

JOINT Corp
Form 10-Q
August 14, 2015

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, 2015

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 **90-0544160**
(State or other jurisdiction of incorporation or
organization) **(IRS Employer Identification No.)**

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

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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 (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

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As of August 7, 2015, the registrant had 9,825,153 shares of Common Stock (\$0.001 par value) outstanding.

THE JOINT CORP.

FORM 10-Q

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Part II, Items 3, 4, and 5 - Not applicable

PART I: FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****THE JOINT CORP. AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2015	December 31, 2014
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 12,579,991	\$ 20,796,783
Restricted cash	281,968	224,576
Accounts receivable, net	458,914	704,905
Income taxes receivable	292,730	395,814
Note receivable - current portion	17,768	27,528
Deferred franchise costs - current portion	597,970	622,800
Deferred tax asset - current portion	208,800	208,800
Prepaid expenses and other current assets	97,195	375,925
Total current assets	14,535,336	23,357,131
Property and equipment, net	2,691,042	1,134,452
Note receivable, net of current portion and reserve	27,942	31,741
Deferred franchise costs, net of current portion	1,894,930	2,574,450
Intangible assets, net	2,021,136	153,000
Goodwill	2,747,668	636,104
Deposits and other assets	118,073	585,150
Total assets	\$ 24,036,127	\$ 28,472,028
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,452,076	\$ 1,271,405
Co-op funds liability	281,857	186,604
Payroll liabilities	874,825	617,944
Notes payable - current portion	479,400	-
Deferred rent - current portion	98,053	93,398
Deferred revenue - current portion	2,080,787	1,957,500
Other current liabilities	48,691	50,735
Total current liabilities	5,315,689	4,177,586
Notes payable, net of current portion	140,000	-
Deferred rent, net of current portion	410,755	451,766
Deferred revenue, net of current portion	5,734,709	7,915,918
Other liabilities	277,715	299,405

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Total liabilities	11,878,868	12,844,675
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, 2015, and December 31, 2014	-	-
Common stock, \$0.001 par value; 20,000,000 shares authorized, 10,333,534 shares issued and 9,799,534 shares outstanding as of June 30, 2015 and 10,196,502 shares issued and 9,662,502 outstanding as of December 31, 2014	10,333	10,197
Additional paid-in capital	21,710,338	21,420,975
Treasury stock (534,000 shares as of June 30, 2015 and December 31, 2014, at cost)	(791,638)	(791,638)
Accumulated deficit	(8,771,774)	(5,012,181)
Total stockholders' equity	12,157,259	15,627,353
Total liabilities and stockholders' equity	\$24,036,127	\$28,472,028

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

THE JOINT CORP. AND SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Royalty fees	\$1,098,190	\$753,265	\$2,113,704	\$1,361,591
Franchise fees	876,259	570,500	1,224,259	1,034,500
Revenues and management fees from company clinics	783,016	-	1,170,469	-
Advertising fund revenue	339,462	29,376	624,978	116,110
IT related income and software fees	197,214	211,200	401,189	410,825
Regional developer fees	50,750	116,000	268,250	224,750
Other revenues	81,855	51,494	131,796	96,895
Total revenues	3,426,746	1,731,835	5,934,645	3,244,671
Cost of revenues:				
Franchise cost of revenues	743,592	490,298	1,251,158	949,074
IT cost of revenues	48,226	63,915	85,921	135,663
Total cost of revenues	791,818	554,213	1,337,079	1,084,737
Selling and marketing expenses	790,001	253,612	1,757,024	399,778
Depreciation and amortization	278,502	48,819	401,098	88,885
General and administrative expenses	3,412,484	1,084,346	6,200,726	2,050,640
Total selling, general and administrative expenses	4,480,987	1,386,777	8,358,848	2,539,303
Loss from operations	(1,846,059)	(209,155)	(3,761,282)	(379,369)
Other income (expense), net	(9,811)	(3,800)	1,689	(3,800)
Loss before income tax benefit	(1,855,870)	(212,955)	(3,759,593)	(383,169)
Income tax benefit	-	79,206	-	121,523
Net loss and comprehensive loss	\$(1,855,870)	\$(133,749)	\$(3,759,593)	\$(261,646)
Loss per share:				
Basic and diluted loss per share	\$(0.19)	\$(0.03)	\$(0.39)	\$(0.05)
Weighted average shares	9,768,230	4,819,902	9,734,115	4,815,754

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

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

	Six Months Ended	
	June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(3,759,593)	\$(261,646)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for bad debts	4,345	-
Regional developer fees recognized upon acquisition of development rights	(159,500)	-
Net franchise fees recognized upon termination of franchise agreements	(343,250)	-
Depreciation and amortization	401,098	88,885
Gain on sale of property and equipment	(11,500)	-
Deferred income taxes	-	(96,588)
Stock based compensation expense	289,499	27,922
Changes in operating assets and liabilities, net of effects from acquisitions:		
Restricted cash	(57,392)	(57,547)
Accounts receivable	241,646	133,543
Income taxes receivable	103,084	-
Prepaid expenses and other current assets	278,730	16,025
Deferred franchise costs	5,700	28,700
Deposits and other assets	(40,423)	(133,274)
Accounts payable and accrued expenses	180,671	491,099
Co-op funds liability	95,253	(20,508)
Payroll liabilities	256,881	49,689
Other liabilities	(23,734)	56,547
Deferred rent	(36,356)	541,962
Income taxes payable	-	(419,297)
Deferred revenue	31,273	(186,250)
Other, net	-	14,556
Net cash (used in) provided by operating activities	(2,543,568)	273,818
Cash flows from investing activities:		
Cash paid for acquisitions	(4,242,975)	-
Reacquisition and termination of regional developer rights	(945,000)	-
Purchase of property and equipment	(485,308)	(542,673)
Proceeds received on sale of property and equipment	11,500	-
Payments received on notes receivable	13,559	12,771
Net cash used in investing activities	(5,648,224)	(529,902)
Cash flows from financing activities:		
Repayments on note payable	(25,000)	-
Net cash used in financing activities	(25,000)	-

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Net decrease in cash	(8,216,792)	(256,084)
Cash at beginning of period	20,796,783	3,516,750
Cash at end of period	\$12,579,991	\$3,260,666
Supplemental cash flow disclosures:		
Cash paid for income taxes	\$-	\$420,250
Cash paid for interest	\$135	\$-

Supplemental disclosure of non-cash activity:

In connection with the Company's acquisitions of franchises during the six months ended June 30, 2015, the Company acquired \$1,346,766 of property and equipment, and intangible assets of \$1,070,500, goodwill of \$2,111,564 and assumed deferred revenue associated with membership packages paid in advance of \$107,555 in exchange for \$4,242,975 in cash and an aggregate amount of \$644,400 in notes payable to the sellers. Additionally, at the time of these transactions, the Company carried deferred revenue of \$928,000, representing franchise fees collected upon the execution of franchise agreements, and deferred costs of \$461,900, related to Company's acquisition of undeveloped franchises. In accordance with ASC-952-605, the Company netted these amounts against the aggregate purchase price of the acquisitions (Note 2).

In connection with Company's reacquisition and termination of regional developer rights during the six months ended June 30, 2015, the Company had deferred revenue of \$688,750, representing license fees collected upon the execution of the regional developer agreements. In accordance with ASC-952-605, the Company netted these amounts against the aggregate purchase price of the acquisitions (Note 5).

As of December 31, 2014, the Company recorded a deposit of \$507,500 for the reacquisition and termination of regional developer rights, which were paid in advance. During the six months ended June 30, 2015, upon the effective date of the agreement, the Company reclassified \$507,500 from deposits to intangible assets.

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

THE JOINT CORP. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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”) and its wholly owned subsidiary The Joint Corporate Unit No. 1, LLC (collectively, the “Company”). These unaudited condensed consolidated financial statements should be read in conjunction with The Joint Corp. and Subsidiary consolidated financial statements and the notes thereto as set forth in The Joint Corp.’s Form 10-K, which included all disclosures required by generally accepted accounting principles. In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the Company’s financial position on a consolidated basis and the consolidated results of operations and cash flows for the interim periods presented. The results of operations for the periods ended June 30, 2015 and 2014 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, 2015 and 2014 is unaudited.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Joint Corp. and its wholly owned subsidiary, The Joint Corporate Unit No. 1, LLC (collectively, the “Company”), which was dormant for all periods presented.

All significant intercompany accounts and transactions between The Joint Corp. and its subsidiary have been eliminated in consolidation.

Comprehensive Loss

Net loss and comprehensive loss are the same for the three and six months ended June 30, 2015 and 2014.

Nature of Operations

The Joint Corp., a Delaware corporation, was formed on March 10, 2010. Its principal business purposes are owning, operating, managing and franchising chiropractic clinics, selling regional developer rights and supporting the operations of owned, managed and franchised 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 or that are company-owned or managed for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,			Six Months Ended June 30,	
	2015	2014		2015	2014
Franchised clinics:					
Clinics open at beginning of period	241	4			
			CITENZSHIP OR PLACE OF ORGANIZATION		
			United States		
			5	SOLE VOTING POWER	
				-0-	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON			6	SHARED VOTING POWER	
				1,487,808	
			7	SOLE DISPOSITIVE POWER	
				-0-	
			8	SHARED DISPOSITIVE POWER	
				1,487,808	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON				
	1,487,808				
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES				
	0				
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)				
	5.5%				
12	TYPE OF REPORTING PERSON				
	IA				

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1 NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Soros Fund Management LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b)

3 SEC USE ONLY

4 CITENZSHIP OR PLACE OF ORGANIZATION

Delaware

5 SOLE VOTING POWER

-0-

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON

6 SHARED VOTING POWER

1,487,808

7 SOLE DISPOSITIVE POWER

-0-

8 SHARED DISPOSITIVE POWER

1,487,808

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,487,808

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.5%

12 TYPE OF REPORTING PERSON

OO, IA

Item 1. (a) Name of Issuer

Replidyne, Inc. (the "Company").

(b) Address of Issuer's Principal Executive Offices1450 Infinite Drive
Louisville, CO 80027**Item 2.** (a) Names of Persons Filing

This Statement is being filed on behalf of each of the following persons (collectively, the "Reporting Persons")

- (i) Perseus-Soros BioPharmaceutical Fund, LP, a Delaware limited partnership ("Perseus-Soros");
 - (ii) Perseus-Soros Partners, LLC, a Delaware limited liability company ("PSP GP" and general partner of Perseus-Soros);
 - (iii) Perseus BioTech Fund Partners, LLC, a Delaware limited liability company ("PBFP Partners" and managing member of PSP GP);
 - (iv) SFM Participation, L.P., a Delaware limited partnership ("SFM Participation" and managing member of PSP GP);
 - (v) SFM AH LLC, a Delaware limited liability company ("SFM AH" and general partner of SFM Participation);
 - (vi) Perseuspur, L.L.C., a Delaware limited liability company ("Perseuspur" and managing member of PBFP Partners);
 - (vii) Mr. Frank H. Pearl ("Mr. Pearl" and managing member of Perseuspur);
 - (viii) Mr. George Soros ("Mr. Soros" and Chairman of SFM LLC); and
 - (ix) Soros Fund Management LLC, a Delaware limited liability company ("SFM LLC" and the sole managing member of SFM AH).
-

(b) Address of Principal Business Office

The address of the principal business offices of (i) Perseus-Soros and (ii) PSP, GP is 888 Seventh Avenue, 30th Floor, New York, NY 10106.

The address of the principal business offices of (i) PBFP Partners, (ii) Perseuspur and (iii) Mr. Pearl is 2099 Pennsylvania Ave., N.W., Suite 900, Washington, D.C. 20006.

The address of the principal business offices of (i) SFM Participation, (ii) SFM AH, (iii) SFM LLC and (iv) Mr. Soros is 888 Seventh Avenue, 33rd Floor, New York, NY 10106.

(c) Citizenship

- (i) Perseus-Soros – a Delaware limited partnership
- (ii) PSP GP – a Delaware limited liability company
- (iii) PBFP Partners – a Delaware limited liability company
- (iv) SFM Participation – a Delaware limited partnership
- (v) SFM AH – a Delaware limited liability company
- (vi) Perseuspur – a Delaware limited liability company
- (vii) Mr. Pearl – United States
- (viii) Mr. Soros – United States
- (ix) SFM LLC – a Delaware limited liability company

(d) Title of Class of Securities

Common Stock, par value \$0.001 per share (the “Common Stock” or “Shares”)

(e) CUSIP Number

76028W107

Information contained herein concerning SFM Participation, SFM AH, SFM LLC and Mr. Soros has been provided by SFM LLC. Perseus-Soros, PSP GP, PBFP Partners, Perseuspur and Mr. Pearl assume no responsibility for such information. Information contained herein concerning PBFP Partners, Perseuspur and Mr. Pearl has been provided by each such Reporting Person. Perseus-Soros, PSP GP, SFM Participation, SFM AH, SFM LLC and Mr. Soros assume no responsibility for such information.

Item 3. This statement is not being filed pursuant to either Rule 13d-1(b) or 13d-2(b) or (c).

Item 4. Ownership.

(a) Amount Beneficially Owned:

As of December 31, 2008, each of the Reporting Persons may be deemed to beneficially own 1,487,808 Shares.

(b) Percentage Owned:

Based on calculations made in accordance with Rule 13d-3(d), and there being 27,109,556 Shares outstanding as of October 23, 2008, each of the Reporting Persons may be deemed to beneficially own approximately 5.5% of the outstanding Common Stock, as of December 31, 2008.

(c) Number of Shares as to Which Such Person Has:

(i) Each of Perseus-Soros and PSP GP may be deemed to have sole power to direct the voting and disposition of the 1,487,808 Shares beneficially owned by Perseus-Soros.

(ii) By virtue of the relationships between and among the Reporting Persons as described in Item 2, each of the Reporting Persons other than Perseus-Soros and PSP GP may be deemed to share the power to direct the voting and disposition of 1,487,808 Shares beneficially owned by Perseus-Soros.

Item 5. Ownership of Five Percent or Less of a Class

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person

The partners of Perseus-Soros have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of Perseus-Soros in accordance with their ownership interests in Perseus-Soros.

Item 7. Identification and Classification of Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company

Not applicable.

Item 8. Identification and Classification of Members of the Group

Not applicable.

Item 9. Notice of Dissolution of Group

Not applicable.

Item 10. Certification

Not applicable.

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SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated February 17, 2009

PERSEUS-SOROS BIOPHARMACEUTICAL FUND, LP

By: Perseus-Soros Partners, LLC
General Partner

By: SFM Participation, L.P.
Managing Member

By: SFM AH LLC
General Partner

By: Soros Fund Management LLC
Managing Member

By: /s/ Jodye Anzalotta
Name: Jodye Anzalotta

Title: Assistant General Counsel

PERSEUS-SOROS PARTNERS, LLC

By: SFM Participation, L.P.
Managing Member

By: SFM AH LLC
General Partner

By: Soros Fund Management LLC
Managing Member

By: /s/ Jodye Anzalotta
Name: Jodye Anzalotta

Title: Assistant General Counsel

PERSEUS BIOTECH FUND PARTNERS, LLC

By: Perseuspur, L.L.C.
Managing Member

By: Frank H. Pearl
Managing Member

By: /s/ Kenneth M. Socha
Name: Kenneth M. Socha

Title: Attorney-in-Fact for Mr. Pearl

SFM PARTICIPATION, L.P.

By: SFM AH LLC
General Partner

By: Soros Fund Management LLC
Managing Member

By: /s/ Jodye Anzalotta
Name: Jodye Anzalotta

Title: Assistant General Counsel

SFM AH LLC

By: Soros Fund Management LLC
Managing Member

By: /s/ Jodye Anzalotta
Name: Jodye Anzalotta

Title: Assistant General Counsel

PERSEUSPUR, L.L.C.

By: Frank H. Pearl
Managing Member

By: /s/ Kenneth M. Socha
Name: Kenneth M. Socha

Title: Attorney-in-Fact for Mr. Pearl

MR. FRANK H. PEARL

By: /s/ Kenneth M. Socha
Name: Kenneth M. Socha

Title: Attorney-in-Fact for Mr. Pearl

MR. GEORGE SOROS

By: /s/ Jodye Anzalotta
Name: Jodye Anzalotta

Title: Attorney-in-Fact

SOROS FUND MANAGEMENT LLC

By: /s/ Jodye Anzalotta
Name: Jodye Anzalotta

Title: Assistant General Counsel

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SCHEDULE 13G

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Exhibit Index

- Exhibit 1. Joint Filing Agreement as required by Rule 13d-1(k)(1) under the Securities Exchange Act of 1934, as amended (previously filed).
- Exhibit 2. Power of Attorney, dated June 16, 2005 appointing each of Armando T. Belly, Jodye Anzalotta, Maryann Canfield, Jay Schoenfarber and Robert Soros as Attorney-In-Fact for George Soros (previously filed).
- Exhibit 3. Power of Attorney, dated December 6, 2007, appointing each of Kenneth M. Socha and Teresa Y. Bernstein as Attorney-in-Fact for Frank H. Pearl (previously filed).