contracts or agreements made otherwise than in the ordinary course of business by the Company and/or any of its subsidiaries in the past three years.

5.7 To the extent not already included in any of the above items, copies of each contract, lease or instrument entered into or binding upon the Company and/or any of its subsidiaries which (a) provides for aggregate payments by the Company and/or any of its subsidiaries in excess of $10,000, (b) which is not terminable without penalty by the Company and/or any of its subsidiaries upon the provision of no more than 30 days' written notice, and/or (c) which is material to the operations or business of the Company.

5.8 Copies of any and all contracts containing termination or other provisions triggered by a sale of assets equity or change of control or requiring the consent of the Company and/or any of its subsidiaries.

5.9 Copies of any and all documentation evidencing any patents, patent rights, trademarks, trade names, service marks, brands, copyrights and other intellectual property rights issued in favor of the Company and/or any of its subsidiaries in any jurisdiction and register copies of all pending registrations and applications therefor.

5.10 Copies of any and all documents relating to any technology and/or intellectual property used or otherwise relied upon by the Company and/or any of its subsidiaries in the ordinary course of business, including, without limitation, any and all "work for hire agreements," right to use agreements, agreements relating to source code used by the Company and/or any of its subsidiaries, software development agreements, and license agreements.

6. Operating and Related Party Agreements:

6.1 Copies of any and all contracts relating to the Company's and/or any of its subsidiaries' securities to which the Company and/or any of its subsidiaries or any of their respective shareholders/members is a party, including operating agreements, shareholders' agreements voting trust agreement, option agreements, preemptive rights agreements, warrants, etc.

6.2 Copies of any and all agreements between the Company and any of its subsidiaries which are material to the conduct of the Company's business and/or which require the payment by the Company of any fees, royalties, compensation or other payments to any of the Company's subsidiaries, members, a relative of any member, entities owned by any member and/or relative or any member.

7. Litigation:

7.1 A schedule and description of all suits, actions, litigations, administrative proceedings or other governmental investigations or inquiries, currently pending, pending during the past five years or known to be contemplated, by any private party or governmental authority, affecting the business or operations of the Company and/or any of its subsidiaries, including amounts claimed and whether or not covered by insurance. Detail on workers' comp. experience for the past five years.

7.2 Copies of any and all consent decrees, judgments, other decrees or orders, settlement agreements and other agreements, to which the Company and/or any of its subsidiaries is/are a party or is bound, requiring or prohibiting any future activities or assessing any penalties for violations of laws.

8. Financial and Auditors:

8.1 Copies of any and all letters from the Company and/or any of its subsidiaries to any of the Company's and/or any of its subsidiaries, as applicable, independent public accountants in the past five years regarding certain representations requested by any of the Company's and/or any of its subsidiaries~~,~~ independent public accountants in connection with their audit of the Company and/or any of its subsidiaries, as applicable.

8.2 Copies of any and all accountants' reports, audited financial statements and auditors letters to management from the Company's and/or any of its subsidiaries' respective auditors to the Company and/or any of its subsidiaries for the past five years and interim periods subsequent to the most recent fiscal year end.

8.3 CAPEX investments for the past year.

8.4 Monthly Income Statements for the most recent 12 months.

8.4 To present:

- Detailed List of Property Plant and Equipment (including its original purchase price, depreciation and book value)

- Detailed list of Accounts Receivable and Accounts Payable

- Detailed list of all prepaid accounts - including schedule of how much collected and what remains outstanding

8.5 List of any off-balance sheet liabilities not appearing in most recent financial statements (including the notes thereto)

8.6 To the extent they exist, current budgets, forecasts and cash projections for five years, including all supporting information

8.7 Allocation of assets and total value of assets for the clinic.

9. Insurance:

9.1 A list and brief description of any claims pending under any policies of insurance during the past five years.

9.2 Copies of any and all correspondence relating to the cancellation or non-renewal any policy of insurance during the last five years.

10. Intellectual Property:

10.1. A list of all software programs owned by the Company and/or any of its subsidiaries and used internally in connection with the Company's and/or any of its subsidiaries', as applicable, business.

10.17 List of all internet domain names owned by the Company and/or any of its subsidiaries or otherwise used by any of them in their business, and a list of all internet domain names owned by third parties or by employees of the Company and/or any of its subsidiaries and used by Company and/or any of its subsidiaries in its business.

11. Tax Information:

11.1 Copies of Federal income tax returns for the years 2014, 2015 and 2016 for the Company and each of its subsidiaries.

11.2 Copies of all state income tax and unemployment tax returns for the years 2014, 2015 and 2016 for the Company and each of its subsidiaries.

11.3 Copies of any and all documents and correspondence relating to any pending tax investigations or inquires by any taxing authority in respect of the Company and/or any of its subsidiaries.

12. Real Property:

12.1 Real Property Leased. With respect to each parcel of real property which is leased by the Company, please provide copies of and/or information pertaining to:

a. lease agreement and any addendums

b. any correspondence from the landlord from the last six months.

c. any information written or otherwise that the Company is or may be in violation of the terms of the lease.

d. any information or notification from the landlord that it is in breach of the lease agreement and/or it may be renewing the lease.

e. title policies.

f. amounts of deposits required.

13. Miscellaneous:

13.1 Copies of all complaints or demands received from any customers and independent contractors within the last twelve months with respect to the Company and/or any of its subsidiaries.

13.2 Copies of any and all other documents, reports, studies or information viewed by the officers and directors of the Company and/or any of its subsidiaries as material to the business, financial condition, prospects or operations of the Company and/or any of its subsidiaries.

13.3 Any marketing agreements with radio stations, TV stations, or other vendors.

13.5 Summary of all local media and marketing relationships and details of those partnerships (including work with charities etc.)

13.6 Digital versions of all artwork that has been created

Schedule 1(b)(i)

Franchise Agreements

1. Franchise Agreement for Clinic #48041 dated August 1, 2017 and subsequently assigned twice, currently by and between The Joint Corp. and SJV Tempe Marketplace, LLC, creating License Number #48041;

2. Franchise Agreement for Clinic #48054 dated August 21, 2020, between The Joint Corp. and Dr. Aaron Shakarian and Stacie Shakarian, creating License Number #48054;

3. Franchise Agreement for Clinic #48040 dated July 21, 2016, between The Joint Corp. and Shakarian Joint Ventures, LLC, creating License Number #48040 (via assignment); and

4. Franchise Agreement for Clinic #48042 dated December 23, 2016, between The Joint Corp. and SJV East Mesa, LLC (via assignment), creating License Number #48042.

[The Franchise Agreements shall be attached by separate electronic attachment and/or by attachment below.]

Schedule 1(b)(ii)

Personal Property of the Subject Franchises

(Attached)

[Seller and Shareholder acknowledge the obligation to provide any detail of the Personal Property above, and and that any failure to include may be subject to a holdback of the Purchase Payment by TJC]

Schedule 1(b)(ix) – Assumed Contracts/Insurance Policies/Corporate Documentation

1. Patient Membership Agreements referenced in section 1(b)(3) of this Agreement.

2. Commercial Real Estate Leases referenced in Exhibit A to this Agreement.

[Copies of each of the above-listed Assumed Contracts attached to be provided by the Seller and Shareholder, and incorporated into this Agreement. Seller and Shareholder acknowledges its obligation to provide all Assumed Contracts to The Joint as a material condition of this Agreement.]

Schedule 2

Other Excluded Assets

1. 2022 GMC Yukon Denali

2. 2021 Mercedes Benz

Schedule 6(b)

Required Consents or Approvals

[See the Lease Agreements above]

Schedule 6(f)

List of Reported Litigation and Liens for Seller and Shareholder in Arizona

(Attached)

THE JOINT CORP.

SHAKARIAN HOLDINGS CLINIC ACQUISITION

UCC/LIEN SEARCH INFORMATION*

Name of Debtor(s) or Defendant(s)	Filing Office and Thru Date of Search	Type of Search	Date of Filing	File Number	Secured Party(ies) or Plaintiff(s)	Collateral Description
SJV Tempe Marketplace, LLC[1]	Secretary of State, Arizona Thru 04/08/2022	UCC Lien	08/20/2020 07/02/2021	202000506586 202000506586	Navitas Credit Corp.	Blanket Lien Amendment[2]
SJV Tempe Marketplace, LLC	Secretary of State, Arizona Thru 04/08/2022	Federal Tax Lien, State Tax Lien	CLEAR			
SJV Tempe Marketplace, LLC	Maricopa County, Arizona Thru 04/15/2022	Fixture Filings, Federal Tax Lien, State Tax Lien, Judgment Lien	CLEAR			
SJV Tempe Marketplace, LLC	Maricopa County, Arizona Thru 04/19/2022	Litigation – Defendant	CLEAR			

[1] Multiple Debtors

[2] Changed a Debtor from TJC Tempe Marketplace, LLC to SJV Tempe Marketplace, LLC

*Seller acknowledges that the Buyer has commissioned these searches, that the searches are not exhaustive, that the Buyer is not waiving any of its enforcement rights regarding these search results, or any other liens, judgments, or claims that are not listed in these searches, and that the Seller is responsible to conduct its own searches, and to provide to the Buyer evidence that any and all liens, judgments or claims must be satisfied and such satisfaction must be delivered to the Buyer.

SJV Tempe Marketplace, LLC	U.S. District Court, Arizona District Thru 04/15/2022	Federal Litigation – Defendant	CLEAR			
SJV Tempe Marketplace, LLC	U.S. Bankruptcy Court, Arizona District Thru 04/15/2022	Bankruptcy – Petitioner	CLEAR			
Shakarian Joint Ventures, LLC	Secretary of State, Arizona Thru 04/08/2022	UCC Lien	12/21/2016 11/01/2021	201600452570 201600452570	Spirit of Texas Bank	Blanket Lien Continuation
Shakarian Joint Ventures, LLC	Secretary of State, Arizona Thru 04/08/2022	UCC Lien	06/23/2017	201700233970	Spirit of Texas Bank	Blanket Lien
Shakarian Joint Ventures, LLC	Secretary of State, Arizona Thru 04/08/2022	UCC Lien	09/17/2018 06/25/2019	201800374318 201800374318	CHTD Company	Blanket Lien ***TERMINATION***

Shakarian Joint Ventures, LLC	Secretary of State, Arizona Thru 04/08/2022	UCC Lien	08/04/2020 01/06/2021	202000439275 202000439275	Navitas Credit Corp.	Blanket Lien Amendment[3,4]
Shakarian Joint Ventures, LLC	Secretary of State, Arizona Thru 04/08/2022	UCC Lien	08/20/2020 07/02/2021	202000506586 202000506586	Navitas Credit Corp.	Blanket Lien Amendment[5,6]
Shakarian Joint Ventures, LLC	Secretary of State, Arizona Thru 04/08/2022	Federal Tax Lien, State Tax Lien	CLEAR			
Shakarian Joint Ventures, LLC	Maricopa County, Arizona Thru 04/15/2022	Fixture Filings, Federal Tax Lien, State Tax Lien, Judgment Lien	CLEAR			
Shakarian Joint Ventures, LLC, et al	Maricopa County, Arizona Thru 04/15/2022	Litigation – Defendant	12/10/2020	CV2020-096580; Civil Matter – Medical Malpractice	Samantha Smith	Notice of Voluntary Dismissal of Defendant Shakarian Joint Ventures, LLC only (without prejudice) filed on 12/31/2020

[3] Multiple Debtors
[4] Removed TJC Chandler, LLC as a Debtor
[5] Multiple Debtors
[6] Changed a Debtor from TJC Tempe Marketplace, LLC to SJV Tempe Marketplace, LLC

Shakarian Joint Ventures, LLC	U.S. District Court, Arizona District Thru 04/15/2022	Federal Litigation – Defendant	CLEAR			
Shakarian Joint Ventures, LLC	U.S. Bankruptcy Court, Arizona District Thru 04/15/2022	Bankruptcy – Petitioner	CLEAR			
SJV East Mesa, LLC	Secretary of State, Arizona Thru 04/08/2022	UCC Lien, Federal Tax Lien, State Tax Lien	CLEAR			
SJV East Mesa, LLC	Maricopa County, Arizona Thru 04/15/2022	Fixture Filings, Federal Tax Lien, State Tax Lien, Judgment Lien	CLEAR			
SJV East Mesa, LLC	Maricopa County, Arizona Thru 04/19/2022	Litigation – Defendant	CLEAR			

SJV East Mesa, LLC	U.S. District Court, Arizona District Thru 04/15/2022	Federal Litigation – Defendant	CLEAR			
SJV East Mesa, LLC	U.S. Bankruptcy Court, Arizona District Thru 04/15/2022	Bankruptcy – Petitioner	CLEAR			
SJV Apache Junction, LLC	Secretary of State, Arizona Thru 04/08/2022	UCC Lien, Federal Tax Lien, State Tax Lien	CLEAR			
SJV Apache Junction, LLC	Maricopa County, Arizona Thru 04/15/2022	Fixture Filings, Federal Tax Lien, State Tax Lien, Judgment Lien	CLEAR			
SJV Apache Junction, LLC	Maricopa County, Arizona Thru 04/19/2022	Litigation – Defendant	CLEAR			

SJV Apache Junction, LLC	U.S. District Court, Arizona District Thru 04/15/2022	Federal Litigation – Defendant	CLEAR			
SJV Apache Junction, LLC	U.S. Bankruptcy Court, Arizona District Thru 04/15/2022	Bankruptcy – Petitioner	CLEAR			
Shakarian Holdings, LLC	Secretary of State, Arizona Thru 04/08/2022	UCC Lien, Federal Tax Lien, State Tax Lien	CLEAR			
Shakarian Holdings, LLC	Maricopa County, Arizona Thru 04/15/2022	Fixture Filings, Federal Tax Lien, State Tax Lien, Judgment Lien	CLEAR			
Shakarian Holdings, LLC, et al	Maricopa County, Arizona Thru 04/15/2022	Litigation – Defendant	06/09/2021	CV2021-009330; Civil Matter – Medical Malpractice	Peter Jordan; Sophia Jordan	Last Docket Activity – Scheduling Order filed on 02/17/2022; Pretrial Conference Set

Shakarian Holdings, LLC	U.S. District Court, Arizona District Thru 04/15/2022	Federal Litigation – Defendant	CLEAR			
Shakarian Holdings, LLC	U.S. Bankruptcy Court, Arizona District Thru 04/15/2022	Bankruptcy – Petitioner	CLEAR			

Schedule 6(g)

List of Employees and Wage Information

See Attached Schedule

[TO BE ADDED BY THE SELLER]

Schedule 6(h)

Contracts

[See Schedule 1(b)(ix).]

Exhibit 31.1

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, 2022 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: August 5, 2022

/s/ Peter D. Holt

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

Exhibit 31.2

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, 2022 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: August 5, 2022

/s/ Jake Singleton

Jake Singleton
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of The Joint Corp. (the "Company"), for the quarter ended Date: June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, in his or her capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Peter D. Holt
Peter D. Holt
President and Chief Executive Officer
(Principal Executive Officer)

Dated August 5, 2022

By: /s/ Jake Singleton
Jake Singleton
Chief Financial Officer
(Principal Financial Officer)

Dated August 5, 2022