

JOINT Corp
Form S-1/A
November 05, 2015

As filed with the Securities and Exchange Commission on November 5, 2015.

Registration No. 333-207632

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

The Joint Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6794
(Primary Standard Industrial
Classification Code Number)

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

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

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

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

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

Copies to:

Craig P. Colmar, Esq.
Robin C. Friedman, Esq.
Johnson and Colmar
2201 Waukegan Road, Suite 260
Bannockburn, Illinois 60015
(312) 922-1980

Ivan K. Blumenthal, Esq.
Merav Gershtenman, Esq.
Mintz, Levin, Cohn, Ferris, Glovsky and
Popeo, P.C.
666 Third Avenue
New York, New York 10017
(212) 935-3000

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

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

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

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

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

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

Edgar Filing: JOINT Corp - Form S-1/A

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

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

Accelerated filer
Smaller reporting company

TABLE OF CONTENTS**Calculation of Registration Fee**

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price ⁽¹⁾	Amount of Registration Fee ⁽²⁾
Common Stock, \$0.001 par value per share	\$ 28,807,500	\$ 2,900.92

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

(1) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price of the securities registered hereunder to be sold by the registrant. \$2,895.13 of this fee was previously paid.

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

TABLE OF CONTENTS

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

PRELIMINARY PROSPECTUS

Subject to Completion

Preliminary Prospectus dated November 5, 2015

3,750,000 Shares

Common Stock

This is a public offering of shares of our common stock. We are offering 3,011,000 shares of our common stock, and the selling stockholders named in this prospectus are offering an additional 739,000 shares of our common stock. We will not receive any of the proceeds from the shares being sold by the selling stockholders.

Our common stock is listed on The NASDAQ Capital Market under the symbol `JYNT`. On November 3, 2015, the last reported sale price of our common stock was \$6.68 per share.

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

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

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

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

(1) The underwriters will receive compensation in addition to the underwriting discounts and commissions. See Underwriting beginning on page 102.

We have granted a 45-day option to the underwriters to purchase up to an additional 562,500 shares from us at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any.

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

Joint Book-Running Managers

Feltl and Company

Maxim Group LLC

The date of this prospectus is _____, 2015.

TABLE OF CONTENTS

TABLE OF CONTENTS**TABLE OF CONTENTS**

	Page
<u>Market and Industry Data</u>	<u>ii</u>
<u>Presentation of Certain Financial Measures</u>	<u>ii</u>
<u>About This Prospectus</u>	<u>ii</u>
<u>Unaudited Pro Forma Financial Information</u>	<u>iv</u>
<u>Trademarks, Trade Names, and Service Marks</u>	<u>iv</u>
<u>Other Important Introductory Information</u>	<u>iv</u>
<u>Prospectus Summary</u>	<u>1</u>
<u>Risk Factors</u>	<u>18</u>
<u>Special Note Concerning Forward-Looking Statements</u>	<u>35</u>
<u>Use of Proceeds</u>	<u>36</u>
<u>Price Range of our Common Stock</u>	<u>37</u>
<u>Dividend Policy</u>	<u>37</u>
<u>Capitalization</u>	<u>38</u>
<u>Dilution</u>	<u>39</u>
<u>Unaudited Pro Forma Consolidated Financial Information</u>	<u>41</u>
<u>Selected Financial Data</u>	<u>46</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>48</u>
<u>Business</u>	<u>60</u>
<u>Management</u>	<u>78</u>
<u>Executive Compensation</u>	<u>84</u>
<u>Certain Relationships and Related Person Transactions</u>	<u>90</u>
<u>Principal and Selling Stockholders</u>	<u>91</u>
<u>Description of Capital Stock</u>	<u>94</u>
<u>Shares Eligible for Future Sale</u>	<u>97</u>
<u>Certain Material United States Federal Income and Estate Tax Consequences to Non-U.S. Holders</u>	<u>99</u>
<u>Underwriting</u>	<u>102</u>
<u>Legal Matters</u>	<u>110</u>
<u>Experts</u>	<u>110</u>
<u>Where You Can Find More Information</u>	<u>110</u>
<u>Index to Financial Statements</u>	<u>F-1</u>

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

TABLE OF CONTENTS

MARKET AND INDUSTRY DATA

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

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

PRESENTATION OF CERTAIN FINANCIAL MEASURES

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

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

ABOUT THIS PROSPECTUS

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

ii

TABLE OF CONTENTS

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

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

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

This prospectus includes:

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

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

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

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

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

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

iii

TABLE OF CONTENTS

UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

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

See Capitalization and Unaudited Pro Forma Condensed Consolidated Financial Information.

TRADEMARKS, TRADE NAMES, AND SERVICE MARKS

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

OTHER IMPORTANT INTRODUCTORY INFORMATION

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

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

TABLE OF CONTENTS

PROSPECTUS SUMMARY

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

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

Our Company

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

Since acquiring the predecessor to our company in March 2010, we have grown our enterprise from eight clinics to 262 clinics in operation as of June 30, 2015. In the year ended December 31, 2014, our franchised clinics registered 2,168,124 patient visits and generated revenues of \$46,231,887. During the six months ended June 30, 2015, our franchised clinics along with our company-owned or managed clinics registered 1,485,901 patient visits and generated revenues of \$32,025,622. We collect a royalty of 7.0% of revenues from directly franchised clinics. We remit a 3.0% royalty to our regional developers on the gross revenues of franchises opened under regional developer licenses. We also collect a national marketing fee of 2.0% of gross revenues of all franchised clinics. We receive a franchise sales fee of \$39,900 for franchises we sell directly and a franchise fee of \$19,500 for franchises sold through our network of regional developers.

As of June 30, 2015, 239 of our clinics were operated by franchisees and 23 clinics were operated as company-owned or managed units. Our future growth strategy will increasingly focus on operating clinics owned or managed by us, while continuing to strategically grow through the sale of additional franchises. We began to implement our growth strategy on December 31, 2014, when we reacquired six franchises from a franchisee.

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

Our underwriters exercised their option to purchase 450,000 additional shares of common stock to cover over-allotments on November 18, 2014, pursuant to which we received aggregate net proceeds of approximately \$2,710,000. Also, in conjunction with the IPO, we issued warrants to the underwriters for the purchase of 90,000

Edgar Filing: JOINT Corp - Form S-1/A

shares of common stock, which can be exercised between November 10, 2015 and November 10, 2018 at an exercise price of \$8.125 per share.

For the six months ended June 30, 2015 and for the years ended December 31, 2014 and 2013, we had net income (loss) of (\$3,759,593), (\$3,031,220) and \$155,635, respectively.

Over the past three calendar years, our franchisees have achieved sustained increases in average monthly revenues and patient visits per clinic, which we believe demonstrates our ability to continue to increase revenues and to grow our brand equity. Through the six months ended June 30, 2015, we acquired 23 clinics from existing franchises. Prior to December 31, 2014, all clinics were owned or managed by franchisees.

1

TABLE OF CONTENTS

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

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

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

TABLE OF CONTENTS

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

For the comparable group of 98 clinics that opened in 2013 sales throughout our system increased from \$5,033,800 in 2013 to \$17,890,451 in 2014, and patient visits increased from 270,611 in 2013 to 858,230 in 2014.

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

As part of our branding strategy, we deliver convenient, appointment-free chiropractic adjustments in an inviting, consumer-oriented environment at prices that are approximately 67% lower than the average industry cost, according to 2014 industry data from Chiropractic Economics, for comparable procedures offered by traditional chiropractors. In support of our mission to offer affordable and convenient care and value for our patients, our clinics offer a variety of customizable membership and wellness treatment plans which offer

TABLE OF CONTENTS

additional value pricing even as compared with our single-visit pricing schedules. These flexible plans are designed to attract patients and encourage repeat visits and routine usage.

As of June 30, 2015, we had 262 franchised or company-owned or managed clinics in operation in 27 states. The map below shows the states in which we or our franchisees operate clinics and the number of clinics open in each state as of June 30, 2015.

Our locations have been selected to be visible, accessible and convenient. We offer a welcoming, consumer-friendly experience that attempts to redefine the chiropractic doctor/patient relationship. Our clinics are open longer hours than many of our competitors and our patients do not need appointments. We operate a cash business. We do not accept insurance and do not provide Medicare covered services. We believe that our approach, especially our commitment to affordable pricing and our ready service delivery model, will attract existing consumers of chiropractic services and will also appeal to the growing market of consumers who seek alternative or non-invasive wellness care, but have not yet tried chiropractic.

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

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

TABLE OF CONTENTS

Recent Developments

Although the results of our three and nine months ended September 30, 2015 are not yet finalized, the following information reflects our preliminary expectations with respect to such results based on currently available information:

For the three months ended September 30, 2015, we expect to report revenue of approximately \$4.1 million, an increase of 123% from \$1.8 million in revenue reported for the three months ended September 30, 2014. The largest component of revenue growth was from company-owned or managed clinics where revenue and management fees grew to \$1.2 million in the third quarter of 2015 from \$0 in the third quarter of 2014.

For the nine months ended September 30, 2015, we expect to report revenue of approximately \$10.0 million, an increase of 97% from \$5.1 million in revenue reported for the nine months ended September 30, 2014.

For the three months ended September 30, 2015, we expect to report a net loss of \$(1.9) million as compared to \$(0.2) million for the three months ended September 30, 2014.

For the nine months ended September 30, 2015, we expect to report a net loss of \$(5.7) million as compared to \$(0.5) million for the nine months ended September 30, 2014.

During the three months ended September 30, 2015, we opened four newly-developed clinics and purchased two franchised clinics, bringing the total number of company-owned or managed clinics to 29, compared to no company-owned or managed clinics during the third quarter of 2014. We believe that revenue growth from company-owned or managed clinics is a key performance measure. We did not own or manage any clinics during 2014. As of September 30, 2015, revenue growth rates for clinics we owned or managed for nine months grew by 37% during the nine month period since acquisition, those clinics owned or managed for seven months grew by 22% during the seven month period since acquisition, and those clinics owned or managed for three months grew by 21% during the three month period since acquisition.

As of September 30, 2015, we had a system-wide total of 277 clinics in operation, 29 of which were company-owned or managed clinics, and 248 were franchised clinics. During the three month period ended September 30, 2015, system-wide Comp Sales¹ increased by 30% compared to the same three month period in prior year.

The preliminary financial data presented above are subject to the completion of our normal quarter-end accounting procedures and adjustments and are subject to change. We currently expect that our final results will be consistent with the estimates described above. However, the estimates described above are preliminary and based on the most current information available to management. Our actual results may differ materially from these estimates due to the completion of our final accounting closing procedures, final adjustments and other developments that may arise between now and the time our results for the quarter ended September 30, 2015 are finalized. This preliminary financial data have been prepared by and are the responsibility of our management. EKS&H LLLP has not audited or reviewed or performed any procedures with respect to this preliminary financial data. Accordingly, EKS&H LLLP does not express an opinion or any other form of assurance with respect thereto. In addition, these estimated results are not necessarily indicative of our results for the full fiscal year or any future period.

The foregoing preliminary financial data constitute forward looking statements. Actual results may vary, even materially, from the information contained in these forward-looking statements based on a number of important factors. Please refer to the sections entitled Risk Factors, and Special Note Regarding Forward-Looking Statements in this prospectus for additional information.

¹ Comp Sales include only the sales from clinics that have been open at least 13 full months and exclude any clinics that have closed.

5
