

**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 MARCH 31, 2024**
- 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

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 May 15, 2024, the registrant had 1,148,321 shares of common stock, par value \$0.001 per share, outstanding.

IMAC HOLDINGS, INC.
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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 described in “Item 1A — Risk Factors” in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2023 filed with the U.S. Securities and Exchange Commission on May 2, 2024. 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**

	March 31, 2024 (Unaudited)	December 31, 2023
<u>ASSETS</u>		
Current assets:		
Cash	\$ 17,535	\$ 221,511
Accounts receivable, net	-	-
Other assets	66,177	94,711
Note receivable, net	731,067	731,067
Assets of discontinued operations	96,068	96,830
Total current assets	910,847	1,144,119
Total assets	\$ 910,847	\$ 1,144,119
<u>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 836,567	\$ 584,055
Liabilities of discontinued operations	1,313,511	1,312,711
Total current liabilities	2,150,078	1,896,766
Total liabilities	2,150,078	1,896,766
Commitment and Contingencies – Note 12		
Stockholders' deficit:		
Preferred stock - \$0.001 par value, 5,000,000 authorized, 2,645 Series B-1 and 1,905 Series B-2 issued and outstanding at March 31, 2024 and December 31, 2023.	5	5
Common stock - \$0.001 par value, 60,000,000 authorized; 1,148,321 issued and outstanding at March 31, 2024 and December 31, 2023.	1,149	1,149
Additional paid-in capital	55,105,159	55,184,524
Accumulated deficit	(56,345,544)	(55,938,325)
Total stockholders' deficit	(1,239,231)	(752,647)
Total liabilities and stockholders' deficit	\$ 910,847	\$ 1,144,119

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
Patient revenues, net	\$ -	\$ -
Total revenue	-	-
Operating expenses:		
Salaries and benefits	150,202	637,817
Advertising and marketing	-	7,732
General and administrative	258,428	603,440
Depreciation and amortization	-	47,177
Loss on disposal or impairment of assets	-	(148)
Total operating expenses	408,630	1,296,018
Operating loss	(408,630)	(1,296,018)
Other expenses:		
Interest income	204	2
Interest expense	(40,473)	(846)
Total other expenses	(40,269)	(844)
Net loss before income taxes	(448,899)	(1,296,862)
Income taxes	-	-
Net loss from continuing operations	\$ (448,899)	\$ (1,296,862)
Discontinued Operations:		
Income (Loss) from operations of discontinued component	41,680	(960,632)
Income (Loss) on disposal of discontinued operations	-	(1,441,159)
Income (Loss) on discontinued operations	41,680	(2,401,791)
Net loss	\$ (407,219)	\$ (3,698,653)
Net loss per share from continuing operations – Basic and diluted	\$ (0.39)	\$ (1.18)
Income (Loss) per share from discontinued operations – Basic and diluted	\$ 0.040	\$ (2.18)
Net loss per share – Basic and diluted	\$ (0.35)	\$ (3.36)
Weighted average common shares outstanding		
Basic and diluted	1,148,321	1,100,439

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	<u>Preferred Stock</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>	<u>Number of Shares</u>	<u>Par</u>			
Balance, December 31, 2022	-	\$ -	1,097,843	\$ 1,098	\$ 51,169,898	\$ (46,519,740)	\$ 4,651,256
Issuance of common stock for cash	-	-	2,725	3	16,647	-	16,650
Issuance of employee stock options	-	-	-	-	27,702	-	27,702
Net loss	-	-	-	-	-	(3,698,653)	(3,698,653)
Balance, March 31, 2023	-	\$ -	1,100,568	\$ 1,101	\$ 51,214,247	\$ (50,218,393)	\$ 996,955

	<u>Preferred Stock</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>	<u>Number of Shares</u>	<u>Par</u>			
Balance, December 31, 2023	4,550	\$ 5	1,148,321	\$ 1,149	\$ 55,184,524	\$ (55,938,325)	\$ (752,647)
Dividends declared	-	-	-	-	(79,365)	-	(79,365)
Net loss	-	-	-	-	-	(407,219)	(407,219)
Balance, March 31, 2024	4,550	\$ 5	1,148,321	\$ 1,149	\$ 55,105,159	\$ (56,345,544)	\$ (1,239,231)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (407,219)	\$ (3,698,653)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	-	189,824
Share based compensation, net	-	85,891
Loss on disposition or impairment of assets	-	1,441,012
Bad debt expense (recovery)	(45,472)	5,000
Changes in operating assets and liabilities:		
Accounts receivable	45,472	184,568
Other assets	28,535	170,371
Security deposits	-	53,721
Right of use lease liability	-	(47,108)
Accounts payable and accrued expenses	176,432	234,103
Patient deposits	-	(36,307)
Net cash used in operating activities	(202,252)	(1,417,578)
Cash flows from investing activities:		
Proceeds from sale of Louisiana Orthopedic operations	-	1,050,000
Net cash used in investing activities	-	1,050,000
Cash flows from financing activities:		
Proceeds from issuance of common stock	-	16,650
Payments on notes payable	-	(17,285)
Payments on finance lease obligation	(1,724)	(4,894)
Net cash used in financing activities	(1,724)	(5,529)
Net decrease in cash	(203,976)	(373,107)
Cash, beginning of period	221,511	763,211
Cash, end of period	\$ 17,535	\$ 390,104
Supplemental cash flow information:		
Interest paid	\$ 40,583	\$ 2,470
Income tax	\$ -	\$ -
Non-cash investing and financial activities:		
Accrued dividends	\$ 79,365	\$ -

See accompanying notes to the unaudited condensed consolidated financial statements.

IMAC HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2024
(Unaudited)

Note 1 – Description of Business

IMAC Holdings, Inc. was a holding company for IMAC Regeneration Centers, The BackSpace retail stores and our Investigational New Drug division. IMAC Holdings, Inc. and its affiliates (collectively, the “Company”) provided movement, orthopedic and neurological therapies through its chain of IMAC Regeneration Centers. Through its consolidated and equity owned entities, its outpatient medical clinics provided 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 March 31, 2024 and December 31, 2023, the Company has sold or discontinued patient care at all our locations and has accordingly presented this component as discontinued operations. (See Note 2.) The Company delivered sports medicine treatments without opioids. The BackSpace operated healthcare centers specializing in chiropractic and spinal care services inside Walmart retail locations. The Company’s Investigational New Drug division conducted 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. In May 2024, we entered a new line of business (See Note 13 Subsequent Events).

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation – Interim Financial Statements

The unaudited consolidated financial statements for the three months ended March 31, 2024 and 2023 have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of management, all adjustments necessary to present fairly our consolidated financial position, results of operations, and cash flows as of March 31, 2024 and 2023, and for the periods then ended, have been made. Those adjustments consist of normal and recurring adjustments. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole. Accordingly, the unaudited consolidated financial statements do not include all the information and notes necessary for a comprehensive presentation of our financial position and results of operations and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2023 included in our Annual Report on Form 10-K filed with the SEC on April 16, 2024.

Basis of Presentation – Discontinued Operations

ASC 205-20 “Discontinued Operations” requires that the disposal or abandonment of a component of an entity or a group of components of an entity should be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. As a result, the Company’s component’s results of operations have been classified as discontinued operations on a retrospective basis for all periods presented. Accordingly, the results of operations of this component, for all periods, are separately reported as “discontinued operations” on the consolidated statements of operations.

In 2023, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. As of March 31, 2024 and December 31, 2023, all locations had been closed and all assets had been sold. The major classes of assets and liabilities of discontinued operations on the consolidated balance sheet are as follows:

	<u>March 31,</u> <u>2024</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2023</u>
Assets		
Accounts receivable, net	\$ -	\$ -
Other current assets	1,028	1,028
Property and equipment, net	-	762
Other assets	95,040	95,040
Net assets from discontinued operations	<u>\$ 96,068</u>	<u>\$ 96,830</u>
Liabilities		
Accounts payable and accrued expenses	\$ 861,352	\$ 860,221
Other current liabilities	136,155	108,088
Other liabilities	316,004	344,402
Net liabilities from discontinued operations	<u>\$ 1,313,511</u>	<u>\$ 1,312,711</u>

The following table shows the unaudited results of income (loss) from discontinued operations:

	<u>March 31,</u> <u>2024</u>	<u>2023</u>
Patient revenues, net	\$ -	\$ 2,093,362
Operating expenses (recovery)	(41,790)	3,052,371
Other expenses	110	1,442,782
Total (recovery) costs and expenses	<u>(41,680)</u>	<u>4,495,153</u>
Income (loss) from discontinued operations, net of income taxes	<u>\$ 41,680</u>	<u>\$ (2,401,791)</u>

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 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 are consolidated with IMAC Management Services, LLC due to control by contract: Integrated Medicine and Chiropractic Regeneration Center PSC (“Kentucky PSC”) 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.

Use of Estimates

The preparation of 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 consolidated financial statements are prepared. On an ongoing basis, the Company evaluates its estimates, including those related to contractual insurance adjustments on revenues and provisions for doubtful accounts, impairment of long-lived assets including intangible assets, valuation of loans receivable and valuation of stock-based compensation. 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 period amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. Specifically, we retrospectively reclassified certain amounts in 2023 to present as discontinued operations.

Revenue Recognition

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

The Company recognized 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 were four membership plans offered with different levels of service for each plan. The Company recognized 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 recognized HRT and medical weight loss revenue as the services are provided.

Other management service fees are derived from management services where the Company provided billings and collections support to the clinics and where management services were 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 an 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 recognized other management service revenue in the period in which services were 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 were derived from patient payments in advance of services delivered. Our service lines included 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 were accounted for as patient deposits until the procedures were performed at which point the patient deposit was 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 entered 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 provided, on an exclusive basis, all non-clinical services of the practice.

The 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 the substantially all of the expected losses from any of these entities should such expected losses occur. As of March 31, 2024 and December 31, 2023, the Company’s consolidated VIE’s include 12 PCs.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents at March 31, 2024 and December 31, 2023.

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 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 consolidated 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 consolidated financial statements.

The roll forward of the allowance for doubtful accounts for the three months ended March 31, 2024 and year ended December 31, 2023 was as follows:

	March 31, 2024	December 31, 2023
Beginning balance	\$ 439,298	\$ 163,479
Bad debt expense (recovery)	(45,472)	431,671
Write-offs	-	(155,852)
Ending balance	<u>\$ 393,826*</u>	<u>\$ 439,298*</u>

*As discussed in Note 1, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. See Note 2 for the resulting impact on this previously disclosed amount.

Note Receivable

Note Receivable consists of a subordinated promissory note and a convertible promissory note that the Company's merger partner, Theralink Technologies, Inc. ("THER") entered into during July of 2023 and August of 2023, respectively. Each note is due to be repaid within one year and contains interest compounding at 6.0%. The convertible promissory note also contains a convertible feature at the option of the Company into THER common stock at a fixed price of \$0.00313 per share. The total amount loaned between the two notes was \$3.0 million. The Company determined the fair value of the notes and related accrued interest owed as of March 31, 2024 was approximately \$0.7 million (their principal balance less a credit loss allowance under ASU 2016-13 of approximately \$2.3 million which was recorded as an impairment of assets in 2023) given the current financial position of THER and their perceived lack of ability to re-pay these notes as of March 31, 2024.

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. An impairment loss of \$0.06 million was recorded in January 2023 related to the sale of Louisiana. An impairment loss of \$0.06 million was recorded in February 2023 related to the sale of BackSpace. An impairment loss of \$0 and \$0.12 million was charged to discontinued operations for the three months ended March 31, 2024 and 2023, respectively.

Long-Lived Assets

Long-lived assets such as property and equipment, operating lease assets and intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Some of the events or changes in circumstances that would trigger an impairment test include, but are not limited to:

- the Company's expectation to dispose of long-lived assets before the end of their estimated useful lives, even though the assets do not meet the criteria to be classified as "Held for Sale";
- significant changes in the Company's stock price per share;
- significant negative industry or economic trends.

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 \$0 and \$7,732* for the three months ended March 31, 2024 and 2023, respectively.

*As discussed in Note 1, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. See Note 2 for the resulting impact on this previously disclosed amount.

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. Dilutive shares not included in the computation of dilutive loss per share because the effect would be anti-dilutive due to the Company's net loss were as follows:

	March 31,	
	2024	2023
Stock options	1,312	11,216
RSUs	-	24,029
Warrants	2,247,852	398,582
Preferred shares B-1	1,437,500	-
Preferred shares B-2	1,035,326	-
	<u>4,721,990</u>	<u>433,827</u>

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.

Note 3 – Capital Requirements, Liquidity and Going Concern Considerations

The Company's 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 consolidated financial statements, the Company has sustained substantial losses from operations since inception and has discontinued its operations as of December 31, 2023 which raises substantial doubt regarding the Company's ability to continue as a going concern for twelve months from the issuance date of this report. The Company had a working capital deficit of approximately (\$1.2) million at March 31, 2024. The Company had a net loss of approximately \$0.4 million for the three months ended March 31, 2024, and used cash in operations of approximately \$0.2 million for the three months ended March 31, 2024. The Company expects to continue to incur expenditures for working capital.

Management's plans are to merge with an operating company or acquire a new business (See Note 13). 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 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 March 31, 2024 and December 31, 2023, the Company had discontinued operations revenue and accounts receivable concentrations:

	<u>March 31, 2024</u>		<u>December 31, 2023</u>	
	<u>% of Revenue</u>	<u>% of Accounts Receivable</u>	<u>% of Revenue</u>	<u>% of Accounts Receivable</u>
	(Unaudited)			
Medicare payment	0%	0%	24%	0%

Note 5 – Accounts Receivable

Accounts receivable consisted of the following at March 31, 2024 and December 31, 2023:

	<u>March 31, 2024*</u>	<u>December 31, 2023*</u>
	(Unaudited)	
Accounts receivable, net of contractual adjustments	\$ 393,826	\$ 439,298
Less: allowance for doubtful accounts	(393,826)	(439,298)
Accounts receivable, net	<u>\$ -</u>	<u>\$ -</u>

* As discussed in Note 1, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. See Note 2 for the resulting impact on this previous disclosed amount.

Note 6 – Property and Equipment

Property and equipment consisted of the following at March 31, 2024 and December 31, 2023:

	<u>Estimated Useful Life in Years</u>	<u>March 31, 2024*</u>	<u>December 31, 2023*</u>
		(Unaudited)	
Leasehold improvements	Shorter of asset or lease term	\$ -	\$ -
Equipment	1.5 - 7	-	762
Total property and equipment		-	762
Less: accumulated depreciation		-	-
		-	762
Construction in progress		-	-
Total property and equipment, net		<u>\$ -</u>	<u>\$ 762</u>

Depreciation was \$0 and \$145,472 for the three months ended March 31, 2024 and 2023, respectively.

* As discussed in Note 1, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. See Note 2 for the resulting impact on this previous disclosed amount.

Note 7 – Intangibles Assets and Goodwill

The Company's intangible assets and goodwill consisted of the following at March 31, 2024 and December 31, 2023:

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 October 2023, the Company executed an agreement to sell all the assets of the Kentucky Market which has a total intangible carrying amount of approximately \$614,000 which was written off as impaired.

In December, 2023, the Company determined that the intangible asset for the investigational new drug which had a total intangible carrying amount of approximately \$244,000 was impaired and was written off.

The Company performs its annual impairment test during the fourth quarter of the fiscal year. For the year ended December 31, 2023, the Company closed or sold all locations. 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 at December 31, 2023. An intangible impairment loss of approximately \$1.2 million was recorded in 2023. There was no goodwill or intangible assets at March 31, 2024.

Amortization was \$0 and \$44,352* for the three months ended March 31, 2024 and 2023, respectively.

* As discussed in Note 1, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. See Note 2 for the resulting impact on this previously disclosed amount.

Note 8 – Operating Leases

On January 1, 2019, the Company adopted Topic ASC 842 using the modified retrospective method applied to leases that were in place at January 1, 2019. The Company's leases consist of operating leases that relate to real estate rental agreements. Most of the value of the Company's lease portfolio upon adoption 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 March 31, 2024 and December 31, 2023, 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:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating lease expense	\$ -	\$ 464,230

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

Maturity of operating leases

The amount of future minimum lease payments under operating are as follows:

	Operating Leases (Unaudited)
Undiscounted future minimum lease payments:	
2024 (nine months)	\$ 117,758
2025	138,104
2026	95,171
2027	73,823
2028	75,397
Thereafter	6,294
Total	506,547
Amount representing imputed interest	(55,782)
Total operating lease liability	450,765
Current portion of operating lease liability	(134,761)
Operating lease liability, non-current	\$ 316,004*

* As discussed in Note 1, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. See Note 2 for the resulting impact on this previously disclosed amount.

Note 9 – Stockholders' Equity (Deficit)**Reverse Stock Split**

Effective on September 7, 2023, the Company implemented a 1-for-30 reverse stock split of the issued and outstanding shares of our common stock, par value \$0.001 per share (the "common stock"). Under the reverse split, every thirty shares of outstanding shares issued and outstanding were automatically converted into one share of common stock. Except as otherwise indicated, all information in the accompanying consolidated financial statements and footnotes concerning share and per share data reflects the retroactive effect of the 1-for-30 reverse stock split.

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 2,000,000 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.

Stock Options

During the three months ended March 31, 2024 and the year ended December 31, 2023, the Company did not issue any new stock options. Most options vested 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. 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.

The information below summarizes the stock options:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>
Outstanding at December 31, 2022	11,216	\$ 96.90	3.75
Granted	-	-	-
Exercised	-	-	-
Cancelled	(9,904)	92.40	2.77
Outstanding at December 31, 2023	<u>1,312</u>	<u>\$ 118.33</u>	<u>1.35</u>
Outstanding at March 31, 2024	<u>1,312</u>	<u>\$ 118.33</u>	<u>1.00</u>

Restricted Stock Units

On May 19, 2023, the Company granted an aggregate of 10,000 RSUs to Board members with these RSU's vesting immediately with a fair value of \$42,900 based on the grant date stock price.

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	24,029	\$ 23.4
Granted	10,000	4.29
Vested	(10,000)	4.29
Cancelled	(24,029)	23.4
Outstanding at December 31, 2023	-	\$ -
Outstanding at March 31, 2024	-	\$ -

Preferred Stock

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 2,075,702 shares of its common stock for aggregate gross proceeds of \$4.3 million before deducting placement agent fees and other offering expenses of \$480,000. The shares of A-1 Convertible Preferred Stock, shall bear a 12% dividend based on stated value, have no voting rights, and are initially convertible into an aggregate of 763,126 shares of common stock of the Company, and the shares of Series A-2 Convertible Preferred Stock are initially convertible into an aggregate of 549,451 shares of common stock of the Company, in each case, at a conversion price of \$3.276 per share. The Warrants have an exercise price of \$3.276 per share, are exercisable immediately, and will expire five years from the date of shareholder approval of this private placement. The shares contain price protection provisions and beneficial ownership limitation provisions upon conversion as defined in the certificates of designation. Approximately \$3.0 million of the proceeds of the offering was used to make two loans 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. As of March 31, 2024 and December 31, 2023 dividends of approximately \$209,365 and \$130,000, respectively have been declared and accrued on the Series A-1 Convertible Preferred Stock.

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.

On December 20, 2023, the Company entered into a letter agreement with several institutional and accredited investors providing for the sale of an additional aggregate \$250,000 of convertible preferred stock (the “Private Placement”) with offering expenses of approximately \$25,000. Pursuant to the letter agreement, the Company exchanged its Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred stock for a corresponding number of shares of the Company’s newly-created Series B-1 Convertible Preferred Stock and the Company’s newly-created Series B-2 Convertible Preferred Stock, respectively. Shares of the Series B-1 Convertible Preferred Stock and Series B-2 Convertible Preferred Stock are convertible into shares of common stock of the Company at a conversion price of \$1.84 per share, which is above the most recent closing price of the Company’s common stock and represents a reduction in the conversion price from the Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock. Therefore, the Series B-1 and B-2 preferred stock is convertible into 1,437,500 and 1,035,326 common shares, respectively. In addition, the exercise price of the Warrants was reduced to \$1.84 pursuant to the letter agreement. The reduction in the conversion price and the exercise price was made in consideration of the additional purchase amount, therefore there was no accounting effect of this exchange. It is expected that the proceeds of the Private Placement will be used for general working capital and general corporate purposes.

All terms other than the conversion price are the same as the Series A-1 and A-2.

In 2024, the Series B-1 and B-2 preferred shares were exchanged for Series C shares (See Note 13).

Common Stock

In January 2023, the Company issued 2,725 common shares for cash of \$16,650 under its At The Market (ATM) offering.

On December 27, 2023, issued an aggregate of 10,000 common shares for the Board members valued at \$4.29 per share or \$42,900 based on the quoted trading price on the grant date which was May 2023.

Warrants

In July 2023, the Company issued 2,075,702 warrants in conjunction with the preferred stock offering discussed above.

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price Per Share</u>
December 31, 2022	398,582	45.05
Granted	2,075,702	1.84
December 31, 2023	2,474,284	\$ 8.80
Expired	(226,433)	57.63
March 31, 2024	<u>2,247,852</u>	<u>\$ 5.21</u>

Note 10 – 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 100% up to 3% and 50% of the next 2% of total compensation for those employees making salary deferrals. The Company made contributions of \$0 and \$26,823 during the three months ended March 31, 2024 and 2023, respectively. The Company terminated the matching contributions during 2023.

Note 11 – 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 three months ended March 31, 2024 and March 31, 2023, 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, 2023. As of March 31, 2024, 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 2020 through 2023 remain open to examination.

Note 12 – 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 consolidated balance sheet date, when it is probable 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

From time to time, in the ordinary course of business, we are subject to audits under various governmental programs in which third party firms engaged by the Center for Medicare & Medicaid Services ("CMS") conduct extensive reviews of claims data to identify potential improper payments. We cannot predict the ultimate outcome of any regulatory reviews or other governmental audits and investigations.

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 redetermination request in March 2022, which was denied. The Company submitted a reconsideration request February 27, 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 filed a timely appeal and a hearing with an Administrative Law Judge was conducted November 29, 2023. The ALJ decision received on February 7, 2024, failed to address appeal and partially favorable decision impact on the extrapolated charges. The Company timely filed an appeal to Medicare Appeals Council on April 5, 2024.

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. 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 filed a timely appeal and conducted a hearing with an Administrative Law Judge February 20, 2024, and awaits the response from the hearing. As of December 31, 2023, this audit had resulted in a balance of approximately \$138,000 of Medicare accounts receivable which has been fully reserved.

On December 9, 2022, the Company received a suspension of payment notification from Covent Bridge Group, a Center for Medicare & Medicaid Services 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. The Company provided medical records for 10 beneficiaries. Neither CMS nor Covent Bridge have responded to the Company regarding the records, although they initiated the Kepro audit noted in the following paragraph. As of December 31, 2023, the payment suspension resulted in a recoupment balance of approximately \$90,000 of Medicare accounts receivable which has been fully reserved.

On October 2, 2023, the Company received notice from Kepro, “Initial Sanction Notice of Failure in a Substantial Number of Cases”. Kepro has recommended a Corrective Action Plan (CAP). (i) Perform a root cause analysis (RCA) and describe the underlying cause of the failure. Submit a copy of the RCA performed. (ii) Identify goals (desired outcomes) of the CAP. These goals must be measurable-containing a numerator and denominator-attainable, and meaningful. (iii) Explain how the process(es) will be created or modified to correct the underlying root cause. (iv) Explain how the process(es) will be implemented, including time frames for implementation. (v) Explain how the implemented process(es) and outcomes will be monitored and reported. (vi) Identify the person who will be responsible for monitoring the CAP’s specified time frame. The Company intends on complying with the recommendations of the CAP. In addition, after further review, the Company will appeal the recommendation and outcomes of the audit by Kepro. A meeting with Kepro was conducted on November 20, 2023 to review findings, CAP, and appeal of findings. The meeting resulted in a CAP and communication to medical providers regarding the audit. There was no financial recoupment request.

Other smaller denials the Company is appealing aggregate approximately \$25,000 as of March 31, 2024.

At this stage of the appeals process, based on the information currently available to the Company, the Company is unable to predict the timing and ultimate outcomes of these matters and therefore is unable to estimate the range of possible loss. Any potential loss may be classified as errors and omissions for which insurance coverage was in place during a majority of the years being evaluated.

As of March 31, 2024 and December 31, 2023, the Company has not recorded a provision for any of these claims, as management does not believe that an estimate of a possible loss or range of loss can reasonably be made at this time.

Note 13 - Subsequent Events

As described below on April 10, 2024, we entered into a series of transactions including the exchange of the Company's outstanding Series B-1 Convertible Preferred Stock, par value \$0.001 per share (the "Series B-1 Preferred Stock") and Series B-2 Convertible Preferred Stock, par value \$0.001 per share (the "Series B-2 Preferred Stock" and, collectively with the Series B-1 Preferred Stock, the "Series B Preferred Stock"), for new preferred stock, the exchange of the Company's outstanding warrants (the "Existing Warrants") for new warrants, and the sale of new preferred stock and warrants. All such transactions were consummated on April 11, 2024.

Exchange

On April 11, 2024, the Company entered into an exchange agreement (each, an "Exchange Agreement") with holders of Series B Preferred Stock, pursuant to which the holders would exchange (i) 4,550 shares of Series B Preferred Stock, with a conversion price of \$1.84, for 4,750 shares of Series C-1 Convertible Preferred Stock, par value \$0.001 per share, of the Company (the "Series C-1 Preferred Stock"), with a conversion price of \$2.561 and (ii) their Existing Warrants, with an exercise price of \$1.84, for new warrants, with an exercise price of \$2.561, (the "Exchange Warrants" and, together with the Series C-1 Convertible Preferred Stock, the "Exchange Securities"), on a one-for-one basis. Such exchanges were made without any additional consideration having been paid by the Holders. All of the outstanding shares of Series B Preferred Stock and all outstanding Existing Warrants were terminated upon the exchange. If at the time of exercise of the Exchange Warrants, there is no effective registration statement registering the shares of the Common Stock underlying the Exchange Warrants, such Exchange Warrants may be exercised on a cashless basis pursuant to their terms.

PIPE Financing

On April 10, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with accredited investors (the "Investors"), pursuant to which the Company agreed to issue and sell, and the Investors agreed to purchase, 1,276 shares of Series C-2 convertible preferred stock (the "Series C-2 Preferred Stock" and, together with the Series C-1 Preferred Stock, the "Series C Preferred Stock"), at a price of \$1,000 per share or an aggregate \$1,276,000, and 498,243 warrants, with an exercise price of \$2.561 (the "PIPE Warrants" and, together with the Exchange Warrants, the "Warrants"), to purchase our common stock for aggregate cash proceeds (after giving effect to the Settlement and Release payment of \$376,000 (as discussed below) of \$900,000. If at the time of exercise of the PIPE Warrants, there is no effective registration statement registering the shares of the Common Stock underlying the PIPE Warrants, such PIPE Warrants may be exercised on a cashless basis pursuant to their terms.

Rights and Preferences of Series C Preferred Stock

The rights and preferences of the Series C-1 Preferred Stock and the Series C-2 Convertible Stock are identical in all material respects; however, the Series C-1 Convertible Preferred Stock was issued in exchange for Series B Preferred Stock without the payment of any additional consideration and, for the purpose of Rule 144 of the Securities Act of 1933, as amended, ownership of the Series C-1 Preferred Stock shall tack back to December 20, 2023.

Authorized; Stated Value. The Company authorized 4,750 shares of Series C-1 Preferred Stock and 5,376 shares of Series C-2 Preferred Stock. Each share of Series C Preferred Stock has a stated value of \$1,000 (subject to increase upon any capitalization of dividends – See “*Dividends*” below).

Ranking. The Series C Preferred Stock, with respect to the payment of dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company, ranks senior to all capital stock of the Company unless the Required Holders (as defined in the Securities Purchase Agreement) consent to the creation of other capital stock of the Company that is senior or equal in rank to the Series C Preferred Stock.

Liquidation Preference. In the event of a Liquidation Event, as defined in the certificates of designations for the Series C-1 Preferred Stock and the Series C-2 Preferred Stock, the holders thereof shall be entitled to receive payment in an amount per share equal to the greater of (A) 110% of the sum of the stated value of the share plus any amount owed to the holder by the Company in connection with the share, including all declared and unpaid dividends thereon, on the date of such payment and (B) the amount per share such holders would receive if such shares had been converted into Common Stock immediately prior to the date of such payment; provided, however that if the funds available for such payment to the holders of Series C-1 Preferred Stock, the Series C-2 Preferred Stock, and any other capital stock of the Company ranking on par with them for liquidation purposes are insufficient, all such holders shall be paid proportionally to their holdings out of available funds.

Dividends. Dividends on the Series C Preferred Stock equal to 10% per annum (subject to adjustment) will begin to accrue upon issuance and, subject to the satisfaction of certain customary equity conditions, will be payable in shares of Common Stock, provided, however, that the Company may elect to capitalize dividends in lieu of issuing shares of Common Stock by increasing the stated value of each applicable share of Series C Preferred Stock. If the Company fails to properly satisfy such equity conditions, such dividends will be capitalized for each holder of Series C Preferred Stock (unless such holder waives such failure in order to receive shares of Common Stock as payment for such dividend). Notwithstanding the foregoing, unless the Company obtains the Stockholder Approval (see “*Stockholder Approval*” below), all dividends shall be capitalized dividends.

Conversion Rights

Conversion at Option of Holder. Each holder of Series C Preferred Stock may convert all, or any part, of their outstanding Series C Preferred Stock, at any time at such holder’s option, into shares of Common Stock (which converted shares of Common Stock are referred to as “*Conversion Shares*” herein) based on the fixed “*Conversion Price*” of \$2.561.

Adjustments to Conversion Price. The Conversion Price is subject to proportional adjustment upon the occurrence of any stock split, stock dividend, stock combination and/or similar transactions. Although the Series C Preferred Stock does not initially have antidilution protection for issuances below the conversion price then in effect in subsequent placements, if the Company obtains the Stockholder Approval (see “*Stockholder Approval*” below), thereafter the Series C Preferred Stock shall have full ratchet antidilution protection. Subject to the rules and regulations of the Principal Market, the Company may, at any time, with the written consent of the Required Holders, lower the fixed conversion price to any amount and for any period of time deemed appropriate by the Company’s board of directors.

Mandatory Conversion. If the closing price of the Common Stock on the principal trading market, if any, in which the shares of Common Stock then trade (the “Principal Market”), equals at least 300% of the Conversion Price for twenty (20) consecutive trading days and no Equity Conditions Failure exists, the Company may require each holder of Series C Preferred Stock, on a pro rata basis among all such holders, to convert all, or any number, of the shares of Series C Preferred Stock based on the then-current Conversion Price.

Alternate Conversion Upon a Triggering Event. Solely if the Company has obtained the Stockholder Approval (see “Stockholder Approval” below), following the occurrence and during the continuance of a Triggering Event (as defined in the Series C Certificates of Designations), each holder may alternatively elect to convert the Series C Preferred Stock at the “Alternate Conversion Price” equal to the lesser of (A) the Conversion Price, and (B) the greater of (x) the floor price of \$0.5122, and (y) 80% of the volume weighted average price of the Common Stock during the 5 consecutive trading days immediately prior to such conversion.

Company Redemption. At any time the Company shall have the right to redeem in cash all, but not less than all, the shares of Series C Preferred Stock then outstanding at the greater of (x) 110% of the amount of shares being redeemed, and (y) the equity value of the Common Stock underlying the Series C Preferred Stock. The equity value of the Common Stock underlying the Series C Preferred Stock is calculated using the greatest closing sale price of the Common Stock on any trading day immediately preceding the date the Company notifies the holders of its election to redeem and the date the Company makes the entire payment required.

Voting Rights. The holders of the Series C Preferred Stock have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Common Stock, except as provided in the Series C Certificates of Designations (or as otherwise required by applicable law).

Stockholder Approval

The Company has agreed to seek the approval of the Company’s stockholders to the issuance of all of the securities issuable pursuant to the Series C Preferred Stock and the Warrants in compliance with the rules and regulations of the Nasdaq Capital Market (the “Stockholder Approval”), which, if obtained, would permit the issuance of more than 20% of the outstanding capital stock of the Company at a price less than \$2.561, by no later than July 31, 2024. If the Company fails to obtain the Stockholder Approval, the Company has agreed to cause an additional meeting to be held to seek Stockholder Approval on or prior to October 31, 2024 and, if not obtained, semi-annually thereafter.

Settlement and Release Agreements

In connection with the exchange and PIPE financing transactions, each holder of Series B-1 Preferred Stock entered into a Settlement and Release Agreement with the Company, pursuant to which the Company agreed to pay to each such holder a cash amount equal to the damages claimed to have been suffered by such holder upon the attempted conversion and then unwinding of such conversion of shares of such holders Series B-1 Preferred Stock, in exchanged for a release by the holder in favor of the Company of all claims related to such unwinding. All amounts paid pursuant to the Settlement and Release Agreements were reinvested, in full, into the Company pursuant to the Securities Purchase Agreement.

Registration Rights

In connection with the exchange and PIPE financing transactions, the Investors received registration rights customary for such transactions.

Loan to Theralink

On April 11, 2024, the Company entered into a credit agreement (the “Theralink Credit Agreement”) with Theralink, pursuant to which Theralink may borrow from the Company up to \$1,000,000 (the “Term Loans”), with an initial borrowing of \$350,000 made on April 12, 2024. The Term Loans have a maturity date of October 12, 2024 and bear interest at 9% per annum for interest to be paid in cash and 11% per annum for any portion of the accrued interest that is paid in kind, which “PIK Interest” will be added to the then-outstanding principal amount of the Term Loans. The Term Loans are secured by a first priority interest, subject to permitted liens in accordance with the Theralink Credit Agreement, in the assets of Theralink and its subsidiaries pursuant to a Security and Pledge Agreement dated April 12, 2024 made by Theralink and each of its subsidiaries party thereto as Grantors, in favor of the Company (the “Security and Pledge Agreement”).

Series D Preferred Stock; Acquisition of Theralink Debt

On April 30, 2024, the Company entered into securities purchase agreements (each, a “Securities Purchase Agreement”) with various holders (the “Note Holders”) of senior secured convertible debentures (the “Notes”) of Theralink Technologies, Inc. (“Theralink”) for the sale of shares of the Company’s newly created Series D Convertible Preferred Stock, \$0.001 par value (the “Series D Preferred Stock”). The consideration paid by the Note Holders will be in the form of all of the Notes held by them, which have an aggregate principal amount outstanding of \$16,221,873.89 and which the Note Holders accelerated earlier on April 30, 2024. Upon the consummation of the transactions contemplated by the Securities Purchase Agreement, the Company will be the holder of approximately 74.01% of the outstanding Notes.

The exact number of shares of Series D Preferred Stock to be issued will be determined in accordance with a schedule (the “Table of Allocations”), set forth as Schedule 1(a) of the Purchase Agreement and copied below, of share amounts based on the results of a valuation of Theralink’s assets by an independent appraiser, currently in process. The shares of Series D Preferred Stock will be issued pursuant to a Certificate of Designations to be filed with the Secretary of State of the State of Delaware.

Settlement and Release Agreement; Series E Preferred Stock

On May 1, 2024, the Company entered into a Settlement and Release Agreement with Theralink (the “Settlement Agreement”) pursuant to which the parties agreed to a settlement of the default by Theralink under the previously announced Credit Agreement dated April 11, 2024 between the Company as Lender and Theralink as Borrower (the “Theralink Credit Agreement”). The default is a cross-default triggered by Theralink’s failure to make payments on the Notes, which had been accelerated by the Noteholders on April 30, 2024. The settlement consists of the transfer of all of the assets of Theralink, other than certain excluded assets, and certain liabilities, to the Company in exchange for (i) the forgiveness by the Company of the outstanding amounts due under (a) the Notes to be held by the Company pursuant to the Securities Purchase Agreement, (b) certain other pre-existing notes made by Theralink in favor of the Company, having an aggregate outstanding principal amount of \$3,000,000 and (c) the Theralink Credit Agreement and (ii) the issuance to Theralink of the Company’s newly created Series E Convertible Preferred Stock, \$0.001 par value (the “Series E Preferred Stock”). In addition, pursuant to the Settlement Agreement, the parties agreed to mutual releases with respect to the outstanding payments being forgiven, the Company and Theralink agreed to terminate the merger agreement between them and withdraw the Registration Statement on Form S-4 related thereto as soon as commercially practicable, and the Company agreed to assume certain liabilities of Theralink and to hire certain of the employees of Theralink.

The exact number of shares of Series E Preferred Stock to be issued will be determined in accordance with the Table of Allocations. It is possible that no shares of Series E Preferred Stock will be issued, depending on the valuation of Theralink’s assets. The shares of Series E Preferred Stock, if any, will be issued pursuant to a Certificate of Designations to be filed with the Secretary of State of the State of Delaware.

All such transactions are expected to be consummated in May 2024 after the valuation is available and evaluated by management and the numbers of Series D Preferred Stock and Series E Preferred Stock are calculated in accordance with the Table of Allocations, set forth as Schedule B of the Settlement Agreement. The Table of Allocations is set forth below.

TABLE OF ALLOCATIONS OF APPRAISED ENTERPRISE VALUE

<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>
Appraised Enterprise Value	Value Per 1,000 of Secured Indebtedness (including Existing Notes)*	Value Per 1,000 of Unsecured Indebtedness (excluding Company Owed Unsecured Debt)*	Aggregate Value Remaining for Issuer	Aggregate Number of shares of Series E Preferred Stock to be Issued to Issuer (including amounts in column (3) and (4))
\$ 0-\$9.999 million	\$ 228	N/A	N/A	N/A
\$ 10-14.999 million	\$ 570	N/A	N/A	N/A
\$ 15-19.999 million	\$ 798	N/A	N/A	N/A
\$ 20-24.999 million	\$ 1,000	N/A	N/A	N/A
\$ 25-29.999 million	\$ 1,000	\$ 1,000	\$ 1,108,515	4,567
\$ 30-34.999 million	\$ 1,000	\$ 1,000	\$ 6,108,515	9,567
\$ 35-39.999 million	\$ 1,000	\$ 1,000	\$ 11,108,515	14,567
\$ 40-44.999 million	\$ 1,000	\$ 1,000	\$ 16,108,515	19,567
\$ 45 and above	\$ 1,000	\$ 1,000	\$ 18,608,515	22,067

Termination of Merger Agreement

With the Company already in possession of such assets of Theralink pursuant to the Settlement Agreement, and a merger with Theralink no longer necessary to acquire such assets, on May 6, 2024, the Company, IMAC Merger Sub, Inc. (“Merger Sub”) and Theralink entered into a Termination Agreement, which immediately terminated the Agreement and Plan of Merger, dated May 26, 2023, by and between the Company, Merger Sub and Theralink.

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 March 31, 2024 and for the three months ended March 31, 2024 and 2023 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/A for the year ended December 31, 2023, 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 were 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 and BackSpace clinics which we owned or managed. Our outpatient medical clinics provided 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 evaluated each patient and provided a custom treatment plan that integrated traditional medical procedures and innovative regenerative medicine procedures in combination with physical medicine. We did 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 remained the flagship location of our business, which was formally organized in March 2015 until its asset sale in November 2023. As of December 31, 2023, we have sold or discontinued patient care at all our locations including The BackSpace LLC. The BackSpace operated healthcare centers specializing in chiropractic and spinal care services inside Walmart retail locations.

Given the Company's current financial position, during 2023 the Company decided to close its underperforming locations and in addition sold its Louisiana Orthopedic practice, The BackSpace, LLC operations and sold physical assets of certain locations 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 2024 and beyond.

We owned our medical clinics directly or had entered into long-term management services agreements to operate and control certain of our medical clinics by contract. Our preference was 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.

Significant financial metrics

Significant financial metrics of the Company for the first quarter of 2024 are set forth in the bullets below.

- Working capital deficit is (\$1.2 million) as of March 31, 2024 compared to working capital of (\$0.8) million as of December 31, 2023.

Matters that May or Are Currently Affecting Our Business

We believe that the growth of our business and our future success depend on various opportunities, challenges, trends and other factors, including the following:

- Our ability to obtain additional financing for the projected costs associated with the acquisition and the personnel involved, if and when needed;
- Our ability to attract competent, skilled medical and sales personnel for our operations at acceptable prices to manage our overhead; and
- 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.

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.

In furtherance of the proposed business combination with Theralink, on April 12, 2024 we entered into a credit agreement, secured by the assets of Theralink and its subsidiaries, pursuant to which Theralink may borrow from the Company up to an aggregate of \$1,000,000 with an initial borrowing of \$350,000. While we remain committed to acquiring the business of Theralink, we continue to evaluate all options with respect to the structuring of the business combination, including the Merger and other alternatives to acquire the assets of Theralink. We cannot give any assurance that the business combination or acquisition of assets will be consummated in accordance with the previously disclosed terms, as opposed to other alternative structures. See Note 13 – Subsequent Events.

On May 1, 2024, the Company entered into a Settlement and Release Agreement with Theralink (the “Settlement Agreement”) pursuant to which the parties agreed to a settlement of the default by Theralink under the previously announced Credit Agreement dated April 11, 2024 between the Company as Lender and Theralink as Borrower (the “Theralink Credit Agreement”). The settlement consists of the transfer of all of the assets of Theralink, other than certain excluded assets, and certain liabilities, to the Company in exchange for (i) the forgiveness by the Company of the outstanding amounts due under (a) certain secured notes of Theralink to be held by the Company pursuant to a Securities Purchase Agreement among the Company and holders of such notes and (b) the Theralink Credit Agreement and (ii) the issuance to Theralink of the Company’s newly created Series E Convertible Preferred Stock, \$0.001 par value (the “Series E Preferred Stock”). In addition, pursuant to the Settlement Agreement, the parties agreed to mutual releases with respect to the outstanding payments being forgiven, the Company and Theralink agreed to terminate the merger agreement between them and withdraw the Registration Statement on Form S-4 related thereto as soon as commercially practicable, and the Company agreed to assume certain liabilities of Theralink and to hire certain of the employees of Theralink.

On May 6, 2024, in light of having already acquired the Theralink assets, the Company, IMAC Merger Sub, Inc. (“Merger Sub”) and Theralink entered into a Termination Agreement, which immediately terminated the Merger Agreement.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements are prepared. On an ongoing basis, we evaluate our estimates, including those related to insurance adjustments and provisions for doubtful accounts, useful lives of intangibles, property and equipment, and valuation of goodwill. We base our 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.

We believe that, of the significant accounting policies discussed in our Notes to the Consolidated Financial Statements, the following accounting policies require our most difficult, subjective or complex judgments in the preparation of our financial statements.

Discontinued Operations

In accordance with ASC 205-20 “Discontinued Operations” establishes that the disposal or abandonment of a component of an entity or a group of components of an entity should be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. As a result, the Company’s component’s results of operations have been classified as discontinued operations on a retrospective basis for all periods presented. Accordingly, the results of operations of this component, for all periods, are separately reported as “discontinued operations” on the consolidated statements of operations.

In 2023, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. As of December 31, 2023, all locations had been closed and all assets had been sold. The major classes of assets and liabilities of discontinued operations on the consolidated balance sheet are as follows:

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Assets		
Accounts receivable, net	\$ -	\$ -
Other current assets	1,028	1,028
Property and equipment, net	-	762
Other assets	95,040	95,040
Net assets from discontinued operations	<u>\$ 96,068</u>	<u>\$ 96,830</u>
Liabilities		
Accounts payable and accrued expenses	\$ 861,352	\$ 860,221
Other current liabilities	136,155	108,088
Other liabilities	316,004	344,402
Net liabilities from discontinued operations	<u>\$ 1,313,511</u>	<u>\$ 1,312,711</u>

The following table shows the results of income (loss) from discontinued operations:

	March 31,	
	2024	2023
Patient revenues, net	\$ -	\$ 2,093,362
Operating expenses	(41,790)	3,052,371
Other expenses	110	1,442,782
Total costs and expenses	(41,680)	4,495,153
Loss from discontinued operations, net of income taxes	\$ 41,680	\$ (2,401,791)

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. Acquired intangible assets include trade names, non-compete agreements, customer relationships and contractual agreements. Intangible assets are subject to annual impairment tests. An impairment loss of \$0.06 million was recorded in January 2023 related to the sale of Louisiana. An impairment loss of \$0.06 million was recorded in February 2023 related to the sale of BackSpace. An impairment loss of \$0.27 million was recorded in April 2023 related to the Illinois asset sale. An impairment loss of \$0.63 million was recorded in October 2023 related to our Kentucky asset sale. An impairment loss of \$0.24 million was recorded in December 2023 related to the Company's investigational new drug.

Goodwill

Our goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in business combinations. The goodwill generated from the business combinations is primarily related to the value placed on the employee workforce and expected synergies. Judgment is involved in determining if an indicator or change in circumstances relating to impairment has occurred. Such changes may include, among others, a significant decline in expected future cash flows, a significant adverse change in the business climate, and unforeseen competition.

The goodwill test is performed at least annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The annual impairment test includes an option to perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value; the qualitative test may be performed prior to, or as an alternative to, performing a quantitative goodwill impairment test. If, after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company is required to perform the quantitative goodwill impairment test. Otherwise, no further analysis is required.

Revenue Recognition

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

The Company recognized 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 were four membership plans offered with different levels of service for each plan. The Company recognized 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 recognized 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 were 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 recognized other management service revenue in the period in which services were 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.

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. Our ability to collect outstanding receivables is critical to our results of operations and cash flows. Accordingly, accounts receivable reported in our consolidated financial statements are recorded at the net amount expected to be received. Our primary collection risks are (i) the risk of overestimation of net revenues at the time of billing that may result in our receiving less than the recorded receivable, (ii) the risk of non-payment as a result of commercial insurance companies’ denial of claims, (iii) the risk that patients will fail to remit insurance payments to us when the commercial insurance company pays out-of-network claims directly to the patient, (iv) resource and capacity constraints that may prevent us from handling the volume of billing and collection issues in a timely manner, (v) the risk that patients do not pay us for their self-pay balances (including co-pays, deductibles and any portion of the claim not covered by insurance), and (vi) the risk of non-payment from uninsured patients.

Our 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 our 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, we expect that any such changes would be minimal and, therefore, would not have a material effect on our financial condition or results of operations. Our collection policies and procedures are based on the type of payor, size of claim and estimated collection percentage for each patient account. The operating systems used to manage our patient accounts provide for an aging schedule in 30-day increments, by payer, physician and patient. We analyze 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.

Results of Operations for the Three Months Ended March 31, 2024 Compared to the Three Months Ended March 31, 2023

In 2023, the Company decided to discontinue business activities related to its underperforming clinic locations and BackSpace retail stores. As of March 31, 2024, all locations had been closed and all assets had been sold. We owned our medical clinics directly or had entered into long-term management services agreements to operate and control these medical clinics by contract. Our preference was 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 were 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 were 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 – Discontinued Operations

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 were 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 “Critical Accounting Policies and Estimates - Revenue Recognition.”

Revenues from discontinued operations for the three months ended March 31, 2024 and 2023 were as follows:

	Three Months Ended March 31,	
	2024	2023
	<i>(in thousands, unaudited)</i>	
Revenues:		
Outpatient facility services	\$ -	\$ 1,815
Memberships	-	166
Retail clinics	-	119
Total revenues	\$ -	\$ 2,100

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

	Three Months Ended March 31,	
	2024	2023
	<i>(Unaudited)</i>	
Revenues:		
Medical treatments	-	67%
Physical therapy	-	26%
Chiropractic care	-	4%
Memberships	-	3%
	-	100%

Consolidated Results

Total revenues decreased approximately \$2.1 million due to the closure or sale of all locations.

IMAC Clinics

The revenue decrease attributed to IMAC Clinics was \$2.0 million due to the closure or sale of all locations.

Retail Clinics

The Company began opening retail clinics in Walmart in June 2021. The retail clinics provided outpatient chiropractic and spinal care services. The revenue decrease attributed to the retail clinics was \$0.1 million due to the closure or sale of all locations.

Memberships

A wellness membership program was implemented at IMAC Clinics in January 2020 and this wellness program had different plan levels that included 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. BackSpace also had a membership plan for chiropractic care on a monthly subscription basis.

Operating Expenses – Continuing Operations

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

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

Salaries and Benefits	2024	2023	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 150,000	\$ 638,000	\$ (488,000)	(77)%

Salaries and benefits expenses for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023, decreased by 77%. A decrease would have been expected considering the Company sold or closed all locations.

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

Advertising and Marketing	2024	2023	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 0	\$ 8,000	\$ (8,000)	(100)%

Advertising and marketing expenses decreased \$8,000 for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. Advertising and marketing efforts were terminated when the decision was made to sell or close all locations.

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	2024	2023	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 258,000	\$ 603,000	\$ (345,000)	(57)%

G&A decreased \$345,000 in the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 due to the sale or closure of all locations.

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 has completed Phase 1 of the clinical trial, which was conducted over a 12-month period. The Company incurred \$37,000 in expenses related to consultants, supplies and software for the clinical trial for the three months ended March 31, 2023, which is included in the G&A totals above. This is compared to \$0 that was incurred for the trial for the three months ended March 31, 2024.

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	2024	2023	Change from Prior Year	Percent Change from Prior Year
Three Months Ended March 31	\$ 0	\$ 47,000	\$ (47,000)	(100)%

Depreciation and amortization decreased due to the sale of assets and impairment of intangibles assets for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

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 three months ended March 31, 2024, net cash used in operations decreased to approximately \$0.2 million compared to \$1.4 million for the three months ended March 31, 2023. This decrease was primarily attributable to our lower net loss for the three months ended March 31, 2024 and discontinuance of our operations.

Net cash provided by investing activities during the three months ended March 31, 2024 and 2023 was approximately \$0 and \$1.05 million, respectively. This was attributed to the sale of Louisiana Orthopedic operations during the three months ended March 31, 2023.

Net cash used in financing activities during the three months ended March 31, 2024 and 2023 was approximately \$2,000 and \$6,000, respectively.

Liquidity and Capital Resources

As of March 31, 2024, we had \$0.02 million in cash and negative working capital of \$1.2 million. As of December 31, 2023, we had cash of \$0.2 million and negative working capital of \$0.8 million. The decrease in working capital was primarily due to the use of cash for operating expenses and no revenues during the three months ended March 31, 2024.

As of March 31, 2024, we had approximately \$2.1 million in current liabilities. Approximately \$0.8 million of our current liabilities outstanding were to our vendors, which we have historically paid down in the normal course of our business and accrued payroll. The current portion of our operating lease liability accounted for approximately \$0.1 million of our current liabilities.

As of March 31, 2024, we had an accumulated deficit of \$56.3 million. We anticipate that we will need to raise additional capital to fund future operations. However, we may be unable to raise additional funds or enter into such arrangements when needed or favorable terms, or at all, which would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our development or acquisition activity. Failure to receive additional funding could also cause us to cease operations, in part or in full. Furthermore, even if we believe we have sufficient funds for our current of future operating plans, we may seek additional capital due to favorable market conditions or strategic considerations. Our management team has determined that our financial condition raises substantial doubt as to our ability to continue as a going concern.

Private Offering

On July 25, 2023, the Company entered into a definitive Securities Purchase Agreement with several institutional and accredited investors (collectively, the “Investors”), for the sale of its convertible preferred stock and warrants. (the “June 2023 Private Placement”). The Company sold shares of its Series A-1 Convertible Preferred Stock, stated value \$1,000 per share (“Series A-1 Convertible Preferred Stock”), 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 shares of the Company’s common stock for aggregate gross proceeds of \$4,300,000, before deducting placement agent fees and other offering expenses.

On December 20, 2023, the Company entered into a letter agreement with the Investors providing for the sale of an additional aggregate \$250,000 of convertible preferred stock (the “December 2023 Private Placement”). Pursuant to the letter agreement, the Company exchanged its Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred stock for a corresponding number of shares of the Company’s newly-created Series B-1 Convertible Preferred Stock and the Company’s newly-created Series B-2 Convertible Preferred Stock, respectively.

Contractual Obligations

The following table summarizes our contractual obligations by period as of March 31, 2024:

	Payments Due by Period			
	Total	Less Than 1 Year	1-3 Years	4-5 Years
Operating lease obligations	<u>506,547</u>	<u>117,758</u>	<u>307,098</u>	<u>81,691</u>
	<u>\$ 506,547</u>	<u>\$ 117,758</u>	<u>\$ 307,098</u>	<u>\$ 81,691</u>

Impact of Inflation

We believe that inflation had a material impact on our results of operations for the three months ended March 31, 2024 and 2023. Inflation was evident in staffing and supply costs related to the delivery of patient care. We cannot assure you that future inflation will not have an adverse impact on our operating results and financial condition.

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 March 31, 2024. 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 March 31, 2024.

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.

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

The Company is providing these additional risk factors to supplement the risk factors contained in Item 1A. of our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2023.

If our product were to become the subject of concerns related to its efficacy, safety, or otherwise, our ability to generate revenues from our product could be seriously harmed.

With the use of any newly marketed technology by a wider patient population, serious adverse events may occur from time to time that initially do not appear to relate to the technology itself. Any safety issues could cause us to suspend or cease marketing of our approved technology, cause us to modify how we market our approved technology, subject us to substantial liabilities, and adversely affect our revenues and financial condition. In the event of a withdrawal of our product from the commercial market, our revenues would decline significantly and our business would be seriously harmed and could fail.

Adoption of our product for the analysis of patients with either early stage or advanced cancer may be slow or limited for a variety of reasons, including competing therapies and perceived difficulties in the treatment process or delays in obtaining reimbursement. If our product is not broadly accepted as a technology option for cancer, our business would be harmed.

The rate of adoption of our product for early stage or advanced cancer and the ultimate market size will be dependent on several factors, including the education of treating physicians on the information provided by our product. A significant portion of the prospective patient base for the product may be under the care of oncologists who may have little or no experience with our technology. Acceptance by oncologists of our product may be slow and may require us to educate physicians on the benefits of using our technology.

To achieve global success for our product as a technology, we will need to obtain approvals by foreign regulatory authorities. Data from our completed clinical trials of our product may not be sufficient to support approval for commercialization by regulatory agencies governing the sale of drugs outside of the United States. This could require us to spend substantial sums to develop sufficient clinical data for licensure by foreign authorities. Submissions for approval by foreign regulatory authorities may not result in marketing approval by these authorities. In addition, certain countries require pricing to be established before reimbursement for the specific technology may be obtained. We may not receive or maintain marketing approvals at favorable pricing levels or at all, which could harm our ability to market our product globally. Cancer is common in many regions where the healthcare support systems are limited and reimbursement for our product may be limited or unavailable, which will likely limit or slow adoption in these regions. If we are unable to successfully achieve the full global market potential of our product due to diagnostic practices or regulatory hurdles, our future prospects would be harmed, and our stock price could decline.

Our product in clinical development may be limited in use if we do not maintain or gain required regulatory approvals.

Our clinical business may be subject to extensive regulation by numerous state and federal governmental authorities in the United States and potentially by foreign regulatory authorities, with regulations differing from country to country.

Obtaining regulatory approval for marketing of a technology candidate in one country does not assure we will be able to obtain regulatory approval in other countries. However, a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in other countries.

In general, the FDA and equivalent other country authorities require labeling, advertising and promotional materials to be truthful and not misleading and marketed only for the approved indications and in accordance with the provisions of the approved label. If the FDA or other regulatory authorities were to challenge our promotional materials or activities, they may bring enforcement action.

Regulatory authorities could also add new regulations or reform existing regulations at any time, which could affect our ability to obtain or maintain approval of our technology. Our product is a novel technology. As a result, regulatory agencies lack experience with it, which may lengthen the regulatory review process, increase our development costs and delay or prevent commercialization of our product outside of the United States. We are unable to predict when and whether any changes to regulatory policy affecting our business could occur, and such changes could have a material adverse impact on our business. If regulatory authorities determine that we have not complied with regulations in the research and development of our predictive biomarkers, they may not approve the technology candidate and we would not be able to market and sell it. If we were unable to market and sell our technology candidate, our business and results of operations would be materially and adversely affected.

We could face competition from other technologies and products that could impact our profitability.

We may face competition in Europe from other technologies and products, and we expect we may face competition from those technologies and products in the future in the United States as well. To the extent that governments adopt more permissive approval frameworks and competitors are able to obtain broader marketing approval for predictive biomarkers, our technology will become subject to increased competition. Expiration or successful challenge of applicable patent rights could trigger such competition, and we could face more litigation regarding the validity and/or scope of our patents. We cannot predict the end results other technologies or other competing products could have on the future potential sales of our services.

We use hazardous materials in our business and must comply with environmental laws and regulations, which can be expensive.

Our operations produce hazardous waste products, including chemicals, radioactive and biological materials. We are subject to a variety of federal, state and local laws and regulations relating to the use, handling, storage and disposal of these materials. Although we believe that our safety procedures for handling and disposing of these materials complies with the standards prescribed by state and federal laws and regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. We generally contract with third parties for the disposal of such hazardous waste products. We are also subject to regulation by the Occupational Safety and Health Administration (“OSHA”), the Environmental Protection Agency (the “EPA”). Additionally, we must comply with the regulations under the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other regulatory statutes, and may in the future be subject to other federal, state or local regulations. OSHA and/or the EPA may promulgate regulations that may affect our research and development programs. We may be required to incur further costs to comply with current or future environmental and safety laws and regulations. In addition, in the event of accidental contamination or injury from these materials, we could be held liable for any damages that result, including remediation, and any such liability could exceed our resources.

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
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>Certificate of Designation of Preferences, Rights and Limitations of Series A-1 convertible Preferred Stock of IMAC Holdings, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 28, 2023 and incorporated herein by reference).</u>
3.5	<u>Certificate of Designation of Preferences, Rights and Limitations of Series A-2 convertible Preferred Stock of IMAC Holdings, Inc. (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on July 28, 2023 and incorporated herein by reference).</u>
3.6	<u>Certificate of Designation of Preferences, Rights and Limitations of Series B-1 convertible Preferred Stock of IMAC Holdings, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 27, 2023 and incorporated herein by reference).</u>
3.7	<u>Certificate of Designation of Preferences, Rights and Limitations of Series B-2 convertible Preferred Stock of IMAC Holdings, Inc. (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on December 27, 2023 and incorporated herein by reference).</u>
3.8	<u>Certificate of Designations of Series C-1 Convertible Preferred Stock (filed as Exhibit 3.1.1 to the Company's Current Report on Form 8-K filed with the SEC on April 16, 2024 and incorporated herein by reference).</u>
3.9	<u>Certificate of Designations of Series C-2 Convertible Preferred Stock (filed as Exhibit 3.1.2 to the Company's Current Report on Form 8-K filed with the SEC on April 16, 2024 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: May 15, 2024

By: /s/ Jeffrey S. Ervin

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

Date: May 15, 2024

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.

May 15, 2024

/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.

May 15, 2024

/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 March 31, 2024, 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 March 31, 2024, 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 March 31, 2024, 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.

May 15, 2024

/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 March 31, 2024, 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 March 31, 2024, 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 March 31, 2024, 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.

May 15, 2024

/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.
