

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2023**
- 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: 001-38797

IMAC Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

83-0784691
(I.R.S. Employer
Identification No.)

3401 Mallory Lane, Suite 100, Franklin, Tennessee
(Address of Principal Executive Offices)

37067
(Zip Code)

(844) 266-4622

(Registrant's Telephone Number, Including Area Code)

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, par value \$0.001 per share	BACK	NASDAQ Capital Market
Warrants to Purchase Common Stock	IMACW	NASDAQ Capital Market

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of August 21, 2023, the registrant had 33,280,049 shares of common stock, par value \$0.001 per share, outstanding.

IMAC HOLDINGS, INC.
TABLE OF CONTENTS

	<u>Page</u>
<u>IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS</u>	3
<u>PART I. FINANCIAL INFORMATION</u>	4
<u>Item 1. Financial Statements (Unaudited)</u>	4
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	30
<u>Item 4. Controls and Procedures</u>	30
<u>PART II. OTHER INFORMATION</u>	31
<u>Item 1. Legal Proceedings</u>	31
<u>Item 1A. Risk Factors</u>	31
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	34
<u>Item 3. Defaults Upon Senior Securities</u>	34
<u>Item 4. Mine Safety Disclosures</u>	34
<u>Item 5. Other Information</u>	34
<u>Item 6. Exhibits</u>	34

Important Information Regarding Forward-Looking Statements

Portions of this Quarterly Report on Form 10-Q (including information incorporated by reference) include “forward-looking statements” based on our current beliefs, expectations, and projections regarding our business strategies, market potential, future financial performance, industry, and other matters. This includes, in particular, “Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q, as well as other portions of this Quarterly Report on Form 10-Q. The words “believe,” “expect,” “anticipate,” “project,” “could,” “would,” and similar expressions, among others, generally identify “forward-looking statements,” which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties, and other factors that could cause our actual results to differ materially from those projected, anticipated, or implied in the forward-looking statements. The most significant of these risks, uncertainties, and other factors are those related to our proposed Theralink Technologies merger and those described in “Item 1A — Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission on March 31, 2023. Except to the limited extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IMAC HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash	\$ 247,002	\$ 763,211
Accounts receivable, net	678,603	2,881,239
Deferred compensation, current portion	102,153	196,119
Other assets	248,578	367,358
Total current assets	<u>1,276,336</u>	<u>4,207,927</u>
Property and equipment, net	565,843	1,584,714
Other assets:		
Intangible assets, net	901,893	1,365,457
Security deposits	215,126	300,430
Right of use asset	1,685,802	3,623,078
Total other assets	<u>2,802,821</u>	<u>5,288,965</u>
Total assets	<u>\$ 4,645,000</u>	<u>\$ 11,081,606</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,441,261	\$ 1,702,740
Patient deposits	186,139	241,666
Notes payable, current portion	39,435	51,657
Finance lease obligation, current portion	16,853	19,898
Liability to issue common stock, current portion	292,246	329,855
Operating lease liability, current portion	947,657	1,368,016
Total current liabilities	<u>3,923,591</u>	<u>3,713,832</u>
Long-term liabilities:		
Notes payable, net of current portion	35,144	53,039
Finance lease obligation, net of current portion	2,580	9,375
Operating lease liability, net of current portion	<u>1,042,655</u>	<u>2,654,104</u>
Total liabilities	<u>5,003,970</u>	<u>6,430,350</u>
Commitment and Contingencies – Note 14		
Stockholders' equity (deficit):		
Preferred stock - \$0.001 par value, 5,000,000 authorized, nil issued and outstanding at June 30, 2023 and December 31, 2022, respectively.	-	-
Common stock - \$0.001 par value, 60,000,000 authorized; 33,280,758 and 33,017,758 shares issued at June 30, 2023 and December 31, 2022, respectively; and 33,280,049 and 32,935,294 outstanding at June 30, 2023 and December 31, 2022, respectively.	33,280	32,935
Additional paid-in capital	51,229,450	51,138,061
Accumulated deficit	(51,621,700)	(46,519,740)
Total stockholders' equity (deficit)	<u>(358,970)</u>	<u>4,651,256</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 4,645,000</u>	<u>\$ 11,081,606</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Patient revenues, net	\$ 1,343,975	\$ 5,033,088	\$ 3,437,337	\$ 8,928,075
Total revenue	1,343,975	5,033,088	3,437,337	8,928,075
Operating expenses:				
Patient expenses	175,748	397,235	441,980	857,708
Salaries and benefits	1,251,842	3,863,089	3,564,903	7,762,487
Advertising and marketing	36,761	242,562	111,305	613,050
General and administrative	886,632	1,857,915	2,391,506	3,673,162
Depreciation and amortization	119,795	438,612	309,618	885,384
Loss on disposal or impairment of assets	254,147	34,832	1,695,161	82,261
Total operating expenses	2,724,925	6,834,245	8,514,473	13,874,052
Operating loss	(1,380,950)	(1,801,157)	(5,077,136)	(4,945,977)
Other income (expense):				
Interest income	1	1,321	1	1,321
Other expense	-	(39,530)	-	(52,704)
Interest expense	(22,358)	(4,733)	(24,825)	(8,864)
Total other expenses	(22,357)	(42,942)	(24,824)	(60,247)
Net loss before income taxes	(1,403,307)	(1,844,099)	(5,101,960)	(5,006,224)
Income taxes	-	-	-	-
Net loss	(1,403,307)	(1,844,099)	(5,101,960)	(5,006,224)
Net loss per share attributable to common stockholders				
Basic and diluted	\$ (0.04)	\$ (0.07)	\$ (0.15)	\$ (0.19)
Weighted average common shares outstanding				
Basic and diluted	33,141,324	26,800,926	33,077,598	26,584,532

See accompanying notes to the unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Par</u>			
Balance, December 31, 2021	26,218,167	\$ 26,218	\$ 46,133,777	\$ (28,206,934)	\$ 17,953,061
Issuance of common stock	167,000	167	148,393	-	148,560
Share based compensation, net	-	-	32,587	-	32,587
Net loss	-	-	-	(3,162,125)	(3,162,125)
Balance, March 31, 2022	<u>26,385,167</u>	<u>\$ 26,385</u>	<u>\$ 46,314,757</u>	<u>\$ (31,369,059)</u>	<u>\$ 14,972,083</u>
Issuance of common stock	904,744	905	934,757	-	935,662
Issuance of employee stock options	-	-	31,114	-	31,114
Net loss	-	-	-	(1,844,099)	(1,844,099)
Balance, June 30, 2022	<u>27,289,911</u>	<u>\$ 27,290</u>	<u>\$ 47,280,628</u>	<u>\$ (33,213,158)</u>	<u>\$ 14,094,760</u>

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Par</u>			
Balance, December 31, 2022	32,935,294	\$ 32,935	\$ 51,138,061	\$ (46,519,740)	\$ 4,651,256
Issuance of common stock	81,755	82	16,568	-	16,650
Share based compensation, net	-	-	27,702	-	27,702
Net loss	-	-	-	(3,698,653)	(3,698,653)
Balance, March 31, 2023	<u>33,017,049</u>	<u>\$ 33,017</u>	<u>\$ 51,182,331</u>	<u>\$ (50,218,393)</u>	<u>\$ 996,955</u>
Issuance of common stock	263,000	263	47,119	-	47,382
Net loss	-	-	-	(1,403,307)	(1,403,307)
Balance, June 30, 2023	<u>33,280,049</u>	<u>\$ 33,280</u>	<u>\$ 51,229,450</u>	<u>\$ (51,621,700)</u>	<u>\$ (358,970)</u>

See accompanying notes to unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (5,101,960)	\$ (5,006,224)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	309,618	885,384
Share based compensation, net	131,060	269,691
Loss on disposition or impairment of assets	1,695,161	82,261
Bad debt expense	6,795	-
Changes in operating assets and liabilities:		
Accounts receivable	546,496	(1,845,684)
Other assets	68,780	18,767
Security deposits	85,304	5,231
Right of use/lease liability	(94,532)	(40,541)
Accounts payable and accrued expenses	738,521	(417,271)
Patient deposits	(55,527)	185,578
Net cash from operating activities	(1,670,284)	(5,862,808)
Cash flows from investing activities:		
Proceeds from sale of Louisiana Orthopedic operations	1,050,000	(256,279)
Proceeds from sale of Ricardo Knight, PC operations	80,000	-
Proceeds from sale of property and equipment	-	2,060
Net cash from investing activities	1,130,000	(254,219)
Cash flows from financing activities:		
Proceeds from issuance of common stock	64,032	829,663
Payments on notes payable	(30,117)	(208,004)
Payments on finance lease obligation	(9,840)	(9,422)
Net cash from financing activities	24,075	612,237
Net decrease in cash	(516,209)	(5,504,790)
Cash, beginning of period	763,211	7,118,980
Cash, end of period	\$ 247,002	\$ 1,614,190
Supplemental cash flow information:		
Interest paid	\$ 24,826	\$ 8,864

See accompanying notes to the unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Description of Business

IMAC Holdings, Inc. is a holding company for IMAC Regeneration Centers and our Investigational New Drug division. IMAC Holdings, Inc. and its affiliates (collectively, the “Company”) provide movement, orthopedic and neurological therapies through its chain of IMAC Regeneration Centers. Through its consolidated and equity owned entities, its outpatient medical clinics provide conservative, non-invasive medical treatments to help patients with back pain, knee pain, joint pain, ligament and tendon damage, and other related soft tissue conditions. As of June 30, 2023, the Company had owned or operated through management service agreements three medical clinics located in Kentucky and Missouri. The Company delivers sports medicine treatments without opioids. The Company’s Investigational New Drug division is conducting a clinical trial for its investigational compound utilizing umbilical cord-derived allogenic mesenchymal stem cells for the treatment of bradykinesia due to Parkinson’s disease.

As outlined in Note 2, given the Company’s current financial position, during the first six months of 2023 the Company decided to close five underperforming locations and sold its Louisiana Orthopedic and Illinois practices as well as The BackSpace, LLC operations in an effort to raise sufficient capital to support on-going operations. Management has been actively exploring various strategic alternatives in an effort to support operations in 2023 and beyond.

On May 23, 2023, IMAC Holdings, Inc., a Delaware corporation (Nasdaq: BACK) (the “Company”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Theralink Technologies, Inc. (OTC: THER), a Nevada corporation (“Theralink”), and IMAC Merger Sub, Inc., a Delaware corporation and a newly formed, wholly owned subsidiary of the Company (“Merger Sub”). Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Theralink (the “Merger”), with Theralink continuing as the surviving entity (the “Surviving Entity”) and a wholly owned subsidiary of the Company. On May 22, 2023, the board of directors of the Company, and the board of directors of Theralink unanimously approved the Merger Agreement.

At the effective time of the Merger (the “Effective Time”), each share of Theralink’s common stock (“Theralink Common Stock”) and each share of Theralink’s preferred stock (together with the Theralink Common Stock, “Theralink Shares”) issued and outstanding as of immediately prior to the Effective Time will be converted into and will thereafter represent the right to receive a portion of a share of the Company’s common stock (the “Company Shares”) such that the total number of Company Shares issued to the holders of Theralink Shares shall equal 85% of the total number of Company Shares outstanding as of the Effective Time (the “Merger Consideration”).

At the Effective Time, each award of Theralink stock options (each, a “Theralink Stock Option”), whether or not then vested or exercisable, that is outstanding immediately prior to the Effective Time, will be assumed by the Company and converted into a stock option relating to a number of Company Shares equal to the product of: (i) the number of shares of Theralink Common Stock subject to such Theralink Stock Option; and (ii) the ratio which results from dividing one share of Theralink Common Stock by the portion of a Company Share issuable for such share as finally determined at the Effective Time (the “Exchange Ratio”), at an exercise price per Company Share (rounded up to the nearest whole cent) equal to the quotient obtained by dividing (A) the exercise price per share of Theralink Common Stock of such Theralink Stock Option by (B) the Exchange Ratio.

The Company and Theralink have each agreed, subject to certain exceptions with respect to unsolicited proposals, not to directly or indirectly solicit competing acquisition proposals or to enter into discussions concerning, or provide confidential information in connection with, any unsolicited alternative acquisition proposals. However, if such party receives an unsolicited, bona fide acquisition proposal that did not result from a material breach of the non-solicitation provisions of the Merger Agreement and the Company’s or Theralink’s board of directors, or any committee thereof, as applicable, concludes, after consultation with its financial advisors and outside legal counsel, that such unsolicited, bona fide acquisition proposal constitutes, or could reasonably be expected to result in, a superior offer, such party may furnish non-public information regarding it or any of its subsidiaries and engage in discussions and negotiations with such third party in response to such unsolicited, bona fide acquisition proposal; *provided* that each party provides notice and furnishes any non-public information provided to the maker of the acquisition proposal to each party substantially concurrently with providing such non-public information to the maker of the acquisition proposal.

The completion of the Merger is subject to the satisfaction or waiver of customary closing conditions, including: (i) adoption of the Merger Agreement by holders of a majority of the outstanding Theralink Shares; (ii) approval of the issuance of Company Shares in connection with the Merger by a majority of the outstanding shares of the Company’s common stock; (iii) absence of any court order or regulatory injunction prohibiting completion of the Merger; (iv) expiration or termination of (a) all waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”) and (b) any agreement with any governmental entity not to consummate the transactions contemplated by the Merger Agreement; (v) effectiveness of the Company’s registration statement on Form S-4 to register the Company Shares to be issued in the Merger; (vi) subject to specified materiality standards, the accuracy of the representations and warranties of the other party; (vii) the authorization for listing of Company Shares to be issued in the Merger on Nasdaq; (viii) compliance by the other party in all material respects with its covenants; and (ix) the completion of satisfactory due diligence by both parties.

The Company and Theralink have each made customary representations and warranties in the Merger Agreement. The Merger Agreement also contains customary covenants and agreements, including covenants and agreements relating to (i) the conduct of each of the Company’s and Theralink’s business between the date of the signing of the Merger Agreement and the closing date of the Merger and (ii) the efforts of the parties to cause the Merger to be completed, including actions which may be necessary to cause the expiration or termination of any waiting periods under the HSR Act.

The Merger Agreement is attached hereto as Exhibit 2.1 and is incorporated by reference. The foregoing summary has been included to provide investors and security holders with information regarding the terms of the Merger Agreement and is qualified in its entirety by the terms and conditions of the Merger Agreement. It is not intended to provide any other factual information about the Company, Theralink or their respective subsidiaries and affiliates. The Merger Agreement contains representations and warranties by each of the parties to the Merger Agreement, which were made only for purposes of the Merger Agreement and as of specified dates. The representations, warranties and covenants in the Merger Agreement (i) were made solely for the benefit of the parties to the Merger Agreement; (ii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts; and (iii) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company, Theralink or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations,

warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the Company's or Theralink's public disclosures.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States of America (“U.S.”) as promulgated by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

The accompanying condensed consolidated financial statements include the accounts of IMAC Holdings, Inc. and the following entities which are consolidated due to direct ownership of a controlling voting interest or other rights granted to us as the sole general partner or managing member of the entity: IMAC Regeneration Center of St. Louis, LLC (“IMAC St. Louis”), IMAC Management Services, LLC (“IMAC Management”), IMAC Regeneration Management, LLC (“IMAC Texas”) IMAC Regeneration Management of Nashville, LLC (“IMAC Nashville”) IMAC Management of Illinois, LLC (“IMAC Illinois”), Advantage Hand Therapy and Orthopedic Rehabilitation, LLC (“Advantage Therapy”), IMAC Management of Florida, LLC (“IMAC Florida”), Louisiana Orthopaedic & Sports Rehab (“IMAC Louisiana”) and The Back Space, LLC (“BackSpace”); the following entity which is consolidated with IMAC Regeneration Management of Nashville, LLC due to control by contract: IMAC Regeneration Center of Nashville, PC (“IMAC Nashville PC”); the following entities which are consolidated with IMAC Management of Illinois, LLC due to control by contract: Progressive Health and Rehabilitation, Ltd., Illinois Spine and Disc Institute, Ltd. and Ricardo Knight, P.C.; the following entities which is consolidated with IMAC Management Services, LLC due to control by contract: Integrated Medicine and Chiropractic Regeneration Center PSC (“Kentucky PC”) and IMAC Medical of Kentucky PSC (“Kentucky PSC”); the following entities which are consolidated with IMAC Florida due to control by contract: Willmitch Chiropractic, P.A. and IMAC Medical of Florida, P.A.; the following entity which is consolidated with Louisiana Orthopaedic & Sports Rehab due to control by contract: IMAC Medical of Louisiana, a Medical Corporation; and the following entities which are consolidated with BackSpace due to control by contract: ChiroMart LLC, ChiroMart Florida LLC, and ChiroMart Missouri LLC.

During January of 2023, the Company closed operations at four underperforming clinic locations: Webster Groves, Lexington, Fort Pierce and Tampa.

On January 27, 2023, the Company executed an agreement to sell all assets of IMAC of Louisiana, PC and Louisiana Orthopaedic & Sports Rehab, LLC for a total of \$1.05 million in cash. In addition, the deal included the assignment of the associated real estate lease to the purchaser.

On March 1, 2023, the Company executed an agreement to sale The BackSpace, LLC to Curis Express, LLC. This sale eliminated IMAC Holdings, Inc. retail chiropractic division. In addition, the deal included all associated real estate leases and the rights to certain future potential expansion locations.

On April 1 2023, the Company executed an agreement to sell all the assets of Ricardo Knight, PC.

During May of 2023, the Company closed operations at Springfield, MO, due to significant staff departures and inflationary pressure on replacement personnel. Most assets were sold in June.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses at the date and for the periods that the condensed consolidated financial statements are prepared. On an ongoing basis, the Company evaluates its estimates, including those related to insurance adjustments and provisions for doubtful accounts. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could materially differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. Specifically, we reclassified share-based compensation to salaries and benefits.

Revenue Recognition

The Company’s patient service revenue is derived from non-surgical procedures performed at our outpatient medical clinics. The fees for such services are billed either to the patient or a third-party payer, including Medicare.

The Company recognizes service revenues based upon the estimated amounts the Company expects to be entitled to receive from patients and third-party payers. Estimates of contractual adjustments are based upon the payment terms specified in the related contractual agreements. The Company also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record these revenues at the estimated amounts expected to be collected.

Starting in January 2020, the Company implemented wellness maintenance programs on a subscription basis. There are currently four membership plans offered with different levels of service for each plan. The Company recognizes membership revenue on a monthly basis. Enrollment in the wellness maintenance program can occur at any time during the month and can be dis-enrolled at any time.

Starting in June 2021, the Company introduced BackSpace and began offering outpatient chiropractic and spinal care services as well as memberships services in Walmart retail locations. The fees for such services were paid and recognized as incurred.

Starting in September 2022, the Company introduced hormone replacement therapy “HRT” and medical weight loss programs. The Company recognizes HRT and medical weight loss revenue as the services are provided.

Other management service fees are derived from management services where the Company provides billings and collections support to the clinics and where management services are provided based on state specific regulations known as the corporate practice of medicine (“CPM”). Under the CPM, a business corporation is precluded from practicing medicine or employing a physician to provide professional medical services. In these circumstances, the Company provides all administrative support to the physician-owned PC through a LLC. The PC is consolidated due to control by contract (an “MSA” – Management Services Agreement). The fees we derive from these management arrangements are either based on a predetermined percentage of the revenue of each clinic or a percentage mark up on the costs of the LLC. The company recognizes other management service revenue in the period in which services are rendered. These revenues are earned by IMAC Nashville, IMAC Management, IMAC Illinois, IMAC Florida, IMAC Louisiana and the Back Space and are eliminated in consolidation to the extent owned.

Patient Deposits

Patient deposits are derived from patient payments in advance of services delivered. Our service lines include traditional and regenerative medicine. Regenerative medicine procedures are rarely paid by insurance carriers; therefore, the Company typically requires up-front payment from the patient for regenerative services and any co-pays and deductibles as required by the patient specific insurance carrier. For some patients, credit is provided through an outside vendor. In this case, the Company is paid from the credit card company and the risk is transferred to the credit card company for collection from the patient. These funds are accounted for as patient deposits until the procedures are performed at which point the patient deposit is recognized as patient service revenue.

Fair Value of Financial Instruments

The carrying amount of accounts receivable and accounts payable approximate their respective fair values due to the short-term nature. The carrying amount of the line of credit and note payable approximates fair values due to their market interest rates. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable.

Variable Interest Entities

Certain states prohibit the “corporate practice of medicine,” which restricts business corporations from practicing medical care by exercising control over clinical decisions by doctors. In states which prohibit the corporate practice of medicine, the Company enters into long-term management agreements with professional corporations (“PCs”) that are owned by licensed doctors, which, in turn employ or contract with doctors who provide professional care in its clinics. Under these management agreements with PCs, the Company provides, on an exclusive basis, all non-clinical services of the practice.

The condensed consolidated financial statements include the accounts of variable interest entities (“VIE”) in which the Company is the primary beneficiary under the provisions of the FASB Accounting Standards Codification 810, “Consolidation”. The Company has the power to direct the activities that most significantly impact a VIE’s economic performance. Additionally, the Company would absorb substantially all of the expected losses from any of these entities should such expected losses occur. As of June 30, 2023, the Company’s consolidated VIE’s include 12 PCs.

Accounts Receivable

Accounts receivable primarily consists of amounts due from third-party payers (non-governmental), governmental payers and private pay patients and is recorded net of allowances for doubtful accounts and contractual discounts. The Company’s ability to collect outstanding receivables is critical to its results of operations and cash flows. Accordingly, accounts receivable reported in the Company’s condensed consolidated financial statements is recorded at the net amount expected to be received.

The Company’s accounts receivable from third-party payers are recorded net of estimated contractual adjustments and allowances from third-party payers, which are estimated based on the historical trend of the Company’s facilities’ cash collections and contractual write-offs, accounts receivable aging, established fee schedules, relationships with payers and procedure statistics. While changes in estimated reimbursement from third-party payers remain a possibility, the Company expects that any such changes would be minimal and, therefore, would not have a material effect on the Company’s financial condition or results of operations. The Company’s collection policies and procedures are based on the type of payor, size of claim and estimated collection percentage for each patient account. The Company analyzes accounts receivable at each of the facilities to ensure the proper collection and aged category. The operating systems generate reports that assist in the collection efforts by prioritizing patient accounts. Collection efforts include direct contact with insurance carriers or patients and written correspondence.

Allowance for Contractual, Other Discounts and Doubtful Accounts

Management estimates the allowance for contractual and other discounts based on its historical collection experience and contracted relationship with the payers. The services authorized and provided and related reimbursement are often subject to interpretation and negotiation that could result in payments that differ from the Company's estimates.

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, "Financial Instruments – Credit Losses." This ASU added a new impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. As a result, the Company changed its accounting policy for allowance for doubtful accounts using an expected losses model rather than using incurred losses. The new model is based on the credit losses expected to arise over the life of the asset based on the Company's expectations as of the balance sheet date through analyzing historical customer data as well as taking into consideration current economic trends.

As a smaller reporting Company pursuant to Rule 12b-2 of the Securities Exchange Act of 1934, as amended, these changes became effective for the Company on January 1, 2023. The adoption of ASU 2016-13 did not have a material financial impact on the Company's condensed consolidated financial statements.

The roll forward of the allowance for doubtful accounts for the six-months ended June 30, 2023 was as follows:

	<u>June 30, 2023</u>
	(Unaudited)
Beginning balance	\$ 163,479
Bad debt expense	6,795
Write-offs	(95,414)
Ending balance	<u>\$ 74,860</u>

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Additions and improvements to property and equipment are capitalized at cost. Depreciation of owned assets are computed using the straight-line method over the estimated useful lives and amortization of leasehold improvements are computed using the straight-line method over the shorter of the estimated useful lives of the related assets or the lease term. The cost of assets sold or retired, and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in other income (expense) for the year. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible Assets

The Company capitalizes the fair value of intangible assets acquired in business combinations. Intangible assets are amortized on a straight-line basis over their estimated economic useful lives, generally the contract term. The Company performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocates the purchase price of each acquired business to its respective net tangible and intangible assets. The Company records an impairment loss when the carrying amount of the asset is not recoverable and exceeds its fair value. As of June 30, 2023, the Company has sold the assets of the Louisiana market, Illinois market and the BackSpace retail stores. The Louisiana market had a total intangible carrying amount of approximately \$61,000, the Illinois market had a total intangible carrying amount of approximately \$265,000 and the BackSpace retail stores had a total intangible carrying amount of approximately \$60,000 which was written off with the transaction. As of June 30, 2022, the Company closed a clinic in Florida with a total intangible carrying amount of approximately \$30,000. The Company recorded a noncash impairment loss for this amount during the six months ended June 30, 2022.

Long-Lived Assets

Long-lived assets such as property and equipment and intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairments of long-lived assets for the years presented.

Advertising and Marketing

The Company uses advertising and marketing to promote its services. Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was approximately \$37,000 and \$243,000 for the three months ended June 30, 2023 and 2022, respectively and was approximately \$111,000 and \$613,000 for the six months ended June 30, 2023 and 2022, respectively.

Net Loss Per Share

Basic net loss per common share is computed by dividing net loss applicable to common stockholders by the weighted-average number of common shares outstanding during the year. Diluted net loss per common share is determined using the weighted-average of common shares outstanding during the year, adjusted for the dilutive effect of common stock equivalents, consisting of the conversion option embedded in convertible debt. The weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would have an anti-dilutive effect.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are required to be reduced by a valuation allowance to the extent that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized.

Newly Adopted Accounting Pronouncement

Topic 326 was effective for the Company beginning on January 1, 2023. This update requires a financial asset (or a group of financial assets) measured at amortized cost basis, to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The Company has evaluated the impact of Topic 326 and has determined it does not have a material financial impact.

Note 3 – Capital Requirements, Liquidity and Going Concern Considerations

The Company's condensed consolidated financial statements are prepared in accordance with GAAP and includes the assumption of a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, as shown in the accompanying condensed consolidated financial statements, the Company has sustained substantial losses from operations since inception. The Company had negative working capital of approximately \$2.6 million at June 30, 2023 and \$0.5 million at December 31, 2022. For the six months ended June 30, 2023, the Company had a net loss of approximately \$5.1 million and used cash in operations of approximately \$1.7 million.

Management recognizes that the Company may need to obtain additional resources to successfully implement its business plans. No assurances can be given that we will be successful. If management is not able to timely and successfully raise additional capital if needed, the implementation of the Company's business plan, financial condition and results of operations will be materially affected. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 4 – Concentration of Credit Risks**Cash**

The Company maintains its cash in accounts at financial institutions, which may, at times, exceed federally-insured limits of \$250,000.

Revenue and Accounts Receivable

As of June 30, 2023 and December 31, 2022, the Company had the following revenue and accounts receivable concentrations:

	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
	<u>% of</u>	<u>% of</u>	<u>% of</u>	<u>% of</u>
	<u>Revenue</u>	<u>Accounts</u>	<u>Revenue</u>	<u>Accounts</u>
		<u>Receivable</u>		<u>Receivable</u>
	(Unaudited)			
Medicare payment	25%	20%	32%	18%

Note 5 – Accounts Receivable

As of June 30, 2023 and December 31, 2022, the Company's accounts receivable consisted of the following:

	<u>June 30,</u>		<u>December 31,</u>	
	<u>2023</u>		<u>2022</u>	
	(Unaudited)			
Gross accounts receivable	\$	753,463	\$	3,044,718
Less: allowance for doubtful accounts		(74,860)		(163,479)
Accounts receivable, net	\$	<u>678,603</u>	\$	<u>2,881,239</u>

Note 6 – Property and Equipment

The Company's property and equipment consisted of the following at June 30, 2023 and December 31, 2022:

	<u>Estimated Useful Life in Years</u>	<u>June 30, 2023</u> (Unaudited)	<u>December 31, 2022</u>
Leasehold improvements	Shorter of asset or lease term	\$ 1,712,019	\$ 2,233,603
Equipment	1.5 - 7	1,989,567	2,820,166
Total property and equipment		<u>3,701,586</u>	<u>5,053,769</u>
Less: accumulated depreciation		<u>(3,135,743)</u>	<u>(3,476,977)</u>
		565,843	1,576,792
Construction in progress		-	7,922
Total property and equipment, net		<u>\$ 565,843</u>	<u>\$ 1,584,714</u>

Depreciation was approximately \$87,000 and \$239,000 for the three months ended June 30, 2023 and 2022, respectively and approximately \$233,000 and \$473,000 for the six months ended June 30, 2023 and 2022, respectively.

Note 7 – Intangibles Assets and Goodwill

The Company's intangible assets and goodwill consisted of the following at June 30, 2023 and December 31, 2022:

	<u>Estimated Useful Life</u>	<u>June 30, 2023 (Unaudited)</u>		
		<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
<u>Intangible assets:</u>				
Management service agreements	10 years	\$ 4,224,113	\$ (3,565,970)	\$ 658,143
Definite lived assets		4,224,113	(3,565,970)	658,143
Research and development		243,750	-	243,750
Total intangible assets and goodwill		<u>\$ 4,467,863</u>	<u>\$ (3,565,970)</u>	<u>\$ 901,893</u>

	Estimated Useful Life	December 31, 2022		
		Cost	Accumulated Amortization	Net
Intangible assets:				
Management service agreements	10 years	\$ 7,940,398	\$ (6,939,916)	\$ 1,000,482
Non-compete agreements	3 years	391,000	(359,125)	31,875
Customer lists	3 years	77,000	(48,125)	28,875
Brand development	15 years	69,071	(8,596)	60,475
Definite lived assets		8,477,469	(7,355,762)	1,121,707
Research and development		243,750	-	243,750
Goodwill		4,499,796	(4,499,796)	-
Total intangible assets and goodwill		\$ 13,221,015	\$ (11,855,558)	\$ 1,365,457

In January 2023, the Company sold the Louisiana Market which had a total intangible carrying amount of approximately \$61,000 which was written off as impaired.

In February 2023, the Company sold the BackSpace retail clinics which had a total intangible carrying amount of approximately \$60,000 which was written off as impaired.

On April 1, 2023, the Company executed an agreement to sell all the assets of Ricardo Knight, PC which had a total intangible carrying amount of approximately \$265,000 which was written off as impaired.

In March 2022 the Company decided to close a clinic in Florida with a total intangible carrying amount of approximately \$34,000, which was written off as impaired. As a result, the Company recorded a noncash impairment loss for this amount during the three months ended March 31, 2022. Due to a significant drop in share price in the three months ended September 20, 2022, the Company determined that a triggering event occurred. It was determined that there was an impairment loss of \$2,128,000 on the IMAC Illinois MSA and \$1,672,000 on the IMAC Kentucky MSA.

The Company performs its annual impairment test during the fourth quarter of the fiscal year. For the year ended December 31, 2022, the Company performed a qualitative impairment test and, based on the totality of information available for the reporting units, the Company concluded that it was more-likely-than-not that the carrying value is greater than the estimated fair values of the reporting units as of December 31, 2022. A goodwill impairment loss of \$4.5 million was recorded in December 2022.

Amortization was approximately \$33,000 and \$200,000 for the three months ended June 30, 2023 and 2022, respectively and \$77,000 and \$412,000 for the six months ended June 30, 2023 and 2022, respectively.

The Company's estimated future amortization of intangible assets was as follows:

Years Ending December 31,	
(Unaudited)	
2023 (six months)	\$ 65,814
2024	131,629
2025	131,629
2026	131,629
2027	131,629
Thereafter	65,813
	\$ 658,143

Note 8 – Operating Leases

On January 1, 2019, the Company adopted ASC 842 using the modified retrospective method applied to leases that were in place at January 1, 2019. Results for operating periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 840. The Company's leases consist of operating leases that mostly relate to real estate rental agreements. Most of the value of the Company's lease portfolio relates to real estate lease agreements that were entered into starting March 2017.

Discount Rate Applied to Operating Leases

To determine the present value of minimum future lease payments for operating leases at January 1, 2019, the Company was required to estimate a rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment (the "incremental borrowing rate" or "IBR").

The Company determined the appropriate IBR by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. For the reference rate of leases added as of June 30, 2023 and December 31, 2022, the Company used a weighted average interest rate.

Total operating lease cost

Individual components of the total lease cost incurred by the Company were as follows:

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	(Unaudited)	(Unaudited)
Operating lease expense	\$ 747,698	\$ 830,373

Minimum rental payments under operating leases are recognized on a straight light basis over the term of the lease.

Maturity of operating leases

The Company's amount of future minimum lease payments under operating leases are as follows:

	Operating Leases
	(Unaudited)
Undiscounted future minimum lease payments:	
2023 (six months)	\$ 538,112
2024	734,612
2025	468,745
2026	236,609
2027	73,823
Thereafter	81,691
Total	2,133,592
Amount representing imputed interest	(143,280)
Total operating lease liability	1,990,312
Current portion of operating lease liability	(947,657)
Operating lease liability, non-current	\$ 1,042,655

Note 9 – Notes Payable

Set forth below is a summary of the Company's outstanding debt as of June 30, 2023 and December 31, 2022:

	<u>June 30,</u> <u>2023</u> (Unaudited)	<u>December 31,</u> <u>2022</u>
Note payable to a financial institution in the amount of \$200,000 dated November 15, 2017. The note requires 66 consecutive monthly installments of \$2,652 including principal and interest at 5%, with a balloon payment of \$60,000 which was paid on June 15, 2018. The note matured and has been paid in full.	\$ -	\$ 13,093
Note payable to a financial institution in the amount of \$131,400 dated August 1, 2016. The note requires 120 monthly installments of \$1,394 including principal and interest at 5%. The note matures on July 1, 2026, and is secured by a letter of credit.	47,697	54,763
\$112,800 payable to a landlord of Advantage Therapy, LLC pursuant to a lease dated March 1, 2019. The debt is payable in 60 monthly installments of \$2,129, including principal and interest at 5%. The debt matures on June 1, 2024.	<u>26,882</u>	<u>36,840</u>
	74,579	104,696
Less: current portion:	<u>(39,435)</u>	<u>(51,657)</u>
	<u>\$ 35,144</u>	<u>\$ 53,039</u>

Principal maturities of the Company's notes payable are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2023 (six months)	\$ 21,540
2024	27,631
2025	15,813
2026	9,595
Total	<u>\$ 74,579</u>

Note 10 – Stockholders’ Equity (Deficit)

On July 6, 2022, the Company’s shareholders approved the Board of Directors’ proposal to increase the number of authorized shares of the Company’s common stock to 60,000,000 shares from 30,000,000 shares.

On August 16, 2022, the Company entered into a securities purchase agreement (the “Securities Purchase Agreement”) with institutional accredited investors (the “Purchasers”) pursuant to which the Company offered for sale to the Purchasers an aggregate of 5,164,474 shares (the “Shares”) of its common stock at a purchase price of \$0.76, in a registered direct offering (the “Registered Direct Offering”). In a concurrent private placement, the Company also agreed to issue to the investors Series 1 warrants to purchase 5,164,474 shares of common stock that will become exercisable on the date that is six months following the date of issuance of the shares of common stock in the Registered Direct Offering (the “Exercise Date”) and expire on the five year anniversary of the Exercise Date, at an exercise price of \$0.95 per share, and Series 2 warrants to purchase 5,164,474 shares of common stock that will become exercisable on the Exercise Date and expire on the one year anniversary of the Exercise Date, at an exercise price of \$0.95 per share. The Shares were offered by the Company pursuant to its shelf registration statement on Form S-3 originally filed with the SEC on March 27, 2020 (as amended, the “Registration Statement”), which was declared effective on April 3, 2020. The Company received gross proceeds of both transactions of \$3.9 million. The Company used the net proceeds from this offering for working capital and other general corporate purposes, including financing the costs of implementing the Company’s strategic alternative activities.

2018 Incentive Compensation Plan

The Company’s board of directors and holders of a majority of outstanding shares approved and adopted the Company’s 2018 Incentive Compensation Plan (“2018 Plan”) in May 2018, reserving the issuance of up to 1,000,000 shares of common stock (subject to certain adjustments) upon exercise of stock options and grants of other equity awards. The 2018 Plan provides for the grant of incentive stock options (“ISOs”), nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, other forms of equity compensation and performance cash awards. ISOs may be granted only to employees. All other awards may be granted to employees, including officers, and to the Company’s non-employee directors and consultants, and affiliates. The 2018 Plan was amended July 6, 2022 to increase the 1,000,000 shares of common stock to 2,000,000 share of common stock.

Stock Options

As of June 30, 2023, the Company had issued stock options to purchase 131,050 shares of its common stock as non-qualified stock options to various employees of the Company. Most options vest over a period of four years, with 25% vesting after one year and the remaining 75% vesting in equal monthly installments over the following 36 months and are exercisable for a period of ten years. One award granted in 2021 vests over a period of one year and is exercisable for a period of ten years. Stock based compensation for stock options is estimated at the grant date based on the fair value calculated using the Black-Scholes method. The per-share fair values of these options is calculated based on the Black-Scholes-Merton pricing model.

Restricted Stock Units

On February 21, 2022, the Company granted 100,000 RSUs to an executive that vested immediately.

On October 15, 2022, the Company granted an aggregate of 300,000 RSUs to Board members with these RSUs vesting immediately.

On May 19, 2023, the Company granted an aggregate of 263,000 RSUs to Board members with these RSU's vesting immediately.

Note 11 – Retirement Plan

The Company offers a 401(k) plan that covers eligible employees. The plan provides for voluntary salary deferrals for eligible employees. Additionally, the Company is required to make matching contributions of 50% of up to 6 % of total compensation for those employees making salary deferrals. The Company made contributions of \$17,106 and \$35,954 during the three months ended June 30, 2023 and 2022, respectively and \$43,927 and \$70,763 during the six months ended June 30, 2023 and 2022, respectively.

Note 12 – Income Taxes

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of all available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management assessed all available evidence to estimate if sufficient future taxable income will be generated in the appropriate period and of the appropriate character to realize deferred tax assets. For the six months ended June 30, 2023 and June 30, 2022, no income tax expense or benefit was recorded related to income taxes due to the Company's overall operating results and the full valuation allowance.

The Company performed a comprehensive review of its uncertain tax positions and determined that no adjustments were necessary relating to unrecognized tax benefits as December 31, 2022. As of June 30, 2023, the Company had no unrecognized tax benefits recorded. The Company is subject to taxation by federal, state, and local taxing authorities. The Company's federal, state, and local income tax returns are subject to examination by taxing authorities for three years after the returns are filed, and the Company's federal, state, and local income tax returns for 2019 through 2022 remain open to examination.

Note 13 – Commitments and Contingencies

The Company accrues a liability and charges operations for the estimated costs of contingent liabilities, including adjudication or settlement of various asserted and unasserted claims existing as of the balance sheet date, where there is a reasonable possibility that a loss has been incurred and the loss (or range of probable loss) is estimable.

From time to time the Company may become subject to threatened and/or asserted claims arising in the ordinary course of our business. Other than the matter described below, management is not aware of any matters, either individually or in the aggregate, that are reasonably likely to have a material impact on the Company's financial condition, results of operations or liquidity.

Third Party Audit

On April 15, 2021, the Company received notification from Covent Bridge Group, a Center for Medicare & Medicaid Services ("CMS") contractor, that they are recommending to CMS that the Company was overpaid in the amount of \$2,921,868. This amount represents a statistical extrapolation of \$11,530 of charges from a sample of 40 claims for the periods February 2017 to November 2020.

On June 3, 2021, the Company received a request for payment from CMS in the amount of \$2,918,472. The Company began its own internal audit process and initiated the appropriate appeals. The Company received a notification dated September 30, 2021, from CMS that they "found the request to be favorable by reversing the extrapolation to actual". The Company received a separate notification stating "the extrapolated overpayment was reduced to the actual overpayment amount for the sampled denied claims \$5,327.73," which had been paid as of December 31, 2021.

On October 21, 2021, the Company received notification from Covent Bridge Group, a Center for Medicare & Medicaid Services ("CMS") contractor, that they are recommending to CMS that the Company was overpaid in the amount of \$2,716,056.33. This amount represents a statistical extrapolation of \$6,791.33 of charges from a sample of 38 claims for the periods July 2017 to November 2020 for Progressive Health & Rehabilitation, Ltd ("Progressive Health"). The Company entered into a management agreement with Progressive Health in April 2019 and therefore liable for only a portion of the sampled claims. There were a total of 38 claims reviewed, 25 of these claims were from the period prior to the management agreement with the Company and the remaining 13 claims were related to the period that Progressive Health was managed by the Company. In December 2021, the Company received a request for payment from CMS in the amount of \$2,709,265. The Company has begun its own internal audit process and has initiated the appropriate appeals. The Company submitted a reconsideration request February 26, 2023. On July 5, 2023, the Company received a reconsideration decision from the second appeal. The Qualified Independent Contractor provided a "partially favorable" decision that medical necessity supported 15 of 38 appealed claims. The Company intends to file a written appeal to an Administrative Law Judge prior to the August 30 deadline.

On May 17, 2022, the Company received notification from Covent Bridge Group, a Center for Medicare & Medicaid Services ("CMS") contractor, that they are recommending to CMS that the Company was overpaid in the amount of \$492,086.22 related to Advantage Therapy. This amount represents a statistical extrapolation of charges from a sample, the actual amount found to be overpaid was \$10,420.22. The Company has accrued the actual sample amount found for this potential overpayment. On May 27, 2022 the Company received a request for payment from CMS in the amount of \$481,666.00. The Company has begun its own internal audit process and has initiated the appropriate appeals. Prior to this May 2022 notification, CMS had implemented a pre-payment audit for Advantage Therapy. As of June 30, 2023, this audit had resulted in a recoupment balance of approximately \$0.1 million of Medicare accounts receivable. The Company submitted a reconsideration request in May 2023. On August 4, 2023, the Company received a reconsideration decision from the second appeal. The Qualified Independent Contractor provided a "partially favorable" decision supporting 31 of 65 appealed claims. The Company intends to file a written appeal to an Administrative Law Judge prior to the October 2 deadline.

On December 9, 2022, the Company received a suspension of payment notification from Covent Bridge Group, a Center for Medicare & Medicaid Services ("CMS") contractor, for IMAC Regeneration Center of Kentucky. On December 22, 2022, the Company responded to the payment suspension with a Rebuttal of Notice. The suspension of payment will remain in effect until the Rebuttal of Notice is answered. Guidelines suggest a 30 to 45 day response time, although no response has been provided nor any explanation regarding the payment suspension as of the date of this filing, over 200 days later.

Note 14 – Merger Agreement

On May 23, 2023, IMAC Holdings, Inc., a Delaware corporation (Nasdaq: BACK) (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Theralink Technologies, Inc. (OTC: THER), a Nevada corporation ("Theralink"), and IMAC Merger Sub, Inc., a Delaware corporation and a newly formed, wholly owned subsidiary of the Company ("Merger Sub"). Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Theralink (the "Merger"), with Theralink continuing as the surviving entity (the "Surviving Entity") and a wholly owned subsidiary of the Company. On May 22, 2023, the board of directors of the Company, and the board of directors of Theralink unanimously approved the Merger Agreement.

At the effective time of the Merger (the "Effective Time"), each share of Theralink's common stock ("Theralink Common Stock") and each share of Theralink's preferred stock (together with the Theralink Common Stock, "Theralink Shares") issued and outstanding as of immediately prior to the Effective Time will be converted into and will thereafter represent the right to receive a portion of a share of the Company's common stock (the "Company Shares") such that the total number of Company Shares issued to the holders of Theralink Shares shall equal 85% of the total number of Company Shares outstanding as of the Effective Time (the "Merger Consideration").

At the Effective Time, each award of Theralink stock options (each, a “Theralink Stock Option”), whether or not then vested or exercisable, that is outstanding immediately prior to the Effective Time, will be assumed by the Company and converted into a stock option relating to a number of Company Shares equal to the product of: (i) the number of shares of Theralink Common Stock subject to such Theralink Stock Option; and (ii) the ratio which results from dividing one share of Theralink Common Stock by the portion of a Company Share issuable for such share as finally determined at the Effective Time (the “Exchange Ratio”), at an exercise price per Company Share (rounded up to the nearest whole cent) equal to the quotient obtained by dividing (A) the exercise price per share of Theralink Common Stock of such Theralink Stock Option by (B) the Exchange Ratio.

The Company and Theralink have each agreed, subject to certain exceptions with respect to unsolicited proposals, not to directly or indirectly solicit competing acquisition proposals or to enter into discussions concerning, or provide confidential information in connection with, any unsolicited alternative acquisition proposals. However, if such party receives an unsolicited, bona fide acquisition proposal that did not result from a material breach of the non-solicitation provisions of the Merger Agreement and the Company’s or Theralink’s board of directors, or any committee thereof, as applicable, concludes, after consultation with its financial advisors and outside legal counsel, that such unsolicited, bona fide acquisition proposal constitutes, or could reasonably be expected to result in, a superior offer, such party may furnish non-public information regarding it or any of its subsidiaries and engage in discussions and negotiations with such third party in response to such unsolicited, bona fide acquisition proposal; *provided* that each party provides notice and furnishes any non-public information provided to the maker of the acquisition proposal to each party substantially concurrently with providing such non-public information to the maker of the acquisition proposal.

The completion of the Merger is subject to the satisfaction or waiver of customary closing conditions, including: (i) adoption of the Merger Agreement by holders of a majority of the outstanding Theralink Shares; (ii) approval of the issuance of Company Shares in connection with the Merger by a majority of the outstanding shares of the Company’s common stock; (iii) absence of any court order or regulatory injunction prohibiting completion of the Merger; (iv) expiration or termination of (a) all waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”) and (b) any agreement with any governmental entity not to consummate the transactions contemplated by the Merger Agreement; (v) effectiveness of the Company’s registration statement on Form S-4 to register the Company Shares to be issued in the Merger; (vi) subject to specified materiality standards, the accuracy of the representations and warranties of the other party; (vii) the authorization for listing of Company Shares to be issued in the Merger on Nasdaq; (viii) compliance by the other party in all material respects with its covenants; and (ix) the completion of satisfactory due diligence by both parties.

The Company and Theralink have each made customary representations and warranties in the Merger Agreement. The Merger Agreement also contains customary covenants and agreements, including covenants and agreements relating to (i) the conduct of each of the Company’s and Theralink’s business between the date of the signing of the Merger Agreement and the closing date of the Merger and (ii) the efforts of the parties to cause the Merger to be completed, including actions which may be necessary to cause the expiration or termination of any waiting periods under the HSR Act.

The Merger Agreement is attached hereto as Exhibit 2.1 and is incorporated by reference. The foregoing summary has been included to provide investors and security holders with information regarding the terms of the Merger Agreement and is qualified in its entirety by the terms and conditions of the Merger Agreement. It is not intended to provide any other factual information about the Company, Theralink or their respective subsidiaries and affiliates. The Merger Agreement contains representations and warranties by each of the parties to the Merger Agreement, which were made only for purposes of the Merger Agreement and as of specified dates. The representations, warranties and covenants in the Merger Agreement (i) were made solely for the benefit of the parties to the Merger Agreement; (ii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts; and (iii) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company, Theralink or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the Company’s or Theralink’s public disclosures.

Note 15 - Subsequent Events

On July 25, 2023, the Company entered into a definitive securities purchase agreement with several institutional and accredited investors, including existing significant investors of Theralink Technologies, Inc., its previously announced merger partner (OTC:THER) (“Theralink”), and Theralink’s Chairman, for the sale of its preferred stock and warrants. IMAC sold an aggregate of 2,500 shares of its Series A-1 Convertible Preferred Stock, stated value \$1,000 per share, 1,800 shares of its Series A-2 Convertible Preferred Stock, stated value \$1,000 per share, and Warrants to purchase up to 62,271,063 shares of its common stock for aggregate gross proceeds of \$4.3 million before deducting placement agent fees and other offering expenses. The shares of A-1 Convertible Preferred Stock, shall bear a 12% dividend, and are initially convertible into an aggregate of 22,893,773 shares of common stock of the Company, and the shares of Series A-2 Convertible Preferred Stock are initially convertible into an aggregate of 16,483,517 shares of common stock of the Company, in each case, at a conversion price of \$0.1092 per share. The Warrants have an exercise price of \$0.1092 per share, are exercisable immediately, and will expire five years from the date of shareholder approval of this private placement. It is expected that approximately \$3.0 million of the proceeds of the offering will be used to make a loan to Theralink for investment into sales and marketing efforts and general working capital purposes as the companies continue to take formal steps together in advancing their merger previously announced on May 23, 2023.

The Company also entered into a Registration Rights Agreement, pursuant to which it agreed to file a registration statement with the Securities and Exchange Commission (the “SEC”) covering the resale of the shares of the Company’s common stock underlying the Series A-1 Convertible Preferred Stock, Series A-2 Convertible Preferred Stock and Warrants no later than 45 days following the closing of the planned merger.

The foregoing summary is qualified in its entirety by reference to the full text of each of the Certificate of Designation for the Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock, the Warrants, the Securities Purchase Agreement and the Registration Rights Agreement, attached as Exhibits 3.1, 3.2, 4.1, 10.1 and 10.2, respectively, each of which is incorporated herein in its entirety.

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

Special Note Regarding Forward-Looking Information

The following discussion and analysis of the results of operations and financial condition as of June 30, 2023 and for the six months ended June 30, 2023 and 2022 should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this Quarterly Report on Form 10-Q. This Quarterly Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar expressions, are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risks and uncertainties set forth under Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as discussed elsewhere in this Quarterly Report, particularly in Part II, Item 1A - Risk Factors.

Any one or more of these uncertainties, risks and other influences, could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. Except as required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

References in this MD&A to "we," "us," "our," "our company," "our business" and "IMAC Holdings" are to IMAC Holdings, Inc., a Delaware corporation and prior to the Corporate Conversion (defined below), IMAC Holdings, LLC, a Kentucky limited liability company, and the following entities which are consolidated due to direct ownership of a controlling voting interest or other rights granted to us as the sole general partner or managing member of the entity: IMAC Regeneration Center of St. Louis, LLC ("IMAC St. Louis"), IMAC Management Services, LLC ("IMAC Management"), IMAC Regeneration Management, LLC ("IMAC Texas") IMAC Regeneration Management of Nashville, LLC ("IMAC Nashville") IMAC Management of Illinois, LLC ("IMAC Illinois"), Advantage Hand Therapy and Orthopedic Rehabilitation, LLC ("Advantage Therapy"), IMAC Management of Florida, LLC ("IMAC Florida"), Louisiana Orthopaedic & Sports Rehab ("IMAC Louisiana") and The Back Space, LLC ("BackSpace"); the following entity which is consolidated with IMAC Regeneration Management of Nashville, LLC due to control by contract: IMAC Regeneration Center of Nashville, PC ("IMAC Nashville PC"); the following entities which are consolidated with IMAC Management of Illinois, LLC due to control by contract: Progressive Health and Rehabilitation, Ltd., Illinois Spine and Disc Institute, Ltd. and Ricardo Knight, P.C.; the following entities which is consolidated with IMAC Management Services, LLC due to control by contract: Integrated Medicine and Chiropractic Regeneration Center PSC ("Kentucky PC") and IMAC Medical of Kentucky PSC ("Kentucky PSC"); the following entities which are consolidated with IMAC Florida due to control by contract: Willmitch Chiropractic, P.A. and IMAC Medical of Florida, P.A.; the following entity which is consolidated with Louisiana Orthopaedic & Sports Rehab due to control by contract: IMAC Medical of Louisiana, a Medical Corporation; and the following entities which are consolidated with BackSpace due to control by contract: ChiroMart LLC, ChiroMart Florida LLC, and ChiroMart Missouri LLC.

Overview

We are a provider of movement and orthopedic therapies and minimally invasive procedures performed through our regenerative and rehabilitative medical treatments to improve the physical health of our patients at our chain of IMAC Regeneration Centers which we own or manage. Our outpatient medical clinics provide conservative, minimally invasive medical treatments to help patients with back pain, knee pain, joint pain, ligament and tendon damage, and other related soft tissue conditions. Our licensed healthcare professionals evaluate each patient and provide a custom treatment plan that integrates traditional medical procedures and innovative regenerative medicine procedures in combination with physical medicine. We do not use or offer opioid-based prescriptions as part of our treatment options in order to help our patients avoid the dangers of opioid abuse and addiction. The original IMAC Regeneration Center opened in Kentucky in August 2000 and remains the flagship location of our current business, which was formally organized in March 2015.

Given the Company's current financial position, during the first half of 2023 the Company decided to close five underperforming locations and in addition sold its Louisiana Orthopedic and Chicago practices as well as The BackSpace, LLC operations in an effort to raise sufficient capital to support on-going operations. Management has been actively exploring various strategic alternatives in an effort to support operations in 2023 and beyond.

We own our medical clinics directly or have entered into long-term management services agreements to operate and control certain of our medical clinics by contract. Our preference is to own the clinics; however, some state laws restrict the corporate practice of medicine and require a licensed medical practitioner to own the clinic. Accordingly, our managed clinics are owned exclusively by a medical professional within a professional service corporation (formed as a limited liability company or corporation) and are under common control with us in order to comply with state laws regulating the ownership of medical practices. We are compensated under management services agreements through service fees based on the cost of the services provided, plus a specified markup percentage, and a discretionary annual bonus determined in the sole discretion of each professional service corporation.

Recent Developments

Significant recent developments of the company for the second quarter of 2023 are set forth in the bullets below.

- On May 23, 2023, IMAC Holdings, Inc., a Delaware corporation (Nasdaq: BACK) (the “Company”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Theralink Technologies, Inc. (OTC: THER), a Nevada corporation (“Theralink”), and IMAC Merger Sub, Inc., a Delaware corporation and a newly formed, wholly owned subsidiary of the Company (“Merger Sub”). Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Theralink (the “Merger”), with Theralink continuing as the surviving entity (the “Surviving Entity”) and a wholly owned subsidiary of the Company. On May 22, 2023, the board of directors of the Company, and the board of directors of Theralink unanimously approved the Merger Agreement.

At the effective time of the Merger (the “Effective Time”), each share of Theralink’s common stock (“Theralink Common Stock”) and each share of Theralink’s preferred stock (together with the Theralink Common Stock, “Theralink Shares”) issued and outstanding as of immediately prior to the Effective Time will be converted into and will thereafter represent the right to receive a portion of a share of the Company’s common stock (the “Company Shares”) such that the total number of Company Shares issued to the holders of Theralink Shares shall equal 85% of the total number of Company Shares outstanding as of the Effective Time (the “Merger Consideration”).

At the Effective Time, each award of Theralink stock options (each, a “Theralink Stock Option”), whether or not then vested or exercisable, that is outstanding immediately prior to the Effective Time, will be assumed by the Company and converted into a stock option relating to a number of Company Shares equal to the product of: (i) the number of shares of Theralink Common Stock subject to such Theralink Stock Option; and (ii) the ratio which results from dividing one share of Theralink Common Stock by the portion of a Company Share issuable for such share as finally determined at the Effective Time (the “Exchange Ratio”), at an exercise price per Company Share (rounded up to the nearest whole cent) equal to the quotient obtained by dividing (A) the exercise price per share of Theralink Common Stock of such Theralink Stock Option by (B) the Exchange Ratio.

The Company and Theralink have each agreed, subject to certain exceptions with respect to unsolicited proposals, not to directly or indirectly solicit competing acquisition proposals or to enter into discussions concerning, or provide confidential information in connection with, any unsolicited alternative acquisition proposals. However, if such party receives an unsolicited, bona fide acquisition proposal that did not result from a material breach of the non-solicitation provisions of the Merger Agreement and the Company’s or Theralink’s board of directors, or any committee thereof, as applicable, concludes, after consultation with its financial advisors and outside legal counsel, that such unsolicited, bona fide acquisition proposal constitutes, or could reasonably be expected to result in, a superior offer, such party may furnish non-public information regarding it or any of its subsidiaries and engage in discussions and negotiations with such third party in response to such unsolicited, bona fide acquisition proposal; *provided* that each party provides notice and furnishes any non-public information provided to the maker of the acquisition proposal to each party substantially concurrently with providing such non-public information to the maker of the acquisition proposal.

The completion of the Merger is subject to the satisfaction or waiver of customary closing conditions, including: (i) adoption of the Merger Agreement by holders of a majority of the outstanding Theralink Shares; (ii) approval of the issuance of Company Shares in connection with the Merger by a majority of the outstanding shares of the Company’s common stock; (iii) absence of any court order or regulatory injunction prohibiting completion of the Merger; (iv) expiration or termination of (a) all waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”) and (b) any agreement with any governmental entity not to consummate the transactions contemplated by the Merger Agreement; (v) effectiveness of the Company’s registration statement on Form S-4 to register the Company Shares to be issued in the Merger; (vi) subject to specified materiality standards, the accuracy of the representations and warranties of the other party; (vii) the authorization for listing of Company Shares to be issued in the Merger on Nasdaq; (viii) compliance by the other party in all material respects with its covenants; and (ix) the completion of satisfactory due diligence by both parties.

The Company and Theralink have each made customary representations and warranties in the Merger Agreement. The Merger Agreement also contains customary covenants and agreements, including covenants and agreements relating to (i) the conduct of each of the Company’s and Theralink’s business between the date of the signing of the Merger Agreement and the closing date of the Merger and (ii) the efforts of the parties to cause the Merger to be completed, including actions which may be necessary to cause the expiration or termination of any waiting periods under the HSR Act.

The Merger Agreement is attached hereto as Exhibit 2.1 and is incorporated by reference. The foregoing summary has been included to provide investors and security holders with information regarding the terms of the Merger Agreement and is qualified in its entirety by the terms and conditions of the Merger Agreement. It is not intended to provide any other factual information about the Company, Theralink or their respective subsidiaries and affiliates. The Merger Agreement contains representations and warranties by each of the parties to the Merger Agreement, which were made only for purposes of the Merger Agreement and as of specified dates. The representations, warranties and covenants in the Merger Agreement (i) were made solely for the benefit of the parties to the Merger Agreement; (ii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Merger Agreement instead of establishing these matters as facts; and (iii) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company, Theralink or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the Company's or Theralink's public disclosures.

- On July 25, 2023, the Company entered into a definitive securities purchase agreement with several institutional and accredited investors, including existing significant investors of Theralink Technologies, Inc., its previously announced merger partner (OTC:THER) ("Theralink"), and Theralink's Chairman, for the sale of its preferred stock and warrants. IMAC sold an aggregate of 2,500 shares of its Series A-1 Convertible Preferred Stock, stated value \$1,000 per share, 1,800 shares of its Series A-2 Convertible Preferred Stock, stated value \$1,000 per share, and Warrants to purchase up to 62,271,063 shares of its common stock for aggregate gross proceeds of \$4.3 million before deducting placement agent fees and other offering expenses. The shares of A-1 Convertible Preferred Stock, shall bear a 12% dividend, and are initially convertible into an aggregate of 22,893,773 shares of common stock of the Company, and the shares of Series A-2 Convertible Preferred Stock are initially convertible into an aggregate of 16,483,517 shares of common stock of the Company, in each case, at a conversion price of \$0.1092 per share. The Warrants have an exercise price of \$0.1092 per share, are exercisable immediately, and will expire five years from the date of shareholder approval of this private placement. It is expected that approximately \$3.0 million of the proceeds of the offering will be used to make a loan to Theralink for investment into sales and marketing efforts and general working capital purposes as the companies continue to take formal steps together in advancing their merger previously announced on May 23, 2023.

The Company also entered into a Registration Rights Agreement, pursuant to which it agreed to file a registration statement with the Securities and Exchange Commission (the "SEC") covering the resale of the shares of the Company's common stock underlying the Series A-1 Convertible Preferred Stock, Series A-2 Convertible Preferred Stock and Warrants no later than 45 days following the closing of the planned merger.

The foregoing summary is qualified in its entirety by reference to the full text of each of the Certificate of Designation for the Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock, the Warrants, the Securities Purchase Agreement and the Registration Rights Agreement, attached as Exhibits 3.1, 3.2, 4.1, 10.1 and 10.2, respectively, each of which is incorporated herein in its entirety.

Significant financial metrics

Significant financial metrics of the Company for the second quarter of 2023 are set forth in the bullets below.

- Net patient revenue decreased to \$1.3 million for the second quarter of 2023 from \$2.1 million for the first quarter of 2023.
 - Working capital is (\$2.6 million) as of June 30, 2023 compared to working capital of \$0.5 million as of December 31, 2022.
 - Adjusted EBITDA¹ of (\$1.0 million) in the second quarter of 2023 compared to (\$1.3 million) in the second quarter of 2022.
 - Sold the Illinois market during the second quarter of 2023.
 - Closed two under performing locations during the second quarter of 2023 and sold another location.
- (1) Adjusted EBITDA is a non-GAAP financial measure most closely comparable to the GAAP measure of net loss. See "Reconciliation of Non-GAAP Financial Matters" below for a full reconciliation of the GAAP and non-GAAP measures.

Matters that May or Are Currently Affecting Our Business

We believe that our future success depends on various opportunities, challenges, trends and other factors, including the following:

- Our need to hire additional healthcare professionals in order to operate the existing clinics;
- Our ability to enhance revenue at each facility on an ongoing basis through additional patient volume and new services;
- Our ability to attract competent, skilled medical and sales personnel for our operations at acceptable prices to manage our overhead;
- Our ability to control our operating expenses; our ability to consummate the proposed Theralink Technologies merger and, if consummated, whether it will prove to be beneficial to our Company and stockholders.

Results of Operations for the Three and Six Months Ended June 30, 2023 Compared to the Three and Six Months Ended June 30, 2022

We own our medical clinics directly or have entered into long-term management services agreements to operate and control these medical clinics by contract. Our preference is to own the clinics; however, some state laws restrict the corporate practice of medicine and require a licensed medical practitioner to own the clinic. Accordingly, our managed clinics are owned exclusively by a medical professional within a professional service corporation (formed as a corporation or a limited liability company) under common control with us or eligible members of our company in order to comply with state laws regulating the ownership of medical practices. We are compensated under management services agreements through service fees based on the cost of the services provided, plus a specified markup percentage, and a discretionary annual bonus determined in the sole discretion of each professional service corporation.

Revenues

Our revenue mix is diversified between medical treatments and physiological treatments. Our medical treatments are further segmented into traditional medical and regenerative medicine practices. We are an in-network provider for traditional physical medical treatments, such as physical therapy, chiropractic services and medical evaluations, with most private health insurance carriers. Regenerative medical treatments are typically not covered by insurance, but paid by the patient. For more information on our revenue recognition policies, see “Notes to the Consolidated Financial Statements” that were included in the Form 10-K.

Revenues for the three months ended June 30, 2023 and 2022 were as follows:

	Three Months Ended June 30,	
	2023	2022
	<i>(in thousands, unaudited)</i>	
Revenues:		
Outpatient facility services	\$ 1,204	\$ 4,744
Memberships	140	289
Total revenues	\$ 1,344	\$ 5,033

Revenues for the six months ended June 30, 2023 and 2022 were as follows:

	Six Months Ended June 30,	
	2023	2022
	<i>(in thousands, unaudited)</i>	
Revenues:		
Outpatient facility services	\$ 3,041	\$ 8,405
Memberships	396	523
Total revenues	\$ 3,437	\$ 8,928

See the table below for more information regarding our revenue breakdown by service type.

	Three Months Ended June 30,	
	2023	2022
	(Unaudited)	
Revenues:		
Medical treatments	61%	66%
Physical therapy	22%	26%
Chiropractic care	5%	2%
Memberships	12%	6%
	100%	100%

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	
Revenues:		
Medical treatments	62%	66%
Physical therapy	22%	26%
Chiropractic care	3%	2%
Memberships	13%	6%
	100%	100%

Consolidated Results

For the three months ended June 30, 2023, total revenues decreased approximately \$3.7 million due to sale of the Louisiana market, Chicago market and BackSpace retail stores and the closure of underperforming stores.

For the six months ended June 30, 2023, total revenues decreased approximately \$5.5 million due to the sale of the Louisiana market, Chicago market and the BackSpace retail stores and the closure of underperforming stores.

IMAC Clinics

Of the total revenue decrease, approximately \$4.4 million is attributed to the sale or closure of IMAC Clinics.

Retail Clinics

The Company began opening retail clinics in Walmart in June 2021. On March 1, 2023, we executed an agreement to sale The BackSpace, LLC to Curis Express, LLC. This sale eliminated IMAC Holdings, Inc. retail chiropractic division. During the first quarter of 2023, 75% of the BackSpace revenue was related to memberships.

Memberships

A wellness membership program was implemented at IMAC Clinics in January 2020 and this wellness program has different plan levels that include services for chiropractic care and medical treatments on a monthly subscription basis. Therefore, memberships could have multiple visits in one month, however only one payment is received for these visits.

Operating Expenses

Operating expenses consist of patient expenses, salaries and benefits, share based compensation, advertising and marketing, general and administrative expenses and depreciation expenses.

Patient expenses consist of medical supplies for services rendered.

Patient Expenses	2023	2022	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30	\$ 176,000	\$ 397,000	\$ (221,000)	(56)%
Six Months Ended June 30	\$ 442,000	\$ 858,000	\$ (415,000)	(48)%

Cost of revenues (patient expense) decreased for the six months ended June 30, 2023 as compared to June 30, 2022, due to the closure of the underperforming clinics and the sale of Louisiana and the retail stores. Patient expense as a percent of revenue has remained relatively consistent from 13.1% for the second quarter of 2023 compared to 7.9% for the second quarter of 2022. The increase during the second quarter is partially due to a temporary medical service mix shift and purchasing power decrease to achieve purchase volume discounts.

Salaries and benefits consist of payroll, benefits and related party contracts.

Salaries and Benefits	2023	2022	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30	\$ 1,252,000	\$ 3,863,000	\$ (2,611,000)	(68)%
Six Months Ended June 30	\$ 3,565,000	\$ 7,762,000	\$ (4,198,000)	(54)%

Salaries and benefits expenses for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, decreased due to the closure of the underperforming clinics and the sale of Louisiana and the retail stores. Same store clinics have also experienced a decrease in employees.

Advertising and marketing consist of marketing, business promotion and brand recognition.

Advertising and Marketing	2023	2022	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30	\$ 37,000	\$ 242,000	\$ (206,000)	(85)%
Six Months Ended June 30	\$ 111,000	\$ 613,000	\$ (502,000)	(82)%

Advertising and marketing expenses decreased \$206,000 for the three months ended June 30, 2023, as compared to the three months ended June 30, 2022. This decrease is attributable to the decrease of clinics.

General and administrative expense ("G&A") consist of all other costs than advertising and marketing, salaries and benefits, patient expenses and depreciation.

General and Administrative	2023	2022	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30	\$ 887,000	\$ 1,858,000	\$ (971,000)	(52)%
Six Months Ended June 30	\$ 2,392,000	\$ 3,673,000	\$ (1,282,000)	(35)%

G&A decreased \$1,282,000 in the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. There was a \$363,000 decrease in rent expense from the first six months of 2022 compared to the first six months of 2023 due to the sale and closure of seven IMAC clinic locations as well as the 10 Backspace locations. The Company had a decrease of \$276,000 in contract labor and consulting expenses in the first six months of 2023 compared to the first six months of 2022.

FDA Clinical Trial

In August 2020, the United States Food and Drug Administration (the “FDA”) approved the Company’s investigational new drug application. The Company completed the third cohort of Phase 1 of the clinical trial during 2022. The Company incurred \$34,000 in G&A expenses related to consultants, supplies, software and travel for the clinic trial during the six months ended June 30, 2023 compared to \$205,000 in the six months ended June 30, 2022.

Depreciation is related to our property and equipment purchases to use in the course of our business activities. Amortization is related to our business acquisitions.

Depreciation and Amortization	2023	2022	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30	\$ 120,000	\$ 439,000	\$ (319,000)	(73)%
Six Months Ended June 30	\$ 310,000	\$ 885,000	\$ (576,000)	(65)%

Depreciation and amortization decreased for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The decrease is attributable to the impairment recorded of the intangibles, the sale of Louisiana and the retail clinics and the sale of medical equipment.

Depreciation is related to our property and equipment purchases to use in the course of our business activities. Amortization is related to our business acquisitions.

Loss on disposal and impairment	2023	2022	Change from Prior Year	Percent Change from Prior Year
Three Months Ended June 30	\$ 254,000	\$ 35,000	\$ 219,000	630%
Six Months Ended June 30	\$ 1,695,000	\$ 82,000	\$ 1,613,000	1,961%

Loss on disposal and impairment increased \$1,613,000 for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 due to the sale of Ricardo Knight, PC, Louisiana Orthopedic and the retail stores, the closure of the underperforming clinics and sales of equipment.

Analysis of Cash Flows

The primary source of our operating cash flow is the collection of accounts receivable from patients, private insurance companies, government programs, self-insured employers and other payers.

During the six months ended June 30, 2023, net cash used in operations was approximately \$1.7 million, which was primarily attributable to the loss on disposition of assets related to the sale of Louisiana and closure of clinics. Of that total, roughly \$0.25 million of net cash used for operations was incurred in the three months ending June 30, 2023.

Net cash provided by investing activities during the six months ended June 30, 2023 was approximately \$1.1 million, which was attributed to the sale of Ricardo Knight, PC and Louisiana Orthopedic operations during the period.

Net cash used in financing activities during the six months ended June 30, 2023 was approximately \$24,000, which mostly consisted of debt payments of approximately \$30,000.

Reconciliation of Non-GAAP Financial Measures

This report contains certain non-GAAP financial measures, including non-GAAP net income and adjusted EBITDA, which are used by management in analyzing our financial results and ongoing operational performance.

In order to better assess the Company's financial results, management believes that net income before interest, income taxes, stock based compensation, and depreciation and amortization ("adjusted EBITDA") is a useful measure for evaluating the operating performance of the Company because adjusted EBITDA reflects net income adjusted for certain non-cash and/or non-operating items. We also believe that adjusted EBITDA is useful to many investors to assess the Company's ongoing results from current operations. Adjusted EBITDA is a non-GAAP financial measure and should not be considered a measure of financial performance under GAAP. Because adjusted EBITDA is not a measurement determined in accordance with GAAP, such non-GAAP financial measures are susceptible to varying calculations. Accordingly, adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

This non-GAAP financial measure should not be considered as a substitute for, or superior to, measures of financial performance which are prepared in accordance with US GAAP and may be different from non-GAAP financial measures used by other companies and have limitations as analytical tools.

A reconciliation of adjusted EBITDA to the most directly comparable GAAP measure is set forth below.

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
GAAP loss attributable to IMAC Holdings, Inc.	\$ (1,403,000)	\$ (1,844,000)	\$ (5,102,000)	\$ (5,006,000)
Interest income	-	(1,000)	-	(1,000)
Interest expense	22,000	5,000	25,000	9,000
Other expense	-	40,000	-	53,000
Share-based compensation expense	46,000	81,000	131,000	270,000
Depreciation and amortization	120,000	439,000	310,000	885,000
Loss on disposition and impairment of assets	254,000	35,000	1,695,000	82,000
Adjusted EBITDA	<u>\$ (961,000)</u>	<u>\$ (1,245,000)</u>	<u>\$ (2,941,000)</u>	<u>\$ (3,708,000)</u>

Liquidity and Capital Resources

As of June 30, 2023, we had \$0.2 million in cash and negative working capital of \$2.6 million. As of December 31, 2022, we had cash of \$0.8 million and working capital of \$0.5 million. The decrease in working capital was primarily due to the use of cash for operating expenses during the six months ended June 30, 2023.

As of June 30, 2023, we had approximately \$3.9 million in current liabilities. Operating leases represent \$0.9 million of our current liabilities. Of our remaining current liabilities as of June 30, 2023, approximately \$1.2 million in current liabilities outstanding to our vendors, which we have historically paid down in the normal course of our business and accrued expenses represent approximately \$1.0 million of the balance. Lastly, accrued wages, taxes, 401k contributions and paid time off represent approximately \$0.3 million of the remaining current liabilities.

Contractual Obligations

The following table summarizes our contractual obligations by period as of June 30, 2023:

	Payments Due by Period			
	Total	Less Than 1 Year	1-3 Years	4-5 Years
Short-term obligations	\$ 23,263	\$ 23,263	\$ -	\$ -
Long-term obligations, including interest	55,971	-	55,971	-
Finance lease obligations, including interest	20,905	18,176	2,729	-
Operating lease obligations	2,133,592	1,013,030	1,001,894	118,668
	<u>\$ 2,233,731</u>	<u>\$ 1,054,469</u>	<u>\$ 1,060,594</u>	<u>\$ 118,668</u>

Off-Balance Sheet Arrangements

As of June 30, 2023, the Company did not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (the “Exchange Act”) reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As further discussed below, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer concluded that, because of certain material weaknesses in our internal control over financial reporting our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act were not effective as of June 30, 2023. The material weaknesses relate to the absence of in-house accounting personnel with the ability to properly account for complex transactions and a lack of separation of duties between accounting and other functions.

We hired a consulting firm to advise on technical issues related to U.S. GAAP as related to the maintenance of our accounting books and records and the preparation of our consolidated financial statements. Although we are aware of the risks associated with not having dedicated accounting personnel, we are also at an early stage in the development of our business. We anticipate expanding our accounting functions with dedicated staff and improving our internal accounting procedures and separation of duties when we can absorb the costs of such expansion and improvement with additional capital resources. In the meantime, management will continue to observe and assess our internal accounting function and make necessary improvements whenever they may be required. If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements, and we could be required to restate our financial results. In addition, if we are unable to successfully remediate this material weakness and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Based on our evaluation under the framework in *Internal Control—Integrated Framework* (2013), our management concluded that, because of certain material weaknesses in our internal control over financial reporting our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act were not effective as of June 30, 2023.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of our business, as described below. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse effect on us. Regardless of final outcomes, however, any such proceedings or claims may nonetheless impose a significant burden on management and employees and may come with costly defense costs or unfavorable preliminary interim rulings.

ITEM 1A. RISK FACTORS

In addition to the information set forth under Item 1A of Part I to our Annual Report on Form 10-K for the year ended December 31, 2022, the information set forth at the beginning of Management's Discussion and Analysis entitled "Special Note Regarding Forward-Looking Information," and updates noted below, you should consider that there are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business, financial condition or results of operation may be materially and adversely affected. In such case, the trading price of our securities could decline and investors could lose all or part of their investment. These risk factors may not identify all risks that we face and our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

We recorded a net loss for the six months ended June 30, 2023 and June 30, 2022 and there can be no assurance that our future operations will result in net income; we received a going concern qualification.

For the six months ended June 30, 2023 and June 30, 2022, we had net revenue of approximately \$3,437,000 and \$8,928,000, respectively, and we had net loss of approximately \$5,102,000 and \$5,006,000, respectively. There can be no assurance that our future operations will result in net income. Our failure to increase our revenues or improve our gross margins will harm our business. We may not be able to sustain or increase profitability on a quarterly or annual basis in the future. If our revenues grow more slowly than we anticipate, our gross margins fail to improve or our operating expenses exceed our expectations, our operating results will suffer. The fee we charge for our management services may decrease, which would reduce our revenues and harm our business. If we are unable to sell our services at acceptable prices relative to our costs, or if we fail to develop and introduce new services on a timely basis and services from which we can derive additional revenues, our financial results will suffer.

Our stock price is below \$1.00 per share, and if it continues, our common stock may be subject to delisting from The Nasdaq Capital Market.

Our common stock closed below the required minimum \$1.00 per share for 30 consecutive business days and we received a deficiency notice from Nasdaq regarding our failure to comply with Nasdaq Marketplace Rule 5550(a)(2) on September 21, 2022. When the notice was received, pursuant to Marketplace Rule 5810(c)(3)(A), we become subject to a period of 180 calendar days to regain compliance with Rule 5550(a)(2). If at any time the bid price of our common stock closes at \$1.00 per share or more for a minimum of 10 consecutive business days, we will regain compliance with Rule 5550(a)(2). We did not regain compliance with Rule 5550(a)(2) prior to the expiration of the Nasdaq compliance period. We appealed the delisting determination to a Nasdaq hearing panel and the panel stayed the delisting. The Company received an extension through September 18, 2023. We are currently evaluating our alternatives to resolve any listing deficiency. To the extent that we are unable to resolve a listing deficiency, there is a risk that our common stock may be delisted from Nasdaq, which would adversely impact liquidity of our common stock and potentially result in even lower bid prices for our common stock. If shares of our common stock become subject to the penny stock rules, it would become more difficult to trade them.

On May 31, 2023, the Company received notice from Nasdaq that the Company has failed to maintain a required minimum of \$2,500,000 in stockholders' equity for continued listing, as required under Listing Rule 5550(b)(1) (the "Minimum Equity Rule"). On August 3, 2023, the Company submitted a plan to Nasdaq to grant the Company an extension of time until November 27, 2023 to provide evidence of compliance with the Minimum Equity Rule, and by filing this Current Report on Form 8-K, which includes (1) disclosure of Nasdaq's deficiency letter and the specific deficiency or deficiencies cited; (2) a description of the completed transaction or event that enabled the Company to satisfy the stockholders' equity requirement for continued listing; (3) an affirmative statement that, as of the date of the report, the Company believes it has regained compliance with the stockholders' equity requirement based upon the specific transaction or event referenced in item (2) above; and (4) a disclosure stating that Nasdaq will continue to monitor the Company's ongoing compliance with the stockholders' equity requirement and, if at the time of its next periodic report the Company does not evidence compliance, that it may be subject to delisting.

As previously disclosed by the Company, on July 25, 2023, the Company completed a financing transaction pursuant to a Securities Purchase Agreement for the sale of its Convertible Preferred Stock and Warrants. The Company sold an aggregate of 2,500 shares of its Series A-1 Convertible Preferred Stock, stated value \$1,000 per share, 1,800 shares of its Series A-2 Convertible Preferred Stock, stated value \$1,000 per share, and Warrants to purchase up to 62,271,063 shares of the Company's Common Stock for aggregate gross proceeds of \$4,300,000, before deducting placement agent fees and other offering expenses. The shares of Series A-1 Convertible Preferred Stock bear a 12% dividend and are initially convertible into an aggregate of 22,893,773 shares of Common Stock of the Company, and the shares of Series A-2 Convertible Preferred Stock are initially convertible into an aggregate of 16,483,517 shares of Common Stock of the Company, in each case, at a conversion price of \$0.1092 per share. The Series A-1 and Series A-2 Convertible Preferred Stock cannot be converted at the option of the holder into shares of the Company's Common Stock until shareholder approval is received in compliance with the applicable rules and regulations of The Nasdaq Stock Market. The Warrants have an exercise price of \$0.1092 per share, are exercisable on or after the date that shareholder approval of the financing transaction is received and will expire five years from the date such shareholder approval is received.

The Company believes its total stockholders' equity as of March 31, 2023 of \$996,955 on the Company's consolidated balance sheet would be, on an as adjusted basis, \$4,816,000 as of March 31, 2023, after giving effect to the financing transaction described above.

As of August 3, 2023, the Company believes it has regained compliance with the stockholders' equity requirement based upon the specific transactions and events referenced above. Nasdaq will continue to monitor the Company's ongoing compliance with the stockholders' equity requirement, and if at the time of the Company's next periodic report in which the financing transaction is included (i.e., for the quarterly period ending September 30, 2023) the Company does not evidence compliance, it may be subject to delisting.

We have 5,000,000 authorized and 4,995,700 unissued shares of preferred stock, and our board has the ability to designate the rights and preferences of this preferred stock without your vote.

Our certificate of incorporation authorizes our board of directors to issue “blank check” preferred stock and to fix the rights, preferences, privileges and restrictions, including voting rights, of these shares, without further stockholder approval. The rights of the holders of common stock will be subject to and may be adversely affected by the rights of holders of any preferred stock that may be issued in the future. As indicated in the preceding risk factor, the ability to issue preferred stock without stockholder approval could have the effect of making it more difficult for a third party to acquire a majority of the voting stock of our company thereby discouraging, delaying or preventing a change in control of our company. We currently have 4,300 outstanding shares of preferred stock, or plans to issue any such shares in the future.

On July 25, 2023, the Company entered into a definitive Securities Purchase Agreement with several institutional and accredited investors, including existing significant investors of Theralink Technologies, Inc., its previously announced merger partner (“Theralink”), and Theralink’s Chairman, for the sale of its convertible preferred stock and warrants (the “Private Placement”). The Company sold an aggregate of 2,500 shares of its Series A-1 Convertible Preferred Stock, stated value \$1,000 per share (“Series A-1 Convertible Preferred Stock”), 1,800 shares of its Series A-2 Convertible Preferred Stock, stated value \$1,000 per share (“Series A-2 Convertible Preferred Stock”), and warrants (“Warrants”) to purchase up to 62,271,063 shares of the Company’s common stock for aggregate gross proceeds of \$4,300,000, before deducting placement agent fees and other offering expenses. The shares of Series A-1 Convertible Preferred Stock bear a 12% dividend and are initially convertible into an aggregate of 22,893,773 shares of common stock of the Company, and the shares of Series A-2 Convertible Preferred Stock are initially convertible into an aggregate of 16,483,517 shares of common stock of the Company, in each case, at a conversion price of \$0.1092 per share. The Series A-1 and Series A-2 Convertible Preferred Stock cannot be converted at the option of the holder into shares of the Company’s common stock until shareholder approval is received in compliance with the applicable rules and regulations of The Nasdaq Stock Market. The Warrants have an exercise price of \$0.1092 per share, are exercisable on or after the date that shareholder approval of the Private Placement is received and will expire five years from the date such shareholder approval is received. It is expected that approximately \$3.0 million of the proceeds of the Private Placement will be used to make a loan to Theralink for investment into sales and marketing efforts and general working capital purposes as the companies continue to take formal steps together in advancing their planned merger previously announced on May 23, 2023.

The Company also entered into a Registration Rights Agreement, pursuant to which it agreed to file a registration statement with the Securities and Exchange Commission (the “SEC”) covering the resale of the shares of the Company’s common stock underlying the Series A-1 Convertible Preferred Stock, Series A-2 Convertible Preferred Stock and Warrants no later than 45 days following the closing of the planned merger.

The foregoing summary is qualified in its entirety by reference to the full text of each of the Certificate of Designation for the Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock, the Warrants, the Securities Purchase Agreement and the Registration Rights Agreement, attached as Exhibits 3.1, 3.2, 4.1, 10.1 and 10.2, respectively, each of which is incorporated herein in its entirety.

On July 27, 2023, the Company filed Certificates of Designation of Preferences, Rights and Limitations establishing two series of preferred stock designated as the Series A-1 Convertible Preferred Stock and the Series A-2 Convertible Preferred Stock with the Secretary of the State of Delaware.

There are a number of risks and uncertainties that could impact the completion of the IMAC Merger with Theralink.

The Merger is structured as a stock for stock reverse merger whereby all of Theralink’s outstanding equity interests are to be exchanged for shares of IMAC common stock. Theralink stakeholders are expected to own approximately 85% of the combined company, and pre-merger IMAC equity holders are expected to own approximately 15% of the combined company, on a fully diluted basis calculated using the treasury stock method, subject to certain adjustments provided for in the Merger Agreement. The boards of directors of both companies have unanimously approved the Merger Agreement. However, there can be no guarantee of the dilutive impact to shareholders prior to or as part of the Merger process. Additionally, there is a risk that cost savings, synergies and growth from the proposed Merger may not be fully realized or may take longer to realize than expected; the possibility that shareholders of IMAC may not approve the issuance of new shares of IMAC common stock in the proposed Merger or that shareholders of IMAC may not approve the proposed Merger; the risk that a condition to closing of the proposed Merger may not be satisfied, that either party may terminate the Merger Agreement or that the closing of the proposed Merger might be delayed or not occur at all; potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the proposed Merger; the occurrence of any other event, change or other circumstances that could give rise to the termination of the Merger Agreement relating to the proposed Merger; the risk that changes in IMAC’s capital structure and governance could have adverse effects on the market value of its securities and its ability to access the capital markets; the ability of IMAC to retain its Nasdaq listing; the ability of Theralink to retain customers and retain and hire key personnel and maintain relationships with their suppliers and customers and on Theralink’s operating results and business generally; the risk the proposed Merger could distract management from ongoing business operations or cause IMAC and/or Theralink to incur substantial costs; the risk that Theralink may be unable to reduce expenses; the impact of any related economic downturn; the risk of changes in regulations effecting the healthcare industry; and other important factors that could cause actual results to differ materially from those projected. All such factors are difficult to predict and may be beyond IMAC’s or Theralink’s control.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1	<u>Agreement and Plan of Merger dated as of May 23, 2023, by and among IMAC Holdings, Inc. IMAC Merger Sub, LLC and Theralink Technologies, Inc.</u>
3.1	<u>Certificate of Incorporation of IMAC Holdings, Inc. (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed with the SEC on September 17, 2018 and incorporated herein by reference).</u>
3.2	<u>Certificate of Amendment to the Certificate of Incorporation of IMAC Holdings, Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1/A filed with the SEC on December 10, 2018 and incorporated herein by reference).</u>
3.3	<u>Certificate of Correction of the Certificate of Incorporation of IMAC Holdings, Inc. filed with the Delaware Secretary of State on August 8, 2019 (filed as Exhibit 3.4 to the Company's Current Report on Form 8-K filed with the SEC on August 9, 2019 and incorporated herein by reference).</u>
3.4	<u>Bylaws of IMAC Holdings, Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 filed with the SEC on September 17, 2018 and incorporated herein by reference).</u>
3.5	<u>Certificate of Designation of Preferences, Rights and Limitations of Series A-1 Convertible Preferred Stock of IMAC Holdings, Inc. (the "Company").</u>
3.6	<u>Certificate of Designation of Preferences, Rights and Limitations of Series A-2 Convertible Preferred Stock of the Company.</u>
4.1	<u>Specimen Common Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed with the SEC on September 17, 2018 and incorporated herein by reference).</u>
4.2	<u>Form of Common Stock Warrant certificate (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1/A filed with the SEC on December 3, 2018 and incorporated herein by reference).</u>
4.3	<u>Form of Warrant Agency Agreement between IMAC Holdings, Inc. and Equity Stock Transfer, LLC (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-1/A filed with the SEC on December 3, 2018 and incorporated herein by reference).</u>
4.4	<u>Form of Underwriters' Unit Purchase Option (filed as Exhibit 4.4 to the Company's Registration Statement on Form S-1/A filed with the SEC on February 8, 2019 and incorporated herein by reference).</u>

- 31.1* [Certification of the Principal Executive Officer pursuant to Rules 13a-14\(a\) and 15d-14\(a\) promulgated pursuant to the Securities Exchange Act of 1934, as amended.](#)
- 31.2* [Certification of the Principal Financial Officer pursuant to Rules 13a-14\(a\) and 15d-14\(a\) promulgated pursuant to the Securities Exchange Act of 1934, as amended.](#)
- 32.1** [Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2** [Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS* Inline XBRL Instance Document
- 101.SCH* Inline XBRL Taxonomy Extension Schema
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.LAB* Inline XBRL Taxonomy Extension Labels Linkbase
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** This certification is being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of IMAC Holdings, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

IMAC HOLDINGS, INC.

Date: August 21, 2023

By: */s/ Jeffrey S. Ervin*

Jeffrey S. Ervin
Chief Executive Officer
(Principal Executive Officer)

Date: August 21, 2023

By: */s/ Sheri Gardzina*

Sheri Gardzina
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey S. Ervin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IMAC Holdings, Inc.;
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;
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.

August 21, 2023

/s/ Jeffrey S. Ervin

Jeffrey S. Ervin

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sheri Gardzina, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IMAC Holdings, Inc.;
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;
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.

August 21, 2023

/s/ Sheri Gardzina

Sheri Gardzina

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended June 30, 2023, I, Jeffrey S. Ervin, Chief Executive Officer of IMAC Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended June 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended June 30, 2023, fairly presents, in all material respects, the financial condition and results of operations of IMAC Holdings, Inc. at the dates and for the periods indicated.

This certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

August 21, 2023

/s/ Jeffrey S. Ervin

Jeffrey S. Ervin
Chief Executive Officer
(Principal Executive Officer)

A signed copy of this written statement required by Section 906 has been provided to IMAC Holdings, Inc. and will be retained by IMAC Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended June 30, 2023, I, Sheri Gardzina, Chief Financial Officer of IMAC Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended June 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Quarterly Report on Form 10-Q of IMAC Holdings, Inc. for the period ended June 30, 2023, fairly presents, in all material respects, the financial condition and results of operations of IMAC Holdings, Inc. at the dates and for the periods indicated.

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

August 21, 2023

/s/ Sheri Gardzina

Sheri Gardzina

Chief Financial Officer

(Principal Financial and Accounting Officer)

A signed copy of this written statement required by Section 906 has been provided to IMAC Holdings, Inc. and will be retained by IMAC Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
